Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 458)

ANNOUNCEMENT OF 2021 ANNUAL RESULTS

FINANCIAL SUMMARY OF 2021 ANNUAL RESULTS

- Revenue of HK$3,038 million
- Profit attributable to equity shareholders of HK$21 million
- Earnings per share of HK$0.08

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 2021 together with comparative figures for 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	**2021** *HK$'000*	2020 *HK$'000*
Revenue	3	**3,037,662**	2,277,114
Cost of sales		**(1,812,830)**	(1,497,178)
Gross profit		**1,224,832**	779,936
Other net loss	4	**(46,489)**	(16,322)
Selling and distribution expenses		**(586,909)**	(432,084)
General and administrative expenses		**(476,446)**	(450,960)
Profit/(loss) from operations	5	**114,988**	(119,430)
Finance income	6	**1,375**	1,017
Finance costs	6	**(31,875)**	(34,592)
Profit/(loss) before taxation		**84,488**	(153,005)
Income tax charge	7	**(55,291)**	(13,786)
Profit/(loss) for the year		**29,197**	(166,791)
Attributable to:			
Equity shareholders of the Company		**21,134**	(169,437)
Non-controlling interests		**8,063**	2,646
Profit/(loss) for the year		**29,197**	(166,791)
Earnings/(loss) per share attributable to equity shareholders of the Company:			
Basic	9	**HK$0.08**	HK$(0.62)
Diluted	9	**HK$0.08**	HK$(0.62)

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 2021

	2021	2020
	HK$'000	*HK$'000*
Profit/(loss) for the year	**29,197**	(166,791)
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:		
Gains arising during the year	**4,657**	21,284
Transferred to and included in the following line items in the consolidated statement of profit or loss:		
Cost of sales	**(12,170)**	2,422
General and administrative expenses	**(2,178)**	(1,277)
Exchange difference on translation of financial statements of overseas subsidiaries	**(25,708)**	46,041
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans and long service payment liabilities	**4,182**	(1,378)
Income tax effect	**(690)**	533
Other comprehensive income for the year	**(31,907)**	67,625
Total comprehensive income for the year	**(2,710)**	(99,166)
Attributable to:		
Equity shareholders of the Company	**(10,773)**	(101,812)
Non-controlling interests	**8,063**	2,646
Total comprehensive income for the year	**(2,710)**	(99,166)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	**As at 31 December 2021 *HK$'000***	As at 31 December 2020 *HK$'000*
Non-Current Assets			
Property, plant and equipment		**538,224**	626,540
Intangible assets		**400,754**	439,809
Other long-term assets		**16,998**	22,554
Deferred tax assets		**16,855**	8,272
Defined benefit plan assets		**10,260**	13,943
Forward foreign exchange contracts		**768**	1,229
Interest in an associate		**–**	–
		983,859	1,112,347
Current Assets			
Inventories		**531,189**	397,324
Accounts receivable and bills receivable	10	**435,914**	282,037
Forward foreign exchange contracts		**5,267**	12,714
Prepayments and other receivables		**79,538**	74,854
Current tax recoverable		**57**	3,151
Cash and bank balances		**378,913**	358,613
		1,430,878	1,128,693
Current Liabilities			
Accounts payable and bills payable	11	**344,117**	218,259
Accruals and other payables and contract liabilities		**359,742**	308,868
Lease liabilities		**78,780**	86,101
Forward foreign exchange contracts		**1,783**	–
Current tax liabilities		**64,512**	30,100
Bank borrowings		**42,027**	54,292
		890,961	697,620
Net Current Assets		**539,917**	431,073
Total Assets Less Current Liabilities		**1,523,776**	1,543,420
Non-Current Liabilities			
Retirement benefits and other post retirement obligations		**27,084**	32,843
Licence fees payable		**310,296**	286,618
Lease liabilities		**117,071**	153,585
Deferred tax liabilities		**33,108**	27,777
Bank borrowings		**–**	4,395
		487,559	505,218
Net Assets		**1,036,217**	1,038,202
Capital and Reserves			
Share capital		**27,161**	27,161
Reserves		**998,781**	1,008,829
Total equity attributable to equity shareholders of the Company		**1,025,942**	1,035,990
Non-controlling interests		**10,275**	2,212
Total Equity		**1,036,217**	1,038,202

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 2021 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. The consolidated 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 2021 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 and accounts receivable to be sold at fair value through other comprehensive income (recycling) which 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 following amendment to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

– Amendment to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*

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. Impacts of the adoption of the amended HKFRSs are discussed below:

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

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022. The Group has early adopted the 2021 amendment in this accounting period. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are 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 2021.

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 net off of any trade discounts.

Revenue from sales of goods was recognised at point in time for the year ended 31 December 2021 and 2020.

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

As at 31 December 2021, 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 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**	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**1,648,405**	1,417,087	**1,489,692**	899,401	**–**	–	**3,138,097**	2,316,488
Less: Inter-segment revenue	**(100,023)**	(39,121)	**(412)**	(253)	**–**	–	**(100,435)**	(39,374)
Revenue	**1,548,382**	1,377,966	**1,489,280**	899,148	**–**	–	**3,037,662**	2,277,114
Reportable segment EBITDA *(Note (i))*	**135,802**	55,933	**201,976**	44,874	**29,756**	26,707	**367,534**	127,514
Finance income	**–**	–	**636**	408	**739**	609	**1,375**	1,017
Finance costs								
– Interest on bank borrowings	**–**	–	**(152)**	–	**(2,470)**	(3,081)	**(2,622)**	(3,081)
– Interest on licence fees payable	**–**	–	**(20,823)**	(21,492)	**–**	–	**(20,823)**	(21,492)
– Interest on lease liabilities	**(2,155)**	(2,953)	**(5,981)**	(6,776)	**(294)**	(290)	**(8,430)**	(10,019)
Depreciation charge								
– Owned property, plant and equipment	**(20,319)**	(25,581)	**(44,429)**	(40,694)	**(11,634)**	(12,052)	**(76,382)**	(78,327)
– Right-of-use assets	**(8,115)**	(7,119)	**(75,845)**	(81,725)	**(10,643)**	(11,808)	**(94,603)**	(100,652)
Amortisation of intangible assets								
– Licence rights	**–**	–	**(31,585)**	(31,585)	**–**	–	**(31,585)**	(31,585)
– Other intangible assets	**–**	–	**–**	(34)	**–**	–	**–**	(34)
Impairment losses of property, plant and equipment and right-of-use assets	**(3,618)**	(4,613)	**(16,853)**	(31,733)	**–**	–	**(20,471)**	(36,346)
Impairment losses of intangible assets	**–**	–	**(29,505)**	–	**–**	–	**(29,505)**	–
Reportable segment profit/((loss) before tax	**101,595**	15,667	**(22,561)**	(168,757)	**5,454**	85	**84,488**	(153,005)
Income tax (charge)/credit	**(15,707)**	(3,313)	**(36,809)**	(12,163)	**(2,775)**	1,690	**(55,291)**	(13,786)
Reportable segment profit/(loss) for the year	**85,888**	12,354	**(59,370)**	(180,920)	**2,679**	1,775	**29,197**	(166,791)

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 income and expenses arising from unallocated assets and liabilities for corporate purposes and head office expenses.

(iii) Under HKFRS16, 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 31 December 2021	As at 31 December 2020	**As at 31 December 2021**	As at 31 December 2020	**As at 31 December 2021**	As at 31 December 2020	**As at 31 December 2021**	As at 31 December 2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**711,356**	680,484	**1,185,228**	1,080,444	**518,153**	480,112	**2,414,737**	2,241,040
Reportable segment liabilities	**405,189**	341,433	**922,391**	799,339	**50,940**	62,066	**1,378,520**	1,202,838

	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
COVID-19-related rent concessions received	**552**	789	**1,238**	11,279	**–**	33	**1,790**	12,101
Reversal of/(provision for) impairment of receivables, net	**433**	(18)	**(54)**	(449)	**–**	–	**379**	(467)
Reversal of write-down/(write-down) of inventories to net realisable value, net	**515**	(18,524)	**(18,910)**	4,980	**–**	–	**(18,395)**	(13,544)
Additions to property, plant and equipment	**13,466**	18,466	**109,791**	147,424	**15,468**	1,109	**138,725**	166,999

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 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, Switzerland 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		UK		Canada		Italy		Other countries		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	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	**937,162**	572,013	**750,418**	556,864	**237,322**	228,346	**325,230**	253,223	**787,530**	666,668	**3,037,662**	2,277,114

Included in revenue derived from the PRC was HK$170,444,000 (2020: HK$168,218,000) which was generated in Hong Kong.

For the year ended 31 December 2021, revenue from one customer (2020: one customer) in the garment manufacturing segment accounted for more than 10% of the Group's total revenue and represented approximately 15% (2020: 15%) of the total revenue.

	PRC		Luxembourg *(Note (ii))*		Switzerland *(Note (ii))*		Thailand		Other countries		Total	
	As at 31 December 2021	As at 31 December 2020	**As at 31 December 2021**	As at 31 December 2020	**As at 31 December 2021**	As at 31 December 2020	**As at 31 December 2021**	As at 31 December 2020	**As at 31 December 2021**	As at 31 December 2020	**As at 31 December 2021**	As at 31 December 2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets *(Note (iii))*	**596,797**	662,271	**–**	187,130	**189,237**	17,359	**66,487**	76,854	**103,455**	145,289	**955,976**	1,088,903

Included in non-current assets located in the PRC was HK$243,332,000 (2020: HK$261,981,000) which was related to assets located in Hong Kong.

(i) Unallocated assets and liabilities mainly include centrally-managed cash and bank balances, bank borrowings and property, plant and equipment for corporate purposes.

(ii) During the year ended 31 December 2021, the Group's "C.P. Company" trademark holding subsidiary company was migrated from Luxembourg to Switzerland for more efficient corporate structure and management.

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

4. Other Net Loss

	2021	2020
	HK$'000	*HK$'000*
Government subsidies *(Note (i))*	**1,621**	13,544
Impairment losses of property, plant and equipment *(Note (ii))*	**(20,471)**	(36,346)
Impairment losses of intangible assets *(Note (iii))*	**(29,505)**	–
Net loss on disposals of property, plant and equipment	**(3,451)**	(335)
Net gain on derecognition of right-of-use assets and lease liabilities	**1,276**	467
Sundry income	**4,041**	6,348
	(46,489)	(16,322)

Notes:

(i) During the year ended 31 December 2021, the Group received HK$1,621,000 (2020: HK$13,544,000) government subsidies from the Mainland China and Hong Kong government. Subsidies of HK$11,306,000 received during the year ended 31 December 2020 representing funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government.

For government subsidies from the Mainland China government, 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.

(ii) In 2021 and 2020, loss has been recorded for certain units within the brands business segment. The Group has assessed the recoverable amounts of the property, plant and equipment of these units as at 31 December 2021 and 31 December 2020. An impairment loss of HK$16,853,000 (2020: HK$31,733,000) is charged to other net loss in relation to property, plant and equipment of certain loss making retail stores in Mainland China to reduce carrying values to recoverable amounts.

In addition, loss has also been recorded for a factory under garment manufacturing segment. The Group has assessed the recoverable amount of the property, plant and equipment of this factory as at 31 December 2021. An impairment loss of HK$3,618,000 (2020: HK$4,613,000) is charged to other net loss in relation to the property, plant and equipment of this factory to reduce its carrying value to its recoverable amount.

(iii) During the year ended 31 December 2021, an impairment loss on intangible asset of HK$29,505,000 (2020: Nil) for a loss-making brand business is charged to other net loss to reduce its carrying amount to the recoverable amount.

5. Profit/(Loss) from Operations

Profit/(loss) from operations is stated after charging/(crediting):

	2021	2020
	HK$'000	*HK$'000*
Amortisation of intangible assets	**31,585**	31,619
Depreciation charge		
– Owned property, plant and equipment	**76,382**	78,327
– Right-of-use assets	**94,603**	100,652
Variable lease payments not included in the measurement of lease liabilities	**13,871**	10,882
Expenses relating to short-term leases and other leases with remaining lease term ending on or before end of the current year	**35,218**	21,607
COVID-19-related rent concessions received	**(1,790)**	(12,101)
(Reversal of)/provision for impairment of receivables, net	**(379)**	467
Cost of inventories	**1,812,830**	1,497,178
Employee benefit expenses	**672,470**	639,274
Net exchange (gain)/loss	**(4,231)**	4,492

6. Finance Income and Finance Costs

	2021	2020
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**1,008**	609
Imputed interest on long-term rental deposits	**367**	408
	1,375	1,017
Finance costs		
Interest on licence fees payable	**20,823**	21,492
Interest on lease liabilities	**8,430**	10,019
Interest on bank borrowings	**2,622**	3,081
	31,875	34,592

7. Income Tax Charge

	2021	2020
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**(9,979)**	–
Non-Hong Kong tax	**(49,601)**	(13,983)
Over-provisions of prior years	**26**	170
	(59,554)	(13,813)
Deferred tax	**4,263**	27
	(55,291)	(13,786)

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% of the estimated assessable profit for the year (after offsetting the accumulated loss brought forward from prior years), except for one subsidiary of the Group which is a qualifying corporation under two-tiered Profits Tax rate regime. No provision for Hong Kong Profits Tax is made for 2020 since subsidiaries incorporated in Hong Kong sustained losses for tax purpose.

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

8. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

9. Earnings/(Loss) Per Share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit attributable to equity shareholders of the Company for the year ended 31 December 2021 of HK$21,134,000 (2020: loss attributable to equity shareholders of HK$169,437,000) by the weighted average number of 271,607,253 (2020: 271,607,253) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

Diluted earnings/(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 2021 and 2020, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the earnings/(loss) per share. Hence, there was no dilutive effect on calculation of the diluted earnings/(loss) per share for the years ended 31 December 2021 and 2020.

10. Accounts Receivable and Bills Receivable

	2021	2020
	HK$'000	*HK$'000*
Account receivables at amortised cost, net of loss allowance	**365,489**	282,037
Account receivables to be sold at fair value through other comprehensive income (recycling)	**70,425**	–
	435,914	282,037

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

	2021	2020
	HK$'000	*HK$'000*
Less than 3 months	**394,273**	242,656
3 months to 6 months	**42,135**	39,381
Over 6 months	**3,761**	7,555
	440,169	289,592
Less: Loss allowance	**(4,255)**	(7,555)
	435,914	282,037

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 (2020: 60 to 90 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.

As part of the Group's cash flow management, the Group has the practice of selling some of the account receivables to financial institutions under customers' vendor financing program before the account receivables are due for payment. The Group derecognises the account receivables sold on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties.

As at 31 December 2021, the fair value changes on account receivables at fair value to other comprehensive income (recycling) are insignificant and accordingly, no fair value changes are recognised in equity as fair value to other comprehensive income reserve.

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:

	2021	2020
	HK$'000	*HK$'000*
Less than 3 months	**292,385**	196,810
3 months to 6 months	**33,967**	14,105
Over 6 months	**17,765**	7,344
	344,117	218,259

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

	2021	2020
	HK$'000	*HK$'000*
Contracted but not provided for in respect of leasehold improvement	**880**	1,915

At 31 December 2020, the Group was also committed to enter into several leases that are not yet commenced, the lease payments under which amounted to HK$586,000 per annum. No such commitment at 31 December 2021.

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 2021.

Overview

For the year ended 31 December 2021, the Group recorded a turnaround with profit attributable to equity shareholders of HK$21 million from the loss of HK$169 million for the year ended 31 December 2020. In 2020, the Group's business and financial performance were affected by the outbreak of COVID-19 pandemic ("COVID-19"). In the 2021 reporting year, both our brands business and garment manufacturing business achieved encouraging improved performance.

Our brands business had made very good progress with substantial reduction of losses. Among our brands:

- Our own brand C.P. Company had recorded remarkable growth in both revenue and net profit for the year ended 31 December 2021 compared to last year;

- Our licensed brand Nautica also achieved better operating performance in 2021 with reduction in loss as compared with the last year; and

- The above improved results are partially offset by the other licensed brand Spyder which recorded increase in loss after including impairment of intangible assets and right-of-use assets.

The substantial improvement of our garment manufacturing business is mainly driven by increased revenue, less inventory provision made and lower operating expenses arising from various cost reduction measures implemented by the Group since early 2020.

Own Brands

C.P. Company delivered robust results in 2021 with substantial year-on-year growth in revenue and profitability. The brand recorded 59% increase in revenue in 2021, driven by strong performance in wholesale and e-commerce channel. Wholesale business in Europe, in particular the UK and Italy remained the largest contributors of C.P. Company revenue. The growth of e-commerce also surpassed expectations with further growth opportunities. To complement the wholesale business in Europe, the brand has five directly managed retail stores and outlets in the upmarket streets of Milan, Riccione, Mestrino, Mendrisio and Amsterdam.

2021 was C.P. Company's 50th anniversary, celebration activities brought unprecedented visibility for the brand with extensive media coverage throughout the year. The celebration also involved intensive program of authentic collaborations with renowned international brands, monthly launch of collectables and iconic pieces, community initiatives and respectful homages to its five decades of garment innovations. C.P. Company hosted a retrospective on 50 years of sportswear innovation by the brand at Darwen Lancashire; and launched its first monograph "C.P. COMPANY 971-021. An informal history of Italian sportswear", to celebrate its archive and history. The intense year of 50th anniversary events and collaborations have been a great success with the closing exhibition of its archive held during Milan Men's Fashion Week in January 2022.

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

Licensed Brands

In 2021 fiscal year, we have mixed performance from our long-term licensed brands in China. Nautica reported better operating performance in 2021 with revenue increased by 77% compared with the prior year. We saw healthy sales and sales margin increases across all channels – full price, outlets, and e-commerce. During the year, CRM initiatives continued to be a key part of our efforts and investments to drive loyalty and sales. The Group launched the "White Sail" concept in December 2021 that targets a younger consumer group and features over-sized, preppy street-wear styling. White Sail received a very positive response from consumers and industry stakeholders since its first launch at a very well-known fashion boutique in Shanghai as well as on TMall. The first White Sail stand-alone concept store opened in Shanghai's TX Huaihai Mall Youth Energy Center in late December 2021 also gained strong traction and sell-through. The improved performance of Nautica has significantly reduced the brand's net loss (and contributed positively to the Group) in 2021 when compared with last year. As of 31 December 2021, Nautica had 73 directly managed retail stores and another 78 stores operated by partners (2020: 151 stores in total).

Spyder was officially launched in China in November 2019. Being a new brand in its early development stage, COVID-19 hit Spyder hard in 2020 and compelled us to slow down its expansion. While sales (both overall and comps) have increased in 2021, overall performance and scale still fell short of expectations. This has led us once again to put expansion plans on hold, revamp the Spring/Summer 2022 collection, as well as make some organizational changes in 2021. During the year, we have agreed with the licensor to lower the Spyder annual minimum royalty for the remaining term of the licence, which allows greater flexibility for the brand's development initiatives. As of 31 December 2021, Spyder had 50 stores across China (2020: 54 stores). In view of continued losses of the brand, a total impairment loss provision of HK$40 million was made for the Spyder business in 2021 which included HK$30 million on the licence rights and HK$10 million on the leasehold improvement and right-of-use assets of certain loss making stores.

Garment Manufacturing

In the period under review, while ongoing pandemic still impacting the economies and our customers, our garment manufacturing business managed to post encouraging growth in both revenue and net profit. Revenue for 2021 has increased 12% over the last year though has yet to return to pre-COVID-19 level. Despite there being much reduced anti-epidemic social security concessions granted by the China government, the business was still able to achieve substantial growth in profit in 2021. This was mainly attributed to increased revenue from key premium business customers, less inventory provision made and cost saving measures implemented since last year in responding to the pandemic.

Our China and Thailand factories are serving our "premium business" for fashion and complicated outerwear products. In the period under review, our China factories saw increased orders from some key customers together with a rise in China domestic demands.

Our Vietnam, Myanmar and Philippines factories allow us to stay competitive in cost to support our "better business" for better tailoring products. In this reporting year, our Vietnam factory was disrupted by compulsory COVID-19 lockdown from mid of July to early October 2021. We have worked closely with customers and suppliers and postponed or reallocated orders to our other factories. Productivity of the factory gradually returned to normal after the lift of the lockdown measures. In February 2021, the Myanmar military seized control of the country. This together with the pandemic led us to downsize the factory's capacity. We have managed to fill the capacity with returning business from customers. Our Philippines factory was most hit by the pandemic in 2020 and orders reduction continued. Following the scale down of its workforce since the second half of 2020, the Philippines factory was closed in September 2021.

Event after the Reporting Period

In December 2021, the Group entered into a long-term licence agreement with Authentic Brands Group to become the core licensee and operator for the distribution of Reebok branded products in Mainland China, Hong Kong, Macau, and Taiwan. The licence agreement was effective upon the completion of Authentic Brands Group's acquisition of Reebok in February 2022.

Financial Highlights

	Note	**2021**	2020	Change
Operating results (HK$ million)				
Revenue		3,038	2,277	+33%
Gross profit		1,225	780	+57%
EBITDA		368	128	+188%
Depreciation on right-of-use asset	1	(95)	(101)	+6%
Interest on lease liabilities	1	(8)	(10)	+20%
Amortisation of licence right	2	(32)	(32)	–
Interest on licence fees payable	2	(21)	(21)	–
Depreciation on owned property, plant and equipment		(76)	(78)	+3%
Impairment of intangible asset		(30)	–	n/a
Impairment of right-of-use asset and property, plant and equipment		(20)	(36)	+44%
Income tax charge		(55)	(14)	–293%
Profit/(loss) attributable to equity shareholders		21	(169)	+112%
Segment results (HK$ million)				
Garment manufacturing EBITDA		136	56	+143%
Depreciation on right-of-use asset	1	(8)	(7)	–14%
Interest on lease liabilities	1	(2)	(3)	+33%
Depreciation on owned property, plant and equipment		(20)	(26)	+23%
Garment manufacturing results after tax		86	12	+617%
Brands business EBITDA		202	45	+349%
Depreciation on right-of-use asset	1	(76)	(82)	+7%
Interest on lease liabilities	1	(6)	(7)	+14%
Amortisation of licence right	2	(32)	(32)	–
Interest on licence fees payable	2	(21)	(21)	–
Depreciation on owned property, plant and equipment		(44)	(41)	–7%
Impairment of intangible asset		(30)	–	n/a
Impairment of right-of-use asset and property, plant and equipment		(17)	(32)	+47%
Brands business results after tax		(59)	(181)	+67%
Cash flow (HK$ million)				
Cash generated from operations		217	238	–9%
Payment for the purchase of property, plant and equipment		(50)	(51)	+2%
Rental payments under capitalised leases	1	(109)	(92)	–18%
Financial position (HK$ million)				
Cash and bank balances		379	359	+6%
Bank borrowings		42	59	+29%
Total equity		1,036	1,038	–
Key ratios				
Gross profit margin		40.3%	34.3%	+6.0pp
Net profit/(loss) margin attributable to equity shareholders		0.7%	(7.4%)	+8.1pp
Return on average equity (ROE)	3	2.0%	(15.5%)	+17.5pp

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 profit/(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 2021 was HK$3,038 million (2020: HK$2,277 million), representing an increase of 33% compared with the last year.

Revenue from brands business was HK$1,489 million in 2021, rose from HK$899 million in 2020. C.P. Company reported revenue growth of 59% over the last year. Our licensed brands in China also recorded revenue growth of over 70% as compared with the COVID-19 disrupted year of 2020.

Revenue from garment manufacturing business in the current year increased to HK$1,548 million from HK$1,378 million in 2020, though has yet to return to pre-COVID-19 level. Revenue from premium business, which accounted for 74% (2020: 69%) of the segment revenue, increased by 21% as compared with last year. Revenue from better business remained stable in 2021.

Geographically, major markets of the Group are the People's Republic of China (the "PRC"), the UK, Italy and Canada, and which accounted for 31% (2020: 25%), 25% (2020: 24%), 11% (2020: 11%) and 8% (2020: 10%) of the Group's total revenue respectively. The change was mainly due to the increase in revenue of our brands business.

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 recorded at HK$1,225 million (2020: HK$780 million), representing a gross profit margin of 40.3% (2020: 34.3%). The increase in gross profit was mainly attributable to increased turnover of the Group. Gross profit margin of brands business increased due to C.P. Company's improvement in supply chain management and replacing distributorship with direct selling in some markets. Gross profit margin of the garment manufacturing business also rose due to less inventory provision made as compared with last year. The Group's overall gross profit margin increased in 2021 due to the rise in revenue proportion of brands business which has an overall higher margin.

Other Net Losses

In 2021, other net losses mainly included impairment losses on intangible assets and property, plant and equipment totaling HK$50 million, of which HK$40 million are relating to impairment for Spyder licence rights and right-of-use assets based on value in use calculations.

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly retail shop expenses, advertising and promotion and commissions paid to retail partners and sales agents. Selling and distribution expenses increased as compared to 2020 mainly due to increase in Nautica and Spyder shop expenses and commissions paid to retail partners during 2021. In addition, in line with C.P. Company business growth, more agency commission and advertising costs were incurred in 2021.

General and Administrative Expenses

General and administrative expenses increased as compared with 2020 mainly due to business growth of brands business and partly offset by the savings from garment manufacturing business owing to various cost reduction measures implemented throughout 2020.

Income Tax Charge

Income tax charges increased as compared with 2020 because of both C.P. Company and garment manufacturing business have reported substantial growth in profit as compared with the last year.

Segment Results

The substantial decrease in segment loss of brands business in 2021 was attributed to C.P. Company's remarkable profit generated during the year and Nautica's better operating performance with reduced loss. The improved results were partially offset by the increased loss of Spyder after including impairment on licence rights and right-of-use assets.

In 2021, garment manufacturing business recorded substantial growth in profit mainly due to increased revenue, less inventory provision made and lower operating expenses arising from cost reduction measures implemented by the Group since early 2020.

Financial Resources and Liquidity

At 31 December 2021, cash and bank balances amounted to HK$379 million (31 December 2020: HK$359 million) which mainly represented United States dollars ("US dollars"), Euro and Renminbi bank deposits and balances. For the cash flow, the Group reported similar cash generated from operation in 2021 when comparing with 2020. It was mainly due to the Group recorded a higher receivables and inventory change in 2021 than 2020 following business growth and recovery.

The Group maintained sufficient banking facilities to support its business. At 31 December 2021, the Group had short-term bank borrowings of HK$42 million (31 December 2020: Short term loan of HK$54 million and a COVID-19 bridging loan of HK$4 million). At the close of 2021, short term bank borrowings were denominated in US dollars (31 December 2020: US dollars and Renminbi) and bearing interest at fixed rates. As at 31 December 2021, bank deposits of HK$11 million (31 December 2020: HK$44 million) were pledged to secure bank 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 2021 and 31 December 2020, and accordingly, no information on gearing ratio as at that dates is provided.

Shareholders' equity at 31 December 2021 was fairly stable as compared with 2020 mainly due to profit attributable to equity shareholders for the year, and offset by the negative exchange difference on translating financial statements of overseas subsidiaries, mainly from the depreciation of Thai Baht 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 2021, 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 commitments as disclosed in note 12 in this announcement, there was no other material capital commitments or contingent liabilities as at 31 December 2021.

Human Resources

The Group had 6,140 employees as at 31 December 2021 (2020: 7,320). 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

Our own global brand C.P. Company has a sound business foundation and reported year-on-year double-digit revenue growth since acquisition. The impressive performance reinforces our confidence in the brand's ability to post strong revenue and profitability in the years to come. The brand will expand product range to drive revenue and upgrade our market positioning. We will continue to focus on existing key and growing wholesale markets (UK, Italy, France, Benelux, South Korea and Germany), 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 enhance customers' omnichannel shopping experience. We also plan to open more direct retail stores in key European markets. In order to build a strong customer community and increase lifetime value, C.P. Company will further promote the culture of customer centricity.

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 have identified a clear product structure and our pricing strategies across channels has supported healthy margins and topline growth. With the success of White Sail, we plan a more aggressive expansion of White Sail full-price image stores in the coming year to drive brand awareness and define brand position. As outlets and e-commerce will continue to be profit drivers, we plan to increase presence in top outlet centers in various cities together with retail partners. On e-commerce, in addition to TMall and JD, we will further develop the brand and sales on Douyin and other influential social commerce platforms. Simultaneously, we will continue to invest into increasing and serving our loyal consumers and refine engagement to drive RFM (recency, frequency and monetary value) of our members.

Spyder's positioning is very much on trend in the growing snow sports market and the hugh premium sports apparel market in China. With the agreed reduction of annual minimum royalty, we will grasp growth opportunities within this market. On the direct retail front, we will increase the number of outlet stores and focus investment on e-commerce channels. In addition to TMall, JD, and Douyin, the brand will also develop other social platforms. We will also mobilise our CRM efforts and investments on member recruitment, activation and retention. For partner retail, we target to open both new full-price stores and outlet stores in Northern China markets where we have seen relatively stronger sales. We shall ensure outlets become a profit driver, supported by better merchandise mix and streamlining retail operating costs.

The Group is excited to build on the longstanding relationship with Authentic Brands Group in signing the licence agreement for distribution of Reebok products in Greater China. Reebok is a highly sought-after brand with heritage and strength. We will mobilise our expertise to make Reebok successful with our 35 plus years of experience of managing brands.

It is encouraging that our garment manufacturing business has delivered substantial growth in profitability in 2021. In the year ahead, even with post-pandemic demand recovery, pressure on global supply chains and the rising factory labour costs remain challenging to the business. To stay resilient, we shall maintain stringent health protocol in our operations. We will continue to streamline our operations and control costs in order to maintain competitive and flexible when market fully recovers. Our diversified production base, unique production system together with flexible supply chain will enable us to work closely with our premium brands customers and respond to their furture needs.

The Group is dedicated to strengthening and investing in the long-term success of our business. In 2021, the Group has made encouraging progress to deliver a turnaround result. In the coming year, we expect our own brand C.P. Company and garment manufacturing business will continue to post profitability and generate strong cash inflow to support the Group's businesses. Nautica is on the right track heading for further improvement. We will strive to improve the performance of Spyder. The Group will closely monitor the development of the latest COVID-19 outbreak driven by omicron variant in China and its impact to our 2022 business performance. The signing of the Reebok licence marked a new phase of development of the Group. The Group will have adequate cash and available bank credit facilities to finance Reebok's working capital and operational requirements. We are confident that we are on the right track to achieve long-term profitable growth for 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**
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. • Diversification of factories 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-shops.	• 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-shops, the safety of the systems underlying the e-shops 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 of staff 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 brands 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 2021 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 2021, 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") in force during the year, except for the deviation from code provisions A.2.1 and A.5 (updated reference for financial years commencing on or after 1 January 2022: code provisions C.2.1 and B.3 respectively).

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 2021. 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 2021, 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 2021 (2020: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 31 May 2022 to Monday, 6 June 2022, 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, 6 June 2022 (the "2022 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, 30 May 2022.

ANNUAL GENERAL MEETING

The 2022 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, 6 June 2022. The notice of 2022 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 2021 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 2021 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, 28 March 2022

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.