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Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 458)

ANNOUNCEMENT OF 2020 ANNUAL RESULTS

FINANCIAL SUMMARY OF 2020 ANNUAL RESULTS

- Revenue of HK\$2,277 million
- Loss attributable to equity shareholders of HK\$169.4 million
- Loss per share of HK\$0.62

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 2020 together with comparative figures for 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	3	2,277,114	3,001,253
Cost of sales		(1,497,178)	(2,172,630)
Gross profit		779,936	828,623
Other net (loss)/income	4	(16,322)	12,601
Selling and distribution expenses		(432,084)	(326,380)
General and administrative expenses		(450,960)	(494,885)
(Loss)/profit from operations	5	(119,430)	19,959
Finance income	6	1,017	1,930
Finance costs	6	(34,592)	(34,119)
Loss before taxation		(153,005)	(12,230)
Income tax charge	7	(13,786)	(24,707)
Loss for the year		(166,791)	(36,937)
Attributable to:			
Equity shareholders of the Company		(169,437)	(38,829)
Non-controlling interests		2,646	1,892
Loss for the year		(166,791)	(36,937)
Loss per share attributable to equity shareholders of the Company:			
Basic	9	HK\$(0.62)	HK\$(0.14)
Diluted	9	HK\$(0.62)	HK\$(0.14)

Details of dividends payable to equity shareholders of the Company are set out in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year	<u>(166,791)</u>	<u>(36,937)</u>
Other comprehensive income, net of nil tax unless specified:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value changes on cash flow hedges:		
Gains/(losses) arising during the year	21,284	(7,402)
Transferred to and included in the following line items in the consolidated statement of profit or loss:		
Cost of sales	2,422	8,510
General and administrative expenses	(1,277)	2,521
Realisation of exchange reserve upon disposal of a subsidiary	–	(390)
Exchange difference on translation of financial statements of overseas subsidiaries	46,041	(3,063)
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of defined benefit plans and long service payment liabilities	(1,378)	(5,418)
Income tax effect	<u>533</u>	<u>690</u>
Other comprehensive income for the year	<u>67,625</u>	<u>(4,552)</u>
Total comprehensive income for the year	<u><u>(99,166)</u></u>	<u><u>(41,489)</u></u>
Attributable to:		
Equity shareholders of the Company	(101,812)	(43,381)
Non-controlling interests	<u>2,646</u>	<u>1,892</u>
Total comprehensive income for the year	<u><u>(99,166)</u></u>	<u><u>(41,489)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
	Note		
Non-Current Assets			
Property, plant and equipment		626,540	652,354
Intangible assets		439,809	455,674
Other long-term assets		22,554	27,223
Deferred tax assets		8,272	3,490
Defined benefit plan assets		13,943	8,704
Forward foreign exchange contracts		1,229	3
Interest in an associate		–	–
		1,112,347	1,147,448
Current Assets			
Inventories		397,324	413,974
Accounts receivable and bills receivable	10	282,037	352,705
Forward foreign exchange contracts		12,714	516
Prepayments and other receivables		74,854	76,546
Current tax recoverable		3,151	107
Cash and bank balances		358,613	285,363
		1,128,693	1,129,211
Current Liabilities			
Accounts payable and bills payable	11	218,259	179,110
Accruals and other payables and contract liabilities		308,868	269,277
Lease liabilities		86,101	70,286
Forward foreign exchange contracts		–	7,344
Current tax liabilities		30,100	34,347
Bank borrowings		54,292	64,540
		697,620	624,904
Net Current Assets		431,073	504,307
Total Assets Less Current Liabilities		1,543,420	1,651,755
Non-Current Liabilities			
Retirement benefits and other post retirement obligations		32,843	43,677
Licence fees payable		286,618	301,704
Lease liabilities		153,585	144,597
Deferred tax liabilities		27,777	23,512
Forward foreign exchange contracts		–	1,661
Bank borrowings		4,395	–
		505,218	515,151
Net Assets		1,038,202	1,136,604
Capital and Reserves			
Share capital		27,161	27,161
Reserves		1,008,829	1,109,877
Total equity attributable to equity shareholders of the Company		1,035,990	1,137,038
Non-controlling interests		2,212	(434)
Total Equity		1,038,202	1,136,604

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 2020 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.

The consolidated 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 2020 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 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 Group has applied the amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, issued by the HKICPA to these financial statements for the current accounting period.

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. Changes in Accounting Policies (Continued)

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

3. Revenue and Segment Reporting

(a) 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 net off of any trade discounts.

Revenue from sales of goods was recognised at point in time for the year ended 31 December 2020 and 2019.

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2020, none of the remaining performance obligations under the Group’s existing contracts had an original expected duration of more than one year.

For remaining performance obligations of existing contracts that had had an original expected duration of one year or less, the Group has applied the practical expedient in paragraph 121 of HKFRS 15 such that it does not include information about revenue for the remaining performance obligations under the contracts.

(b) Segment reporting

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.

3. Revenue and Segment Reporting (Continued)

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 (Note (ii))		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue	1,417,087	2,317,835	899,401	690,766	–	–	2,316,488	3,008,601
Less: Inter-segment revenue	(39,121)	(7,065)	(253)	(283)	–	–	(39,374)	(7,348)
Revenue	<u>1,377,966</u>	<u>2,310,770</u>	<u>899,148</u>	<u>690,483</u>	<u>–</u>	<u>–</u>	<u>2,277,114</u>	<u>3,001,253</u>
Reportable segment EBITDA (Note (i))	55,933	192,006	44,874	(32,020)	26,707	28,300	127,514	188,286
Finance income	–	–	408	583	609	1,347	1,017	1,930
Finance costs								
– Interest on bank borrowings	–	–	–	–	(3,081)	(4,132)	(3,081)	(4,132)
– Interest on licence fees payable	–	–	(21,492)	(21,180)	–	–	(21,492)	(21,180)
– Interest on lease liabilities	(2,953)	(2,740)	(6,776)	(5,520)	(290)	(547)	(10,019)	(8,807)
Depreciation charge								
– Own property, plant and equipment	(25,581)	(28,817)	(40,694)	(20,247)	(12,052)	(13,216)	(78,327)	(62,280)
– Right-of-use assets	(7,119)	(6,636)	(81,725)	(51,959)	(11,808)	(11,300)	(100,652)	(69,895)
Amortisation of intangible assets								
– Licence rights	–	–	(31,585)	(31,585)	–	–	(31,585)	(31,585)
– Other intangible assets	–	–	(34)	(67)	–	–	(34)	(67)
Impairment losses of property, plant and equipment	(4,613)	–	(31,733)	(4,500)	–	–	(36,346)	(4,500)
Reportable segment profit/(loss) before tax	15,667	153,813	(168,757)	(166,495)	85	452	(153,005)	(12,230)
Income tax (charge)/credit	(3,313)	(18,297)	(12,163)	(10,821)	1,690	4,411	(13,786)	(24,707)
Reportable segment profit/(loss) for the year	<u>12,354</u>	<u>135,516</u>	<u>(180,920)</u>	<u>(177,316)</u>	<u>1,775</u>	<u>4,863</u>	<u>(166,791)</u>	<u>(36,937)</u>

3. Revenue and Segment Reporting (Continued)

Notes:

- (i) 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.
- (ii) Unallocated segment profit or loss for the year mainly include net gain on disposal of a subsidiary in 2019, income and expenses arising from unallocated assets and liabilities for corporate purposes and head office expenses.
- (iii) Upon adoption of HKFRS 16 from 2019, the Group as a lessee is required to recognise interest expenses accrued on the outstanding balance of the lease liability and the depreciation on the right-of-use asset, instead of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. In the cash flow statement, the Group as a lessee is required to classified rentals paid under the capitalised leases as financing cash outflows.

	Garment manufacturing		Brands business		Unallocated (Note (i))		Total	
	As at	As at	As at	As at	As at	As at	As at	As at
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	680,484	799,821	1,080,444	1,064,468	480,112	412,370	2,241,040	2,276,659
Reportable segment liabilities	341,433	366,291	799,339	698,758	62,066	75,006	1,202,838	1,140,055
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COVID-19-related rent concessions received	789	–	11,279	–	33	–	12,101	–
Provision for impairment of receivables, net (Write-down)/reversal of write-down	(18)	(8)	(449)	(5,781)	–	–	(467)	(5,789)
of inventories to net realisable value, net	(18,524)	(15,206)	4,980	7,750	–	–	(13,544)	(7,456)
Additions to property, plant and equipment	18,466	20,701	147,424	184,170	1,109	17,875	166,999	222,746

3. Revenue and Segment Reporting (Continued)

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"), Canada and Italy, while the Group's right-of-use assets, production facilities, trademark, 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 locations of physical assets or the asset holding companies are as follows:

	PRC		US		UK		Canada		Italy		Other countries		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	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	572,013	500,214	168,654	535,341	556,864	809,073	228,346	415,021	253,223	166,604	498,014	575,000	2,277,114	3,001,253

Included in revenue derived from the PRC was HK\$168,218,000 (2019: HK\$245,905,000) which was generated in Hong Kong.

For the year ended 31 December 2020, revenue from one customer (2019: three customers) in the garment manufacturing segment accounted for more than 10% of the Group's total revenue and represented approximately 15% (2019: 17%, 11% and 11%) of the total revenue.

	PRC		Luxembourg		Thailand		Other countries		Total	
	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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))	662,271	734,887	187,130	171,344	76,854	75,116	162,648	153,904	1,088,903	1,135,251

Included in non-current assets located in the PRC was HK\$261,981,000 (2019: HK\$312,934,000) which was related to assets located in Hong Kong.

Notes:

- (i) Unallocated assets and liabilities mainly include centrally-managed cash and bank balances, bank borrowings and property, plant and equipment for corporate purposes.
- (ii) Non-current assets exclude deferred tax assets, defined benefit plan assets and foreign forward exchange contracts.

4. Other Net (Loss)/Income

	2020 HK\$'000	2019 HK\$'000
Government subsidies (<i>Note (i)</i>)	13,544	1,508
Impairment losses of property, plant and equipment (<i>Note (ii)</i>)	(36,346)	(4,500)
Net gain on disposal of a subsidiary (<i>Note (iii)</i>)	–	10,914
Net loss on disposals of property, plant and equipment	(335)	(51)
Net gain on derecognition of right-of-use assets and lease liabilities	467	–
Sundry income	6,348	4,730
	<u>(16,322)</u>	<u>12,601</u>

Notes:

- (i) During the year ended 31 December 2020, the Group received HK\$13,544,000 (2019: HK\$1,508,000) government subsidies from the Mainland China and Hong Kong government, of which HK\$11,306,000 (2019: Nil) representing funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. There were no unfulfilled conditions and other contingencies attached to the receipts of subsidies from the Mainland China government. There is no assurance that the Group will continue to receive such government subsidies in the future.
- (ii) In 2020, loss has been recorded for certain units within the brands business segment and a factory under the garment manufacturing segment. The Group has assessed the recoverable amounts of the related property, plant and equipment of these units as at 31 December 2020. An impairment loss of HK\$31,733,000 (2019: HK\$4,500,000) is recognised to reduce the carrying value of the property, plant and equipment of those loss making retail stores in Mainland China and Hong Kong to their recoverable amounts of HK\$8,943,000. In addition, an impairment loss of HK\$4,613,000 (2019: Nil) is recognised to reduce the carrying value of the property, plant and equipment of the factory to its recoverable amount of HK\$8,344,000.
- (iii) In 2019, the Group disposed of a wholly-owned subsidiary incorporated in the Philippines at a consideration of HK\$16,725,000, with a net gain of HK\$10,914,000 after net-off with transaction cost of HK\$3,355,000. The subsidiary was the owner of a parcel of land and certain factory buildings in the Philippines, and had been inactive in early years.

5. (Loss)/Profit from Operations

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

	2020 HK\$'000	2019 HK\$'000
Amortisation of intangible assets	31,619	31,652
Depreciation charge		
– Own property, plant and equipment	78,327	62,280
– Right-of-use assets	100,652	69,895
Variable lease payments not included in the measurement of lease liabilities	10,882	8,299
Expenses relating to short-term leases and other leases with remaining lease term ending on or before end of the current year	21,607	10,819
COVID-19-related rent concessions received	(12,101)	–
Provision for impairment of receivables, net	467	5,789
Cost of inventories	1,497,178	2,172,630
Employee benefit expenses	693,274	773,927
Net exchange loss	4,492	5,550
Auditor's remuneration		
– Audit services	3,755	3,660
– Others	1,203	1,030
	3,755	3,660
	1,203	1,030

6. Finance Income and Finance costs

	2020 HK\$'000	2019 HK\$'000
Finance income		
– Interest income from bank deposits	609	1,347
– Imputed interest on long-term rental deposits	408	583
	1,017	1,930
Finance costs		
– Interest on licence fees payable	21,492	21,180
– Interest on lease liabilities	10,019	8,807
– Interest on bank borrowings	3,081	4,132
	34,592	34,119

7. Income Tax Charge

	2020 HK\$'000	2019 HK\$'000
Current income tax		
Hong Kong profits tax	–	(12,364)
Non-Hong Kong tax	(13,983)	(12,612)
Over-provisions of prior years	170	240
	(13,813)	(24,736)
Deferred tax	27	29
	(13,786)	(24,707)

No provision for Hong Kong Profits Tax is made for 2020 since subsidiaries incorporated in Hong Kong sustained losses for tax purpose. (2019: 16.5%, except for one subsidiary of the Group under the two-tiered profits tax rate regime, which the first HK\$2,000,000 of assessable profits is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.)

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

8. Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

9. 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\$169,437,000 (2019: HK\$38,829,000) by the weighted average number of 271,607,253 (2019: 271,607,253) ordinary 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 2020 and 2019, 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 2020 and 2019.

10. 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:

	2020 HK\$'000	2019 HK\$'000
Less than 3 months	242,656	342,757
3 months to 6 months	39,381	9,948
Over 6 months	7,555	7,199
	<u>289,592</u>	<u>359,904</u>
Less: Loss allowance	<u>(7,555)</u>	<u>(7,199)</u>
	<u><u>282,037</u></u>	<u><u>352,705</u></u>

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 60 to 90 days (2019: 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.

11. 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:

	2020 HK\$'000	2019 HK\$'000
Less than 3 months	196,810	167,484
3 months to 6 months	14,105	2,372
Over 6 months	7,344	9,254
	<u>218,259</u>	<u>179,110</u>

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.

12. Capital Commitments

	2020 HK\$'000	2019 HK\$'000
Contracted but not provided for in respect of leasehold improvements	<u>1,915</u>	<u>–</u>

The Group was also committed at 31 December 2020 to enter into several leases that are not yet commenced, the lease payments under which amounted to HK\$586,000 per annum (2019: HK\$3,831,000 per annum).

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 2020.

Overview

For the year ended 31 December 2020, the Group recorded a loss attributable to equity shareholders of HK\$169 million as compared with the loss of HK\$39 million for the corresponding period of last year. As mentioned in the Group's 2019 annual results announcement and its 2020 interim results announcement, the outbreak of COVID-19 pandemic ("COVID-19") has affected the Group's business and brought negative impact to the Group's 2020 full year financial performance as follows:

- a) Decline in revenue and profit for our garment manufacturing business due to reduction of orders by our customers in major countries following the lockdown of their business operations caused by COVID-19; and
- b) Losses incurred by our licensed brands in China due to COVID-19 related store closures and battered consumer sentiment, especially in the early redevelopment and development stages for the Nautica and Spyder businesses respectively.

Own Brands

While COVID-19 related store closures and declines in tourism brought challenges to the fashion industry in Europe, C.P. Company had a relatively small impact and continued its year-on-year growth. Demand of its product and sell through of key wholesale accounts remained strong in 2020. The brand recorded 18% increase in revenue and higher profitability over 2019 amid minor wholesale orders cancellation and direct retail lockdown. Wholesale business in the UK and Italy remained the largest contributors of C.P. Company revenue. To further support the wholesale business in Europe, following our Milan store and Italy outlet opened in 2019, we opened the Amsterdam store in 2020. In January 2021, the Milan store was relocated to Via Matteotti, one of the famous streets for Milanese shopping.

The pandemic changes shopping behavior and further fosters the growth of e-commerce, omnichannel retail environment and digital oriented CRM and marketing. The pandemic offered C.P. Company the opportunity to accelerate its digital transformation. E-Commerce sales was impacted during the first wave of the pandemic in Europe and fully recovered in the second half of 2020. The brand has migrated to its new e-commerce platform to inspire customers in June 2020 and has strong growth opportunities. We have also started digitalisation of our wholesale channel that will allow us to have deeper understanding of our customers and their behaviour, enable us to devise successful sales strategy and enhance long term relationship with key accounts.

Our unique French concept premium ladies wear Cissonne continued to gradually expand through direct retailing in China major cities. The brand has now seven stores located in Shanghai Kerry Centre, Shanghai Grand Gateway 66, The Malls at Oriental Plaza, Beijing China World Trade Center, Nanjing Deji Plaza, Qingdao MIXC and Shanghai Zhenning Road respectively.

Licensed Brands

COVID-19 has impacted the performance of our licensed brands in China. Some of our stores in China were temporarily closed in late January and all of February 2020. When stores resumed operation and restrictions eased, retail sales of our licensed brands started to gradually pick up in the third and fourth quarters of 2020. The two licensed brands recorded revenue increase compared with 2019 as more Nautica POS were opened and Spyder recorded a full year revenue following its launch in mid-2019. Despite the revenue increase, the two brands recorded net losses in 2020 as they remain in the early development stages since their respective launch in mid-2018 and 2019.

For Nautica, the Group negotiated rental concessions, rearranged purchase orders and delayed new store openings due to the pandemic. With the control of the virus and limited outbound overseas travel by Mainland consumers, retail sales of the brand started to pick up in the third and fourth quarters of 2020. Sales were especially brisk in the outlet store channel. As of 31 December 2020, Nautica had 81 directly managed retail stores and another 70 POS operated by partners (2019: 125 POS in total). Spyder was launched in mid-2019 and enjoyed a good market response. Being a new brand, COVID-19 hit Spyder hard and set back our pace of development. In response to the challenges, we deferred new store openings and controlled operating costs. We are keeping the momentum going with select, strategic new store openings, an active social media presence, member recruitment and innovative design efforts for our various product categories. While we have been establishing the brand image and position through full price channel, we began to capture opportunities in important outlet malls from the second half year of 2020. There were positive retail sales trends and improved e-commerce sales for the brand in the second half of 2020. As of 31 December 2020, Spyder had 54 POS across China (2019: 35 POS).

Garment Manufacturing

The global COVID-19 outbreak has significantly hit major economies and the business of our garment manufacturing customers with lockdown of their operations. Customers had reduced or cancelled orders in view of weak consumer confidence and uncertain retail environment. This has led to a decline in revenue of our garment manufacturing business by 40% in 2020 as compared with last year. We have ongoing communications with our customers and suppliers to alleviate the impact. Certain customers have asked for lengthening payment terms. To safeguard our financial position, we have negotiated with suppliers to extend payment terms and sell receivables under customer's supplier financing programs.

On our factories, to cope with contraction in demand, we have downsized the workforce in our Thailand and Philippines factories during 2020 and imposed rigorous cost control in all areas of operations. Our China and Thailand factories continue to serve our "premium business" for fashion and complicated outerwear products. In 2020, the Group received anti-epidemic subsidies and stimulus from local governments including social security concessions from the China government. Our Philippines, Vietnam and Myanmar factories continue to allow us stay competitive in cost to support our "better business" for better tailoring products. Our Philippines factory was most hit among our factories due to longer lock down and order reduction from customers.

Event after the Reporting Period

Subsequent to the year end on 1 February 2021, the Myanmar military seized control of the country and declared a state of emergency for up to one year. The political unrest has caused disruptions to the operations of our Myanmar factory. The Myanmar factory's revenue and total assets amount to less than 3% of the Group for 2020. We are closely monitoring the developments and have ongoing communications with our customers on the situation and orders arrangement.

Financial Highlights

	Note	2020	2019	Change
Operating results (HK\$ million)				
Revenue		2,277	3,001	–24%
Gross profit		780	829	–6%
EBITDA		128	188	–32%
<i>Depreciation on right-of-use asset</i>	1	(101)	(70)	–44%
<i>Interest on lease liabilities</i>	1	(10)	(9)	–11%
<i>Amortisation of licence right</i>	2	(32)	(32)	–
<i>Interest on licence fees payable</i>	2	(21)	(21)	–
<i>Depreciation on own property, plant and equipment</i>		(78)	(62)	–26%
<i>Impairment losses of right-of-use asset and property, plant and equipment</i>		(36)	(5)	–620%
Loss attributable to equity shareholders		(169)	(39)	–333%
Segment results (HK\$ million)				
Garment manufacturing EBITDA		56	192	–71%
<i>Depreciation on right-of-use asset</i>	1	(7)	(7)	–
<i>Interest on lease liabilities</i>	1	(3)	(3)	–
<i>Depreciation on own property, plant and equipment</i>		(26)	(29)	+10%
Garment manufacturing results after tax		12	136	–91%
Brands business EBITDA		45	(32)	+241%
<i>Depreciation on right-of-use asset</i>	1	(82)	(52)	–58%
<i>Interest on lease liabilities</i>	1	(7)	(6)	–17%
<i>Amortisation of licence right</i>	2	(32)	(32)	–
<i>Interest on licence fees payable</i>	2	(21)	(21)	–
<i>Depreciation on own property, plant and equipment</i>		(41)	(20)	–105%
<i>Impairment losses of right-of-use asset and property, plant and equipment</i>		(32)	(5)	–540%
Brands business results after tax		(181)	(177)	–2%
Cash flow (HK\$ million)				
Cash generated from operations		238	128	+86%
Payment for the purchase of property, plant and equipment		(51)	(88)	+42%
Rental payments under capitalised leases	1	(92)	(72)	–28%
Financial position (HK\$ million)				
Cash and bank balances		359	285	+26%
Bank borrowings		59	65	+9%
Total equity		1,038	1,137	–9%
Key ratios				
Gross profit margin		34.3%	27.6%	+6.7pp
Net loss margin attributable to equity shareholders		(7.4%)	(1.3%)	–6.1pp
Return on average equity (ROE)	3	(15.5%)	(3.4%)	–12.1pp

Notes:

1. Upon adoption of HKFRS 16 from 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability and the depreciation on the right-of-use asset, instead of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. In the cash flow statement, the Group as a lessee is required to classified rentals paid under the capitalised leases as financing cash outflows.
2. 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.
3. ROE is calculated as loss attributable to equity shareholders over average total equity for the current and prior year.

Financial Review

Revenue

Total revenue of the Group for the year 2020 was HK\$2,277 million (2019: HK\$3,001 million), representing a decrease of 24% as compared with the last year.

Revenue from brands business was HK\$899 million in 2020, as compared with HK\$690 million in 2019. C.P. Company revenue increased by 18% as compared with the last year. Our licensed business in China also recorded revenue increase as more Nautica stores were opened and Spyder recorded a full year revenue in 2020 following its launch in mid-2019.

Revenue from the garment manufacturing segment was HK\$1,378 million, as compared with HK\$2,311 million in 2019. Revenue from premium business, which accounted for 69% (2019: 68%) of the segment revenue, decreased by 39% as compared with last year. Revenue from better business also decreased by 40%. Revenue drop was due to cancellation and reduction of orders by our customers caused by COVID-19.

Geographically, major markets of the Group are the UK, the US and Canada, and the People's Republic of China (the "PRC"), which accounted for 24%, 17% and 25% (2019: 27%, 32% and 17%) of the Group's total revenue respectively. The change was mainly due to the decrease in revenue of our garment manufacturing business.

Despite COVID-19 impact, the Group's business continues 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 pattern of a larger proportion of sales record in the second half year will continue.

Gross Profit

During the year, the Group's overall gross profit was HK\$780 million (2019: HK\$829 million), representing a gross profit margin of 34.3% (2019: 27.6%). The decrease in gross profit was mainly attributable to decreased turnover from garment manufacturing business. Gross profit margin of the garment manufacturing business was fairly stable as compared with the last year. The Group's overall gross profit margin increased in 2020 due to the rise in revenue proportion of brands business which has an overall higher margin.

Other Net (Loss)/Income

In 2020, other net (loss)/income mainly included government subsidies of HK\$14 million from the Mainland China and Hong Kong government; and impairment losses on right-of-use assets and property, plant and equipment totaling HK\$36 million for certain loss making retail stores in China and Hong Kong and a factory unit.

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly advertising and promotion, sales commission, shop and sample expenses. Selling and distribution expenses increased as compared to 2019 mainly due to increase in Nautica and Spyder shop expenses and commissions paid to retail partners as more retail stores opened comparing with the last year.

General and Administrative Expenses

General and administrative expenses decreased as compared with 2019 mainly due to cost control implemented by the Group during the year that led to reduction in employee costs and travelling, among others.

Segment Results

Despite C.P. Company reported a net profit in 2020, our brands business reported an increase in segment loss to HK\$181 million this year as compared with HK\$177 million in 2019. This is mainly due to COVID-19's impact to our licensed brands in China, especially in the early redevelopment and development stages for the Nautica and Spyder businesses respectively; and impairment for right-of-use assets and property, plant and equipment.

In 2020, garment manufacturing business recorded a profit of HK\$12 million as compared with HK\$136 million in the previous year. The decrease in segment profit of garment manufacturing business was mainly due to COVID-19 related revenue drop from customers in 2020.

Financial Resources and Liquidity

At 31 December 2020, cash and bank balances amounted to HK\$359 million (31 December 2019: HK\$285 million) which was mainly in United States dollars ("US dollars") and Renminbi bank deposits and balances. In 2020, the Group generated more cash due to improvement in working capital – reduction of accounts receivables of our garment manufacturing business from a higher level at the beginning of the year and extending the payment period of payables of our brands business.

The Group maintained sufficient banking facilities to support its business. At 31 December 2020, the Group had short-term bank borrowings of HK\$55 million and a 5 years zero interest Swiss Franc COVID-19 bridging loan of HK\$4 million borrowed by our subsidiary in Switzerland (31 December 2019: Short term loan of HK\$65 million). Short term bank borrowings were mainly denominated in Renminbi and US dollars and bearing interest at fixed rates. As at 31 December 2020, bank deposits of HK\$44 million (31 December 2019: HK\$34 million) were pledged to secure bank guarantee facilities granted to the Group. 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 2020 and 31 December 2019, and accordingly, no information on gearing ratio as at that dates is provided.

Shareholders' equity at 31 December 2020 decreased mainly due to loss attributable to equity shareholders for the year, and partially offset by fair value gain on forward contracts and the positive exchange difference on translating the financial statements of overseas subsidiaries, mainly from the appreciation of Renminbi and Euro during the year.

Most of the Group's receipts and payments are denominated in US dollars, Hong Kong dollars, Renminbi, Pound Sterling and Euro. The Group manages the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the year ended 31 December 2020, 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 sales receipts of a European subsidiary.

Contingent Liabilities and Capital Commitments

Apart from the capital commitment as disclosed in note 12 in this announcement, there was no other material capital commitments or contingent liabilities as at 31 December 2020.

Human Resources

The Group had about 7,320 employees as at 31 December 2020 (2019: 9,650). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance are also awarded with discretionary bonuses and share options.

Outlook

Brands Business

Our own global brand C.P. Company has a sound business foundation. The brand has year-on-year double-digit growth in revenue and the momentum for the brand is very positive since acquisition. The brand delivered encouraging performance amid COVID-19 and is well placed to have continuing revenue and profitability growth in the coming years. The brand will expand collections to drive revenue and upgrade our positioning in existing markets. We will continue to focus on existing key and growing wholesale markets (Italy, the UK, South Korea, France, Germany and Benelux), and will expand into other countries in Europe, the Middle East, South American and Asian markets. The brand will continue to grow e-commerce and plans to open more direct retail stores at suitable locations. Year 2021 marks the 50th anniversary of C.P. Company and we will celebrate with activities and marketing initiatives that further enhance brand visibility. A series of collabs and special digitally coordinated projects and exhibitions will be launched together with the release of a C.P. Company commemorative book in celebration of the 50th anniversary.

Building on our strong design and supply chain teams and Nautica's aspirational image and long history in China, we have a clear path for the brand in terms of distribution channel mix, key retail metrics and business model. We continue to see positive recognition from key landlords as we have delivered against various key initiatives, such as a dual-gender Black Sail concept; differentiated product lines; new in-store environments and services; pricing and discount control across channels, etc. We will expand our footprint together with retail partners by opening stores in key target cities, and to enlarge the brand's e-commerce business on China's major online platforms such as TMall and JD.

Leveraging on Spyder's 40 years heritage in the global ski market as well as its success in the competitive South Korean retail market, the brand's introduction to China has been well-received. Spyder's positioning is very much on trend in the huge and growing premium sports apparel market in China. 2021 is an important year to increase brand awareness and regain traction. With our growing member database and a strong product pipeline, we are ready to expand our footprint of the brand across the major markets in China.

Garment Manufacturing

The uncertainties regarding developments of COVID-19 and post-pandemic demand recovery remain a challenge to our garment manufacturing business in the foreseeable future. We will continue measures to control factory operating costs and right-size capacity in order to maintain flexibility when market recovers. Our diversified production base, unique production system together with flexible supply chain enable us to work closely with our premium brands customers in response to the recovering market needs.

The Group is dedicated to invest in the long term success of our brands business and at the same time strengthen our garment manufacturing business. The Company will continue to monitor the development of the COVID-19 pandemic. It is encouraging that the Chinese economy was the first economy recovering from the pandemic, and major economies have rolled out mass vaccination program with continuing policy support. We believe the Group has sound and solid foundation to overcome the ongoing challenge of the pandemic. With the net cash position (cash and bank balances less bank borrowings) of HK\$300 million as of 31 December 2020 and available bank credit facilities, we are confident that we are able to weather through the pandemic crisis and will return our business to growth and sustainability when major economies recover.

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
Macroeconomic Environment	Increased Cost	Liquidity and Interest Rate
Business Partner's Change in Business Strategy	Environment and Social Responsibility	Foreign Exchange
Regulatory Risks	IT Risks	
	Business Interruption	

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

Nature of Risk	Responses
External Risks	
Macroeconomic Environment 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 behaviour in these countries. Change in economic condition and consumer spending behaviour may reduce the demand of our products.	- 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 may cause 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 our own brands and long term licensed brands business will help to sustain the revenue of brands business.
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. - Diversified manufacturing base and supply chain in various countries in Asia and production process improvements will help to offset the rise in wages and staff costs.
Environment and 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.
IT Risks When there is IT system outage or cyberattack, all the IT systems may come to a halt causing not only business interruption but also loss of confidential information such as personal data of employees or consumers of the e-shop.	- Appropriate controls and technology have been deployed to mitigate the risk of system outages and cyberattack. They include preventive system maintenance, regular security checks, installation of fire-wall and anti-virus software, multi-level security, uninterrupted power supply, daily off-site backup of key application systems and data, regular disaster recovery drill, assignment of job-related access rights, well-defined access controls system. - Although certain e-shops are run on third-party platform, the e-Commerce service agreement specifies that the operator should maintain and update all the technological elements necessary to guarantee the proper functioning of the e-shop, the safety of the systems underlying the e-shop and the protection of the personal data according to applicable laws and market practices.

Nature of Risk	Responses
Operational Risks (Continued)	
Business Interruption - The Group's operations may be interrupted by the occurrence of unexpected events like natural disasters, strikes, epidemics and occupational hazards that may or may not be under the Group's control. - The widespread community transmission of COVID-19 may cause disruption in supply chain, and interruption of business operations.	- Proactive sourcing of suppliers in different countries and regional production facilities help to reduce the reliance on any single site. - Constant communication with customers for keeping them abreast of any potential disruption of services and endeavour to seek their support and understanding. - Work from home with the use of conference call, video conferencing and remote access to the Group's IT systems.
Financial Risks	
Liquidity and Interest Rate - Cash and treasury management may not be operating effectively leading to liquidity risk. - Cash flows and profitability will be negatively impacted by the movement of interest rates on bank balances and bank borrowings.	- 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. - 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 various Asian countries. 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 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 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. - 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 2020 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 2020, 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 2020. 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 2020, 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 2020 (2019: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 1 June 2021 to Monday, 7 June 2021, 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, 7 June 2021 (the “2021 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, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 31 May 2021.

ANNUAL GENERAL MEETING

The 2021 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, 7 June 2021. The notice of 2021 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 2020 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 2020 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, 29 March 2021

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.