Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 458)

ANNOUNCEMENT OF 2012 ANNUAL RESULTS

FINANCIAL SUMMARY OF 2012 ANNUAL RESULTS

- Revenue increased by 4% to HK$3,388 million
- Profit attributable to equity holders of HK$109 million
- Earnings per share of HK$0.40
- Proposed final dividend of HK$0.09 per share

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 2012 together with comparative figures for 2011.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	**2012** **HK$'000**	2011 *HK$'000*
Revenue	2, 3	**3,387,877**	3,273,299
Cost of sales		**(2,374,050)**	(2,290,820)
Gross profit		**1,013,827**	982,479
Other income and other gains/(losses)	4	**6,204**	4,276
Selling and distribution expenses		**(349,111)**	(256,784)
General and administrative expenses		**(520,254)**	(450,888)
Gain on disposal of a subsidiary	5	**12,069**	10,827
Profit from operations	6	**162,735**	289,910
Finance income	7	**11,838**	10,291
Finance costs	7	**(10,861)**	(7,217)
Profit before income tax		**163,712**	292,984
Income tax expense	8	**(54,693)**	(43,242)
Profit for the year		**109,019**	249,742
Attributable to:			
Equity holders of the Company		**109,045**	249,766
Non-controlling interests		**(26)**	(24)
		109,019	249,742
Earnings per share attributable to equity holders of the Company:			
Basic	10	**HK$0.40**	HK$0.93
Diluted	10	**HK$0.40**	HK$0.92
Dividends	9	**43,250**	99,894

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**109,019**	249,742
Other comprehensive income:		
Fair value gains on cash flow hedges		
Gains arising during the year	**6,791**	5,568
Transferred to and included in the following line items in the consolidated income statement:		
Cost of sales	**(2,549)**	(5,547)
General and administrative expenses	**(2,803)**	(2,035)
Income tax effect	**100**	615
Currency translation differences		
Gains arising during the year	**8,588**	30,652
Transferred from translation reserve to the consolidated income statement upon disposal of a subsidiary	**589**	(37)
Other comprehensive income, net of tax	**10,716**	29,216
Total comprehensive income for the year	**119,735**	278,958
Attributable to:		
Equity holders of the Company	**119,761**	278,982
Non-controlling interests	**(26)**	(24)
	119,735	278,958

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**527,270**	520,824
Leasehold land and land use rights		**171,973**	176,219
Intangible assets		**229,047**	244,771
Other long-term assets		**23,440**	12,172
Deferred income tax assets		**36,338**	30,146
Defined benefit plan assets		**6,043**	5,606
Forward foreign exchange contracts		**1,723**	–
Investments in associates		**–**	–
		995,834	989,738
CURRENT ASSETS			
Inventories		**481,662**	399,988
Accounts receivable and bills receivable	11	**361,893**	357,913
Forward foreign exchange contracts		**821**	1,447
Prepayments and other receivables		**162,872**	123,479
Cash and bank balances		**561,290**	629,345
		1,568,538	1,512,172
Non-current assets held for sale		**–**	1,309
		1,568,538	1,513,481
CURRENT LIABILITIES			
Accounts payable and bills payable	12	**204,041**	257,235
Accruals and other payables		**377,729**	369,559
Forward foreign exchange contracts		**–**	341
Current income tax liabilities		**77,257**	72,480
Bank borrowings		**293,594**	194,040
		952,621	893,655
NET CURRENT ASSETS		**615,917**	619,826
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,611,751**	1,609,564
NON-CURRENT LIABILITIES			
Retirement benefits and other post retirement obligations		**10,016**	11,196
License fees payable		**146,108**	182,356
Deferred income tax liabilities		**52,667**	54,177
Other long-term liabilities		**–**	1,184
		208,791	248,913
NET ASSETS		**1,402,960**	1,360,651
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**27,037**	27,014
Reserves		**1,375,572**	1,333,260
		1,402,609	1,360,274
Non-controlling interests		**351**	377
TOTAL EQUITY		**1,402,960**	1,360,651

Notes:

1. BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates.

It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

New/revised HKFRS effective in 2012

There are no new/revised HKFRS or HKFRS interpretations that are effective for the first time for the financial year beginning 1 January 2012 and are relevant to the Group's operations that have a material impact to the Group.

New/revised standards and amendments to existing standards that are not effective and have not been early adopted by the Group

The following new/revised standards and amendments to existing standards relevant to the Group have been issued, but are not effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group:

HKAS 1 (Amendment)
Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (1)

HKAS 19 (Amendment)
Employee Benefits (2)

HKAS 27 (2011)
Separate Financial Statements (2)

HKAS 28 (2011)
Investments in Associates and Joint Ventures (2)

HKAS 32 (Amendment)
Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (3)

HKFRS 7 (Amendment)
Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities (2)

HKFRS 9
Financial Instruments (4)

HKFRS 7 and 9 (Amendments)
Mandatory Effective Date and Transition Disclosures (4)

HKFRS 10
Consolidated Financial Statements (2)

HKFRS 10, 11 and 12 (Amendments)
Transition Guidance (2)

HKFRS 12
Disclosure of Interests in Other Entities (2)

HKFRS 13
Fair Value Measurement (2)

Annual Improvements 2011 (2)

1. BASIS OF PREPARATION (Continued)

New/revised standards and amendments to existing standards that are not effective and have not been early adopted by the Group (Continued)

(1) Effective for the Group for annual periods beginning on or after 1 July 2012.
(2) Effective for the Group for annual periods beginning on or after 1 January 2013.
(3) Effective for the Group for annual periods beginning on or after 1 January 2014.
(4) Effective for the Group for annual periods beginning on or after 1 January 2015.

The Group is in the process of making an assessment on the impact of these new/revised standards and amendments to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position taken as a whole. The Group intends to adopt the above new/revised standards and amendments to existing standards when they become effective.

The Group has assessed that the adoption of HKFRS 10 does not have any significant impact on the Group as all subsidiaries within the Group satisfy the requirements of control under HKFRS 10 and there are no new subsidiaries identified under the new guidance.

2. SEGMENT INFORMATION

Reportable segments are reported in a manner consistent with internal reports of the Group that are regularly reviewed by the chief operating decision makers (the Chief Executive Officer and Senior Management collectively) in order to assess performance and allocate resources. The chief operating decision makers assess the performance of the reportable segments based on the profit and loss generated.

The Group has two reportable segments: (i) garment manufacturing, and (ii) branded product distribution, retail and trading. The segment information is as follows:

	Garment manufacturing		**Branded product distribution, retail and trading**		**Unallocated**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**2,183,384**	2,331,112	**1,251,979**	982,218	**–**	–	**3,435,363**	3,313,330
Less: Revenue from intersegment	**(47,486)**	(40,031)	**–**	–	**–**	–	**(47,486)**	(40,031)
Revenue from external customers	**2,135,898**	2,291,081	**1,251,979**	982,218	**–**	–	**3,387,877**	3,273,299
Reportable segment profit/(loss)	**(42,252)**	82,068	**148,536**	132,149	**(9,334)**	10,998	**96,950**	225,215
Exchange gain on translation of license fees payable	**–**	–	**–**	13,700	**–**	–	**–**	13,700
Gain on disposal of a subsidiary					**12,069**	10,827	**12,069**	10,827
Profit for the year							**109,019**	249,742

2. SEGMENT INFORMATION (Continued)

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated *(Note (1))*		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,081,554**	1,074,189	**655,489**	541,973	**827,329**	887,057	**2,564,372**	2,503,219
including:								
Investments in associates	**–**	–	**–**	–	**–**	–	**–**	–
Additions to non-current assets *(Note (2))*	**32,256**	26,455	**6,087**	134,888	**34,208**	15,824	**72,551**	177,167
Segment liabilities	**333,558**	350,435	**447,260**	512,093	**380,594**	280,040	**1,161,412**	1,142,568

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Finance income	**–**	–	**–**	–	**11,838**	10,291	**11,838**	10,291
Finance costs	**–**	(308)	**(6,819)**	(4,701)	**(4,042)**	(2,208)	**(10,861)**	(7,217)
Income tax expense	**3,634**	(5,868)	**(58,645)**	(44,344)	**318**	6,970	**(54,693)**	(43,242)
Amortisation of leasehold land and land use rights	**(500)**	(476)	**–**	–	**(3,650)**	(3,594)	**(4,150)**	(4,070)
Amortisation of license rights	**–**	–	**(16,631)**	(15,099)	**–**	–	**(16,631)**	(15,099)
Depreciation on property, plant and equipment	**(33,285)**	(40,241)	**(6,016)**	(3,925)	**(27,533)**	(19,236)	**(66,834)**	(63,402)
Depreciation on investment properties	**–**	–	**–**	–	**–**	(30)	**–**	(30)
Provision for impairment on property, plant and equipment	**–**	–	**–**	–	**–**	(4,936)	**–**	(4,936)
Provision for impairment of receivables, net	**(1,570)**	(203)	**–**	–	**–**	–	**(1,570)**	(203)
Write-down of inventories to net realisable value, net	**(10,402)**	(8,162)	**(34,359)**	(1,607)	**–**	–	**(44,761)**	(9,769)
Net gain on disposals of non-current assets held for sale	**–**	–	**–**	–	**2,676**	–	**2,676**	–
Net (loss)/gain on disposal of property, plant and equipment	**–**	–	**–**	–	**(884)**	266	**(884)**	266

2. **SEGMENT INFORMATION (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 (the "US") and the United Kingdom (the "UK"), while the Group's production facilities and other assets are located predominantly in the PRC and Thailand. The PRC includes the mainland of the PRC, Hong Kong and Macau. An analysis of the Group's revenue by location of customers and an analysis of the Group's non-current assets by location of assets are as follows:

	PRC		**US**		**UK**		**Other countries**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**1,437,524**	1,041,978	**1,070,606**	1,220,518	**624,400**	670,110	**255,347**	340,693	**3,387,877**	3,273,299

Included in revenue derived from the PRC was HK$225,959,000 (2011: HK$177,008,000) which was generated in Hong Kong.

For the year ended 31 December 2012, revenues from three customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and represented approximately 11%, 10% and 10% (2011: 16%, 12% and 12%) of the total revenue respectively.

	PRC		**Thailand**		**Other locations**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets *(Note (2))*	**812,119**	807,598	**84,087**	90,778	**57,247**	55,610	**953,453**	953,986

Included in non-current assets located in the PRC was HK$234,614,000 (2011: HK$276,349,000), which were related to assets located in Hong Kong.

Notes:

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

(2) Non-current assets exclude deferred income tax assets and defined benefit plan assets.

3. **REVENUE**

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**3,386,182**	3,271,184
Commission income	**1,695**	2,115
	3,387,877	3,273,299

4. OTHER INCOME AND OTHER GAINS/(LOSSES)

	2012	2011
	HK$'000	*HK$'000*
Net gain on disposals of non-current assets held for sale	**2,676**	–
Net (loss)/gain on disposals of property, plant and equipment	**(884)**	266
Insurance claim income	**–**	1,144
Government subsidies	**3,283**	1,013
Sundry income	**1,129**	1,853
	6,204	4,276

5. GAIN ON DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2012, the Group disposed of a subsidiary incorporated in the Philippines for Philippine Peso 80,000,000 (equivalent to HK$14,715,000) and realised a gain on disposal of HK$12,069,000. The subsidiary owned a parcel of land with certain factory buildings thereon located at Metro Manila of the Philippines.

During the year ended 31 December 2011, the Group disposed of a subsidiary incorporated in Laos at US$1,830,000 (equivalent to HK$14,234,000) and realised a gain on disposal of HK$10,827,000.

6. PROFIT FROM OPERATIONS

Profit from operations is stated after crediting and charging the following:

	2012	2011
	HK$'000	*HK$'000*
Crediting		
Net gain on disposals of property, plant and equipment	**–**	266
Net gain on disposals of non-current assets held for sale	**2,676**	–
Net exchange gain	**–**	24,303
Charging		
Net loss on disposal of property, plant and equipment	**884**	–
Depreciation on property, plant and equipment	**66,834**	63,402
Depreciation on investment properties	**–**	30
Provision for impairment on property, plant and equipment	**–**	4,936
Amortisation of leasehold land and land use rights	**4,150**	4,070
Amortisation of license rights	**16,631**	15,099
Provision for impairment of receivables, net	**1,570**	203
Write-down of inventories to net realisable value, net	**44,761**	9,769
Employee benefit expenses	**764,689**	692,323
Operating lease rental in respect of land and buildings	**71,095**	57,987
Auditors' remuneration	**5,108**	5,035
Net exchange loss	**7,679**	–

7. FINANCE INCOME/FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**11,838**	10,291
Finance costs		
Interest on bank loans	**4,042**	2,208
Imputed interest on license fees payable	**6,819**	4,701
Imputed interest on other long-term liabilities	**–**	308
	10,861	7,217

8. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**5,581**	14,282
Non-Hong Kong tax	**57,305**	43,406
Deferred income tax	**(8,193)**	(14,446)
	54,693	43,242

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year. Income taxes on non-Hong Kong profits have been calculated on the estimated assessable profits for the year at the tax rates prevailing in the countries/places in which the Group operates.

In early 2006, the Hong Kong Inland Revenue Department (the "HK IRD") initiated a tax audit on certain companies within the Group for the years of assessment from 1999/2000 (financial year ended 31 December 1999) to 2004/2005 (financial year ended 31 December 2004). The HK IRD has issued protective assessments to some of these companies for the years of assessment 1999/2000 to 2004/2005 in view of the statutory time bar. During the course of the tax audit, the HK IRD has also raised protective assessments for the years of assessment 2005/2006 and 2006/2007. Further protective assessments for subsequent years may be raised by the HK IRD with respect to these companies. Since the tax audit is ongoing, its outcome cannot be readily ascertained. Management has reviewed the situation and, after seeking necessary professional advice, considers that sufficient tax related provisions have been made in the consolidated financial statements.

9. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Interim dividend paid – HK$0.07 (2011: HK$0.15) per share	**18,917**	40,440
Final dividend proposed – HK$0.09 (2011: HK$0.22) per share	**24,333**	59,454
	43,250	99,894

A final dividend for the year ended 31 December 2012 of HK$0.09 per share, totalling HK$24,333,000 (2011: HK$0.22 per share, totalling HK$59,454,000), is recommended by the Board for approval at the forthcoming annual general meeting of the Company. This proposed dividend has not been dealt with as dividend payable as at 31 December 2012, and will be reflected as an appropriation of retained earnings for the year ending 31 December 2013.

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company by the weighted average number of shares in issue for the year.

	2012	2011
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**109,045**	249,766
Weighted average number of ordinary shares in issue	**270,284,209**	269,398,754
Basic earnings per share	**HK$0.40**	HK$0.93

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2012	2011
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**109,045**	249,766
Weighted average number of ordinary shares in issue	**270,284,209**	269,398,754
Effect of share options	**765,242**	811,462
Weighted average number of ordinary shares for diluted earnings per share	**271,049,451**	270,210,216
Diluted earnings per share	**HK$0.40**	HK$0.92

11. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

The aging of accounts receivable and bills receivable based on invoice date is as follows:

	2012	2011
	HK$'000	*HK$'000*
Less than 3 months	**352,064**	354,586
3 months to 6 months	**9,829**	3,327
Over 6 months	**1,804**	490
	363,697	358,403
Less: Provision for impairment	**(1,804)**	(490)
	361,893	357,913

The majority of trade receivables are with customers having an appropriate credit history and are on open account with customers. The Group grants its customers credit terms mainly ranging from 30 to 60 days.

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

12. ACCOUNTS PAYABLE AND BILLS PAYABLE

The aging of accounts payable and bills payable based on invoice date is as follows:

	2012	2011
	HK$'000	*HK$'000*
Less than 3 months	**195,404**	245,064
3 months to 6 months	**4,115**	6,584
Over 6 months	**4,522**	5,587
	204,041	257,235

Majority of payment terms with suppliers are within 60 days.

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

13. CAPITAL COMMITMENTS

The Group had capital commitments in relation to renovation of office building and purchase of equipment, as follows:

	2012	2011
	HK$'000	*HK$'000*
Contracted but not provided for	**–**	14,886
Authorised but not contracted for	**–**	10,437
	–	25,323

MANAGEMENT DISCUSSION AND ANALYSIS

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 2012.

BUSINESS REVIEW

For the year ended 31 December 2012, the Group recorded a lower profit attributable to equity holders of HK$109,045,000 as compared with HK$249,766,000 in 2011. Our branded product distribution, retail and trading segment continued its expansion in the PRC and generated satisfactory performance; while our garment manufacturing segment has an operating loss during a period of challenges and transitions.

Total revenue of the Group for the year ended 31 December 2012 was HK$3,387,877,000 (2011: HK$3,273,299,000), representing an increase of 4% as compared with 2011.

Revenue from the branded product distribution, retail and trading segment was HK$1,251,979,000 when compared with HK$982,218,000 in 2011, representing a growth of 27%. The growth was attributable to the continuing increase in the number of franchised point of sales ("POS") of our licensed brands in the PRC. The total number of POS exceeded 870 in fiscal year 2012, an increase of over 200 during the year, covering 140 cities in the PRC. Leveraging on our extensive experience in managing outdoor brand distribution in the PRC, the Group has launched its self-owned outdoor brand HASKI during the year and opened its first shopping mall store in Changchun city in August 2012. By the end of 2012, HASKI has 18 POS in tier 1 and tier 2 cities of the PRC. HASKI products are characterised by its combination of functionality and fashion.

Revenue generated from the garment manufacturing segment decreased by 7% to HK$2,135,898,000 as compared with HK$2,291,081,000 in 2011. By market, sales to global fashion brands customers increased by 12%, which is in line with our growth strategy. Sales to national brands customers decreased by 19% as a result of the poor US and Europe economy plus price pressure from customers. The garment manufacturing business is generally impacted by seasonality. Through partnering with key customers, the Group has managed to smooth out such effect to this segment.

Geographically, sales to the PRC, the US and the UK accounted for 42% (2011: 32%), 32% (2011: 37%), 18% (2011: 20%) respectively of the Group's total revenue. This was the result of the continuous expansion of our branded product distribution business in the PRC and the decrease in revenue from the national brands customers of the garment manufacturing business in the US and UK.

The Group's overall gross profit increased to HK$1,013,827,000 (2011: HK$982,479,000), representing a gross profit margin of 30% (2011: 30%). Gross profit of the branded product distribution, retail and trading segment increased as a result of sales growth during the year. Such increase was partially offset by margin pressure attributable to garment cost and distributors' operating cost rise, as well as a one-off inventory provision of HK$17 million following our withdrawal of an unprofitable licensed lifestyle brand.

Gross profit of the garment manufacturing segment was impacted considerably by an overall operating cost rise in the year. Labour cost increased substantially from minimum wages rise in Asia, especially the PRC and Thailand. Gross profit of this segment was also affected by the decline in sales from national brands customers. Further, as part of our strategy of expanding business with global fashion brands customers, in 2012 certain China factories were under transitional adjustments migrating to produce the more complex products, which impacted our operating costs. As a result of the above, the garment manufacturing segment reported a segment loss in 2012.

Selling and distribution expenses for the year under review increased by HK$92,327,000, representing 36% over 2011. In proportion to revenue growth, planned advertising and promotion expenses of the branded product distribution, retail and trading segment had increased by HK$47.6 million as compared with 2011. More TV commercials were used to support continuing growth of our licensed brands. Promotion activities were also organised for marketing the self-owned brand HASKI. The rest of selling and distribution expenses rise was mainly caused by increase in royalty and retail shops expenses in line with sales growth.

General and administrative expenses of the Group rose by 15% mainly attributable to the increase in administrative staff cost and expand office and distribution centre spaces in supporting the branded product distribution, retail and trading segment. Exchange difference was another cause for the administrative expense rise. In 2011, the Group has a non-recurring exchange gain of HK$14 million on translation of Euro liabilities arising from renewal of a licensed brand, while in 2012 exchange losses arose due to US dollar weakness against Asian currencies.

In early 2006, the HK IRD initiated a tax audit on certain companies within the Group for the years of assessment from 1999/2000 (financial year ended 31 December 1999) to 2004/2005 (financial year ended 31 December 2004). The HK IRD has issued protective assessments to some of these companies for the years of assessment 1999/2000 to 2004/2005 in view of the statutory time bar. During the course of the tax audit, the HK IRD has also raised protective assessments for the years of assessment 2005/2006 and 2006/2007. Further protective assessments for subsequent years may be raised by the HK IRD with respect to these companies. Since the tax audit is ongoing, its outcome cannot be readily ascertained. Management has reviewed the situation and, after seeking necessary professional advice, considers that sufficient tax related provisions have been made in the consolidated financial statements.

DISPOSAL OF AN OVERSEAS SUBSIDIARY

During the year ended 31 December 2012, the Group disposed of a subsidiary incorporated in the Philippines at a consideration of Philippine Peso 80,000,000 (equivalent to HK$14,715,000) and realised a gain of HK$12,069,000.

SHANGHAI COMMERCIAL PROPERTY

The renovation of the Shanghai Property, which the Group acquired in 2010, was completed during the year and it now accommodates certain operating functions in Shanghai.

Saved as disclosed above, there were no material acquisitions or disposals of subsidiaries or associated companies during the year and up to the date of this announcement and no important events affecting the Group have occurred since 31 December 2012 and up to the date of this announcement.

FINANCIAL RESOURCES AND LIQUIDITY

During the year, the Group continued to maintain a healthy balance sheet and liquidity position. As at 31 December 2012, cash and bank balances amounted to HK$561,290,000 (2011: HK$629,345,000) which were mainly denominated in Renminbi and US dollars. Short-term bank borrowings of the Group amounted to HK$293,594,000 as at 31 December 2012 (2011: HK$194,040,000). Such borrowings were mainly denominated in US dollars and Hong Kong dollars. The decrease in cash and increase in bank borrowings reflected mainly increase in working capital, in particular finished garments and prepaid advertising expenditure for the growing branded product distribution business in the PRC. As at 31 December 2012, HK$244,716,000 (2011: HK$137,458,000) and HK$48,878,000 (2011: HK$56,582,000) of the short-term bank borrowings were interest bearing at fixed rates and floating rates, respectively. The Group maintained sufficient banking facilities and did not have any long-term bank borrowings outstanding as at 31 December 2012. As at 31 December 2012, banking facilities extended to the Group were not secured with the Group's assets (2011: Nil). The Group did not have net borrowings as at 31 December 2012 and 2011, and accordingly, no information on gearing ratio as at these two dates is applicable.

Most of the Group's receipts and payments are denominated in US dollars, Hong Kong dollars, Renminbi and Euro. Management monitors the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the year ended 31 December 2012, the Group had forward foreign exchange contracts to hedge against the foreign exchange exposures arising from US dollar denominated processing income for factories in the PRC, Euro for payments of purchases and royalties to a licensor and Pound Sterling for service fees payment to a UK subsidiary.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no material capital commitments or contingent liabilities as at 31 December 2012 which would require a substantial use of the Group's present cash resources or external funding.

HUMAN RESOURCES

The Group had about 12,700 employees as at 31 December 2012 (2011: 13,000). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance were also awarded discretionary bonuses and share options.

OUTLOOK

Looking ahead, trading conditions are still challenging. In the US, business and consumer confidence measures rebounded but economic recovery had yet to come. In Eurozone, the core countries are struggling with deficit targets while the peripherals are plunging into recession. The uncertain economic environment will continue to add pressure on consumer's disposable income and the pricing strategy of our customers. The labour cost in Asia, especially the PRC will continue to increase. Under the challenging and competitive operating environment, we are cautious about the outlook of our garment manufacturing business. To remain competitive, it is our strategic direction for our PRC factories to focus on complex products; and with our overseas factories continue to focus on customer orders with voluminous quantity at competitive price. In this respect, we have made an application for the establishment of a factory in Myanmar to expand our overseas production capacity. With these strategic directions, we shall continue to diversify our customer base, build our design and development strength to meet core customers' need, improve our production efficiency, and at the same time implement stringent cost control.

The Group will adopt a cautious approach to expanding its existing businesses and pursuing new opportunities. The China economy is expected to achieve year-on-year growth. While market competition becomes more intense, the PRC outdoor industry is still growing. We expect our PRC branded product distribution business will continue to be a key profit contributor to the Group. We will invest for the long-term healthy and sustainable growth of this business segment in the PRC by increasing POS of our licensed brands and building up brand recognition and image of our self-owned brand HASKI.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2012, the Company has complied with all the code provisions set out in the Corporate Governance Code (applicable to financial reports covering a period after 1 April 2012) and the former Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except for the deviation from code provisions A.2.1, A.5 and A.6.7.

Considered reasons for the deviation from code provisions A.2.1, A.5 and A.6.7 were set out in the Company's last published interim report for the six months ended 30 June 2012. 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 2012, which will be available for publication as soon as practicable.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PROPOSED FINAL DIVIDEND

An interim dividend of HK$0.07 per share for the six months ended 30 June 2012, totalling HK$18,917,000 (2011: HK$0.15 per share, totalling HK$40,440,000), was paid on 4 October 2012. The Board recommends the payment of a final dividend of HK$0.09 per share, totalling HK$24,333,000 for the year ended 31 December 2012 (2011: HK$0.22 per share, totalling HK$59,454,000).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the "2013 AGM") to be held on Monday, 3 June 2013, is expected to be paid on Monday, 17 June 2013 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 10 June 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' eligibility to attend and vote at the 2013 AGM, and entitlement to the proposed final dividend, the register of members of the Company will be closed. Details of such closures are set out below:

(i) For determining eligibility to attend and vote at the 2013 AGM:

- Latest time to lodge transfer documents for registration — 4:30 p.m. on Thursday, 30 May 2013
- Closure of register of members — Friday, 31 May 2013 to Monday, 3 June 2013 (both days inclusive)
- Record date — Monday, 3 June 2013

(ii) For determining entitlement to the proposed final dividend:

- Latest time to lodge transfer documents for registration — 4:30 p.m. on Thursday, 6 June 2013
- Closure of register of members — Friday, 7 June 2013 to Monday, 10 June 2013 (both days inclusive)
- Record date — Monday, 10 June 2013

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2013 AGM, and to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the aforementioned latest time.

ANNUAL GENERAL MEETING

The 2013 AGM will be held at Room 5A, 5th Floor, 66–72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong at 10:00 a.m. on Monday, 3 June 2013. The notice of 2013 AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements and the annual report of the Group for the year ended 31 December 2012 with the management of the Group and recommended them to the Board for approval.

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

Hong Kong, 25 March 2013

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.