2019 ANNUAL REPORT

Win Hanverky Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3322)

Win Hanverky Holdings Limited and its subsidiaries are an integrated manufacturer, distributor and retailer for international sports, fashion and outdoor brands. We have two broad lines of business, namely Manufacturing Business and High-end Fashion Retailing Business, with geographical markets spanning over Europe, the United States, Mainland China and Hong Kong.

The Shares of the Company have been listed on the Main Board of the Stock Exchange since 6 September 2006.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LI Kwok Tung Roy *(Chairman)*
Mr. LAI Ching Ping *(Deputy Chairman)*
Mr. LEE Kwok Leung *(Chief Executive Officer)*
Mr. WONG Chi Keung *(Chief Financial Officer)*

Independent Non-Executive Directors

Dr. CHAN Kwong Fai
Mr. KWAN Kai Cheong
Mr. MA Ka Chun
Mr. CHAN Ka Kui *(appointed on 7 October 2019)*
Ms. CHAU Pui Lin *(resigned on 7 October 2019)*

COMPANY SECRETARY

Ms. LAM Choi Ha

AUTHORISED REPRESENTATIVES

Mr. LI Kwok Tung Roy
Mr. WONG Chi Keung

BOARD COMMITTEES

Audit Committee

Mr. KWAN Kai Cheong *(Chairman)*
Dr. CHAN Kwong Fai
Mr. MA Ka Chun
Mr. CHAN Ka Kui *(appointed on 7 October 2019)*
Ms. CHAU Pui Lin *(resigned on 7 October 2019)*

Remuneration Committee

Dr. CHAN Kwong Fai *(Chairman)*
Mr. LI Kwok Tung Roy
Mr. KWAN Kai Cheong

Nomination Committee

Mr. MA Ka Chun *(Chairman)*
Mr. LI Kwok Tung Roy
Dr. CHAN Kwong Fai
Mr. CHAN Ka Kui *(appointed on 7 October 2019)*
Ms. CHAU Pui Lin *(resigned on 7 October 2019)*

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, Phase 6
Hong Kong Spinners Industrial Building
481–483 Castle Peak Road
Kowloon, Hong Kong

LEGAL ADVISOR

Deacons

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China Limited

INVESTOR RELATIONS CONTACT

Strategic Financial Relations Limited

SHARE INFORMATION

Listing:	The Main Board of The Stock Exchange of Hong Kong Limited
Board lot:	2,000 Shares
Stock code:	3322

COMPANY WEBSITE

www.winhanverky.com

KEY FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

	For the year ended/As at 31 December				
	2019	2018	2017	2016	2015
Financial Performance (HK$'000)					
Revenue	**5,069,728**	4,137,949	3,496,499	3,770,520	3,585,981
Operating profit	**163,560**	165,805	94,567	247,596	294,341
Profit before income tax	**123,072**	156,794	96,513	248,501	286,005
Profit from continuing operations	**73,748**	104,589	82,140	192,612	256,155
Loss from discontinued operations	**–**	(47,361)	(57,240)	(52,976)	(1,567)
Profit for the year	**73,748**	57,228	24,900	139,636	254,588
Profit attributable to equity holders	**64,214**	42,253	21,045	143,494	243,419
Financial Position (HK$'000)					
Non-current assets	**1,754,873**	1,317,815	1,077,339	1,100,270	1,156,015
Current assets	**2,589,052**	2,076,675	1,877,919	1,842,862	1,860,825
Current liabilities	**1,810,505**	1,198,331	685,154	693,184	701,304
Net current assets	**778,547**	878,344	1,192,765	1,149,678	1,159,521
Total assets	**4,343,925**	3,394,490	2,955,258	2,943,132	3,016,840
Total assets less current liabilities	**2,533,420**	2,196,159	2,270,104	2,249,948	2,315,536
Total equity	**2,113,325**	2,184,654	2,264,587	2,244,637	2,306,426
Cash and bank balances	**486,623**	355,053	424,809	414,210	676,080
Operation Indicators					
Gross profit margin from continuing operations (%)	**28.4**	27.7	27.8	28.0	29.6
Net profit margin from continuing operations (%)	**1.5**	2.5	2.3	5.1	7.1
Net gearing ratio (%) *(Note)*	**25.5**	5.9	N/A	N/A	N/A
Current ratio (times)	**1.4**	1.7	2.7	2.7	2.7
Trade receivable turnover period (days)	**43**	40	46	43	38
Inventory turnover period (days)	**104**	99	107	87	81

Note: Net gearing ratio represents total borrowings (including bank borrowings and loans from non-controlling interests of subsidiaries) less cash and bank balances, divided by total equity.

Chairman's Statement

BUSINESS AND FINANCIAL HIGHLIGHTS

In 2019, the global economy was impacted by the China-US trade disputes and the uncertainties of Brexit. The market sentiment in Mainland China was also affected by the trade tension but overall it remained stable. The contracting retail market in Hong Kong was intensified by local social unrest in particular during the second half of the year. Despite operating in an increasingly challenging environment, we were able to sustain a strong growth momentum. This continued growth in revenue can be attributed to the effectiveness of our resilient operating structure and diversified businesses.

The Group reported total revenue of HK$5,069.7 million (2018: HK$4,137.9 million) from continuing operations in 2019, representing an increase of 22.5%.

Manufacturing Business experienced another challenging year. Sportswear Manufacturing Business is back on the right track despite the tough journey, as orders increased from both our major customer and new customers. High-end Functional Outerwear Manufacturing Business has successfully developed its domestic sales in the Mainland China market. Revenue recorded from Manufacturing Business amounted to HK$3,316.7 million (2018: HK$2,917.3 million), representing an increment of 13.7%.

High-end Fashion Retailing Business delivered another high growth year in the Mainland China market although it was extremely challenging for the Hong Kong retail market. Our retail stores further increased to 252 at the end of 2019 (2018: 181) of which 206 stores were situated in Mainland China. Revenue recorded from High-end Fashion Retailing Business amounted to HK$1,753.0 million (2018: HK$1,220.7 million), representing a splendid year-on-year increment of 43.6%.

Gross profit margin of the Group increased to 28.4% in 2019 (2018: 27.7%). We have successfully increased the proportion of the higher margin retail business which has driven the gross profit margin upward.

As a result, profit attributable to equity holders was HK$64.2 million for 2019 (2018: HK$42.3 million), representing a 52.0% increase over the previous year.

OUTLOOK

The global economic uncertainties, exacerbated by the outbreak of coronavirus around the globe, have been adversely affecting the production, supply chain and demand throughout the world. We foresee that both Manufacturing Business and High-end Fashion Retailing Business will be impacted in 2020.

In order to prepare for the severe business environment ahead, we will enforce cost reduction initiatives and further streamline the operations as well as slow down the new factory development. Our long-term well-established relationships with existing customers will favor us in battling against this stiff headwind. Meanwhile we will deepen our collaboration with the business partners to further widen the customer base.

Despite a deep impact from the outbreak of coronavirus epidemic, we are optimistic about the business opportunities in the long term and will continue to invest in the Mainland China retail market once the situation is stabilised. The Group will continue to expand High-end Fashion Retailing Business in Mainland China through broadening its retail network in strategic cities.

Notwithstanding the signs of economic slowdown around the world, we will maintain a cautiously optimistic view and closely monitor the developments in order to achieve sustainable growth of our diversified businesses. While we are watchful of the challenges in the short term, our long-established foundation will allow us to weather the difficult period ahead.

DIVIDENDS

An interim dividend of HK1.0 cent was declared and paid during the year 2019. We are committed to continuing to provide returns to our shareholders and it is our goal to maintain a flexible dividend payout policy, without prejudice to the development of the Company. After considering the highly uncertain market situation we need to tackle, the Board considers to conserve our financial resources and does not recommend the payment of final dividend and dividend for the full financial year of 2019 was HK1.0 cent, representing a payment of HK$12.8 million.

ACKNOWLEDGEMENT

The Group will continue to pursue opportunities to keep up with the evolving marketplace and optimise its corporate strategy of creating long term value for our shareholders.

Finally, I would like to extend my utmost appreciation to our Directors, and the whole team for their consistent hard work, dedication and commitment. I also would like to express my sincere gratitude to all our clients, shareholders and business partners for their continued confidence and support.

LI Kwok Tung Roy
Chairman

Hong Kong, 26 March 2020

Management Discussion and Analysis

The Group is an integrated manufacturer, distributor and retailer for internationally renowned sports, fashion and outdoor brands. The financial performance of the Group for the year ended 31 December 2019 is summarised below:

OVERALL REVIEW

Revenue of the Group from continuing operations amounted to HK$5,069.7 million (2018: HK$4,137.9 million), representing a double-digit growth of 22.5%. The increase was attributable to rebounding orders from a major customer as well as revenue brought in from several new internationally renowned customers under Sportswear Manufacturing Business, increased domestics sales in Mainland China under High-end Functional Outerwear Manufacturing Business and rapid expansion of retail networks in Mainland China under High-end Fashion Retailing Business.

Gross profit margin of the Group increased to 28.4% in 2019 (2018: 27.7%). The slight increase in gross profit margin of 0.7 percentage point was mainly attributable to the growth of High-end Fashion Retailing Business with higher gross profit margin which brought in additional gross profit to the Group. As a result, gross profit of the Group increased by HK$297.8 million to HK$1,442.3 million in 2019 (2018: HK$1,144.5 million) which was 26.0% higher than that of the preceding year.

Selling and distribution costs increased by HK$200.2 million to HK$789.0 million (2018: HK$588.8 million), mainly attributable to the increased operating expenses incurred for increased orders by Manufacturing Business and expanded distribution network of High-end Fashion Retailing Business.

In August 2019, the Group relocated its sportswear manufacturing factory in Heyuan city of Mainland China to another site within the same city due to the expiry of lease, resulting in a total of HK$46.1 million staff compensation and relocation costs being incurred. Besides, a net gain (before taxation) of HK$77.1 million (2018: HK$131.5 million) which mainly arising from disposals of certain subsidiaries was recorded during the year.

Operating profit of the Group remained stable at HK$163.6 million in 2019 (2018: HK$165.8 million). It is an overall result deriving from the increased gross profit, offsetting by the increased operating costs and effect of the one-off items mentioned above.

Net finance costs of the Group increased by HK$35.9 million to HK$43.7 million in 2019 (2018: HK$7.8 million). The increase was mainly attributable to the increase in interest on bank borrowings (net of amount capitalised) and interest on lease liabilities upon adoption of HKFRS 16 by HK$14.8 million and HK$19.1 million respectively.

The Group has discontinued the sportswear retail network in Hong Kong and all retail stores were closed before the end of 2018. There was no further financial impact in 2019 (2018: loss of HK$47.4 million).

Overall, profit attributable to equity holders of the Company increased by HK$21.9 million to HK$64.2 million (2018: HK$42.3 million). Excluding the impact of disposal gain of subsidiaries and factory relocation costs mentioned above, profit attributable to equity holders would have been HK$30.2 million (2018: loss of HK$69.8 million).

The Board has declared and paid an interim dividend of HK1.0 cent per Share during the year. The Board does not recommend any payment of final dividend for the year ended 31 December 2019.

BUSINESS REVIEW

The financial performances of the business segments are summarised below:

Manufacturing Business

Our Manufacturing Business comprises "***Sportswear Manufacturing Business***", "***High-end Functional Outerwear Manufacturing Business***" and "***e.dye Business***".

Sportswear Manufacturing Business

The Group's Sportswear Manufacturing Business operates mainly through OEM arrangements for a number of internationally renowned sports brands. Most of the Group's products are exported and sold to Europe, the United States and Mainland China. The Group has a long history and a distinctive position in sportswear garment manufacturing and has established long-term business relationships with its key customers.

Revenue from Sportswear Manufacturing Business increased by HK$316.0 million to HK$2,839.6 million (2018: HK$2,523.6 million), representing an increment of 12.5%. The increase was mainly due to rebounding orders from a major customer and revenue brought in by certain new customers.

In August 2019, the Group's sportswear manufacturing factory in Heyuan city, Mainland China, was relocated to another site within the same city due to the expiry of lease. To facilitate the relocation and securing a stable labour force, the Group had agreed with most of the factory's employees to terminate their existing employment contracts and enter into new ones simultaneously. Staff compensation for termination of existing employment contracts together with other relocation costs amounting to a total of HK$46.1 million was incurred. In addition, a net gain (before taxation) of HK$77.1 million (2018: HK$131.5 million) which mainly arising from disposals of certain subsidiaries was recorded during the year.

Operating profit decreased to HK$98.2 million (2018: HK$147.9 million) which included the staff compensation and factory relocation costs and the gain mainly arising from disposals of certain subsidiaries as mentioned above. Excluding the impact of these one-off items, operating profit would have been increased to HK$67.2 million (2018: HK$16.4 million) as a result of cost rationalisation initiatives having taken place during the year.

High-end Functional Outerwear Manufacturing Business

Since the acquisition of Sport Field Group in the first half of 2018, High-end Functional Outerwear Manufacturing Business has become one of our major segments in Manufacturing Business. In order to develop the business of this new segment, we have invested in setting up a new factory in Mainland China and conversion of existing production facilities in Vietnam.

Revenue from High-end Functional Outerwear Manufacturing Business increased by HK$75.4 million to HK$441.8 million (2018: HK$366.4 million) while operating loss decreased to HK$62.0 million (2018: loss of HK$70.4 million). Sport Field Group has successfully developed its domestic customers in Mainland China which contributed to the growth in revenue. The operating result of the whole segment was also improved by the profit generated from the acquired business of Sport Field Group, which was partially offset by the additional costs incurred for setting up production lines in the new factory which had yet to achieve optimal production efficiency.

e.dye Business

Revenue from e.dye Business increased by HK$8.1 million to HK$35.4 million (2018: HK$27.3 million), representing an increment of 29.7% while operating loss during the year reduced to HK$45.9 million (2018: loss of HK$48.8 million).

High-end Fashion Retailing Business

The Group's High-end Fashion Retailing Business has fashion retail networks through "***D-mop***" stores to sell several self-owned brands, as well as imported brands, in Hong Kong, Mainland China and Taiwan and "***J-01***" stores in Hong Kong and Mainland China. In addition, it has distribution rights for brands including "***Y-3***" in Mainland China, Hong Kong, Macau, Taiwan and Singapore, "***Thomas Sabo***", "***Tara Jarmon***" and "***Heron Preston***" in Mainland China, Hong Kong and Macau. It also operates licensed stores in Mainland China for the brands "***Champion***" and "***DAKS***" and in Hong Kong for the brands "***New Era***" and "***Marcelo Burlon***".

Revenue from High-end Fashion Retailing Business increased by HK$532.3 million to HK$1,753.0 million (2018: HK$1,220.7 million), representing an increment of 43.6%. In 2019, High-end Fashion Retailing Business continued to expand its presence rapidly in the Mainland China market by opening new stores. As at 31 December 2019, the total number of offline stores increased to 252 (2018: 181), of which 206 stores were situated in Mainland China, 36 stores were in Hong Kong and Macau, and 10 stores in Taiwan and Singapore. On the other hand, global uncertainties together with continued China-US tensions were among the external factors negatively affecting Hong Kong's general economic well-being in 2019. The sharp drop in spending by a drastically reduced number of visitors to Hong Kong was further exacerbated by a fall in local consumption arising from intermittent closure of shops brought on by the social unrest. The revenue from the Hong Kong market saw a full year decline of 29.3% as compared to 2018. Having said that, the overall performance in 2019 still achieved a significant growth which was attributable to continuous expansion of retail networks in Mainland China.

Operating profit generated from the business reached a record high of HK$173.2 million (2018: HK$137.1 million), representing an increment of 26.3%.

PROSPECTS

The global economy in early 2020 has been severely affected by concerns over the coronavirus epidemic, particularly in the Mainland China and European markets which are the major markets of the Group. The business activities of the Group have also been affected to a certain extent. Despite the number of difficulties ahead, we will focus on maintaining operational resilience in unpredictable times and challenges for both Manufacturing Business and High-end Fashion Retailing Business.

Manufacturing Business

The Group's production facilities are situated in Vietnam, Cambodia and Mainland China.

Following the coronavirus outbreak in early 2020, a series of precautionary and control measures have continued to be implemented as required by the local governments, particularly in Mainland China. Important measures included extension of the Chinese New Year holiday nationwide, postponement of resumption of work after the Chinese New Year holiday, stringent restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents and areas, and stricter hygiene and epidemic prevention requirements in factories and offices. Suppliers' delivery of certain raw materials for production has also been delayed in the short term as affected by the precautionary and control measures as well as logistic impediment. As such, the productivity of the Group's factories in Mainland China, which represents approximately 20% of the production capacity of Manufacturing Business, could not achieve normal level but it is expected that the impact should be temporary.

In order to minimise the adverse impact, the Group has actively coordinated relevant resources and adjusted production arrangements in a timely manner. As of mid-March of 2020, approximately 90% of the operating staff have returned to factories and our production in Mainland China is substantially restored.

Sportswear Manufacturing Business

Sportswear Manufacturing Business has returned to the growth track in 2019 but it is believed that the business will be adversely affected by an indeterminate sportswear market in 2020 since the outbreak of coronavirus. In Europe, certain premier soccer leagues and tournaments have been suspended which may affect the demand of soccer jerseys. Due to the global outbreak of coronavirus, many shopping malls and retail stores are closed, with areas in lockdown and people quarantined as part of the precautionary measurements. These conditions will eventually affect our business as a consequence of shrinking market demand.

Giving the uncertain market situation, we are more cautious on deployment of our resources and capital expenditure. As such, we have conducted a comprehensive review for our new factory developments in Vinh Long, Vietnam and the development is temporarily on hold.

High-end Functional Outerwear Manufacturing Business

High-end Functional Outerwear Manufacturing Business has become one of our major business segments within Manufacturing Business after the acquisition of Sport Field Group. Since then, the Group possesses technologies and licensed facilities to produce high-end functional outerwear for certain internationally renowned brands. Sport Field Group has successfully developed its domestic customers in Mainland China but it will be affected by the unfavorable market situation since the outbreak of coronavirus in early 2020.

Looking ahead, we will continue to improve our production efficiency and enhance cost control in our factory in Mainland China and production facilities in Vietnam in order to reach optimal utilisation level.

e.dye Business

As part of our strategic initiatives, we will continue to expand our partnership with international brands to promote eco-friendly production and play an important role in green production. We are actively working with certain renowned brands of sportswear and outerwear in seeking a revenue breakthrough. At the same time, we will reinforce cost control in order to maximise cost effectiveness of production.

High-end Fashion Retailing Business

Mainland China will remain as the major market of our High-end Fashion Retailing Business. However, the spreading of coronavirus at the beginning of 2020 is undermining the business. At the beginning of February 2020, 170 out of 208 offline shops were temporarily closed. The situation is subsequently improved and up to mid-March 2020, only 4 offline shops are remained close mainly in Wuhan, Mainland China. We estimate that consumers will be cautious and continue to hold off spending even though the stores are re-opened. The negative impact will continue to affect our business in the first half of the year and it is believed that 2020 is set to be an extremely challenging year. As such, we have started to cut back purchase orders for 2020 summer products and put the establishment of new shops on hold. In Hong Kong and Macau, the impact arising from the outbreak of coronavirus is also severe. The ongoing social unrest in Hong Kong would continue to damage the retail market. In order to diminish the impact, we are negotiating with landlords for rent concession and also revisiting the profitability of some retail shops across the region. Subject to the outcome, certain retail shops would be closed down when necessary.

Multi-branding is one of our key strategies to tap the full potential of the Greater China market. Apart from the existing brand portfolio in the young and light luxury fashion segment which including several internationally renowned brands, "***Champion***", "***Y-3***", "***Tara Jarmon***", "***DAKS***", "***Thomas Sabo***", "***New Era***", "***Marcelo Burlon***" and "***Heron Preston***", we will continue to approach and gain distribution rights for young and high-end fashion brands to further enrich and rationalise our brand portfolio. In addition, the Group will continue its efforts to promote the retail presence of our existing stores and will enhance the shopping experience for our customers.

Taking into account the remarkable business development and financial performance of the Shine Gold Group, the operation arm of High-end Fashion Retailing Business, it is considered that it would be beneficial for the Group to acquire more shareholding interests in Shine Gold Group to gain more control of the business. As such, the Group acquired 27% equity interest from a non-controlling interest holder of Shine Gold Group in December 2019. After the acquisition, Shine Gold Group is owned as to 97% by the Group.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated cashflow and banking facilities and has maintained a healthy financial position during the year. As at 31 December 2019, it had cash and bank balances amounting to HK$486.6 million (2018: HK$355.1 million). The net increase was mainly attributable to the cash generated from operating activities and bank borrowings, net with payments of capital expenditures and dividends.

As at 31 December 2019, the Group had bank borrowings amounting to HK$1,021.1 million (2018: HK$478.9 million), which were on floating rates and unutilised banking facilities amounting to HK$493.4 million (2018: HK$152.5 million). The net gearing ratio, being total borrowings (including bank borrowings and loans from non-controlling interests of subsidiaries) less cash and bank balances divided by total equity, as at 31 December 2019, was 25.5% (2018: 5.9%).

FOREIGN CURRENCY EXPOSURE

Hong Kong Dollar ("**HKD**") serves as the Company's functional currency and the Group's presentation currency. The Group considers its foreign currency exchange exposure arising from United States Dollar ("**USD**") transactions and USD cash balances to be minimal during the year given that HKD was pegged against USD.

The Group's revenue and purchases were primarily denominated in USD, Renminbi ("**RMB**") and HKD. During the year, approximately 51.7%, 41.1% and 5.3% of revenue were denominated in USD, RMB and HKD respectively, whereas approximately 82.6%, 10.6% and 5.1% of purchases were denominated in USD, RMB and HKD respectively.

As at 31 December 2019, approximately 42.4%, 36.4% and 16.9% of cash and bank balances were denominated in USD, RMB and HKD respectively, and approximately 48.7%, 43.3% and 8.0% of bank borrowings were denominated in HKD, USD and RMB respectively.

Regarding the trade disputes between China and United States, it is expected that on-going currency fluctuation of RMB against USD is unavoidable. It was noted that RMB depreciated sharply against USD in 2019 and it was unfavourable to our assets denominated in RMB.

To minimise the impact of foreign currency rate volatility, we monitor foreign currency risk closely on an ongoing basis to ensure that the net exposure is at an acceptable level. If necessary, after consideration of the Group's future operation and investment needs in different currencies, we may use proper financial instruments to reduce the currency risk exposure.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had approximately 21,000 employees (2018: approximately 19,000 employees). The Group remunerates employees based on their performance, working experience and prevailing market conditions. Other employee benefits include retirement benefits, insurance, medical coverage and share option schemes.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2019, bank deposit of HK$1.1 million (2018: HK$1.1 million) was pledged as security deposit at Custom Department for a subsidiary of the Group; and land and properties with carrying value of HK$59.2 million (2018: HK$35.3 million) was pledged to banks for certain banking facilities of the Group.

CONTINGENT LIABILITIES

The Group has no significant contingent liabilities, litigation or arbitration of material importance as at 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In December 2019, the Group has completed the acquisition of additional 27% equity interest of Shine Gold Limited, a subsidiary of the Group, increasing its stake from 70% to 97%. Please refer to Note 18(b) to the consolidated financial statements.

Save as disclosed above, the Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LI Kwok Tung Roy, aged 69, is our executive Director, co-founder and Chairman. He was appointed as an executive Director in December 2005. Mr. LI is the elder brother of Mr. LEE Kwok Leung and the father of Mr. LI Chun Ho Fredrick. Mr. LI is responsible for strategic planning and overall management of our Group. Mr. LI has over 40 years of experience in the apparel industry and handling client relationship.

Mr. LI is currently the director of certain subsidiaries of the Company. He is also the director and shareholder holding 70% interest of Quinta Asia Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company" in this annual report.

LAI Ching Ping, aged 69, is our executive Director, co-founder and Deputy Chairman. He was appointed as an executive Director in December 2005. Mr. LAI assists the Chairman in board management and provides advice on the Group's direction and critical decision. Mr. LAI has over 40 years of experience in the apparel industry.

Mr. LAI is currently the director of certain subsidiaries of the Company. He is also the director and shareholder holding 30% interest of Quinta Asia Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company" in this annual report.

LEE Kwok Leung, aged 57, is our executive Director and Chief Executive Officer. He was appointed as an executive Director in February 2006 and is currently the director of certain subsidiaries of the Company. Mr. LEE is the younger brother of Mr. LI Kwok Tung Roy. Mr. LEE is responsible for overall management, strategic planning, execution and technology implementation of our Group. Mr. LEE has been with us for over 30 years after his graduation from the York University in 1987 with a Bachelor of Arts degree.

WONG Chi Keung, aged 53, is our executive Director, Chief Financial Officer and authorised representative. Mr. WONG joined us in March 2014 and is currently the director of certain subsidiaries of the Company. He has more than 27 years of experience in accounting, auditing and finance. Between 2006 and 2013, Mr. WONG served as the chief financial officer for a number of sino-foreign joint venture and Hong Kong and US listed companies, including China Dongxiang (Group) Co., Ltd. and Besunyen Holdings Company Limited, both companies are listed on the Stock Exchange. Between 2002 and 2006, Mr. WONG worked at various operating entities of China Netcom Group, including serving as a senior finance manager of China Netcom Group Corporation (Hong Kong) Limited, a company previously listed on the Main Board of the Stock Exchange. Between 1989 and 1999, Mr. WONG worked for PricewaterhouseCoopers, an international public accounting firm and lastly as an audit manager. Mr. WONG is currently an independent non-executive director of Sinomax Group Limited, a company listed on the Stock Exchange.

Mr. WONG obtained a Bachelor degree in Business Administration from the Chinese University of Hong Kong in 1989 and a Master degree in Business Administration from the Australian Graduate School of Management in 2002. Mr. WONG is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Kwong Fai, aged 73, is our independent non-executive Director. Dr. CHAN joined us in April 2006. Dr. CHAN has been in the academic field for over 40 years and is currently an Associate Professor at the Department of Management and Marketing of the Hong Kong Polytechnic University. Dr. CHAN is also an author of several publications in the business management area. Dr. CHAN graduated from the Chinese University of Hong Kong with a Bachelor degree in Social Science in 1971 and obtained his Master of Business Management from the University of Adelaide and Doctor of Philosophy from the University of South Australia in 1981 and 2004 respectively.

KWAN Kai Cheong, aged 70, is our independent non-executive Director. He joined us in April 2006. Mr. KWAN is currently the chairman of the board of Utopa Limited, a commercial property operating company in Mainland China, and the president of Morrison & Company Limited, a business consultancy firm. He is also an independent non-executive director of several listed companies in Hong Kong including Henderson Sunlight Asset Management Limited (as the manager of Sunlight Real Estate Investment Trust), Panda Green Energy Group Limited, Greenland Hong Kong Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc, HK Electric Investments Limited and HK Electric Investments Manager Limited (as the trustee manager of HK Electric Investments Limited). In addition, he is also a non-executive director of China Properties Group Limited, shares of which are listed on the Stock Exchange.

Mr. KWAN previously worked for Merrill Lynch & Co. Inc. and was the president for its Asia Pacific region. He was an independent non-executive director of Dynagreen Environmental Protection Group Co., Limited until February 2018.

Mr. KWAN completed the Stanford Executive Program in 1992. He also holds a Bachelor of Accountancy (Honours) degree from the University of Singapore. He is a fellow of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors.

MA Ka Chun, aged 68, is our independent non-executive Director. Mr. MA joined us in June 2006. Mr. MA has been in the apparel industry for over 30 years and holds a Bachelor of Social Science degree from the University of Hong Kong.

CHAN Ka Kui, aged 69, is our independent non-executive Director. Mr. CHAN joined us in October 2019. He has been in the construction field for over 40 years and is currently the chairman of the Construction Industry Council, a member of the Supervisory Board of Hong Kong Housing Society and a court member of the City University of Hong Kong. Mr. CHAN was appointed as a Justice of the Peace of the Hong Kong Special Administrative Region ("**HKSAR**") in 1992 and awarded the Silver Bauhinia Star in 2017 by the Government of the HKSAR.

Mr. CHAN holds a Master of Laws in Arbitration and Dispute Resolution from the City University of Hong Kong and was awarded the Honorary Fellowship by the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Surveyor.

SENIOR MANAGEMENT

LI Chun Ho Fredrick, aged 43, is the managing director of the Shine Gold Group, that is High-end Fashion Retailing Business, and is the son of Mr. LI Kwok Tung Roy. Mr. LI is responsible for overall management, strategic planning and execution of the Shine Gold Group. Mr. LI joined us in 2004 and was the sales and marketing director of Sportswear Manufacturing Business. He then became the senior management of the Shine Gold Group in 2011 and was promoted to the managing director of the Shine Gold Group in 2016. Prior to joining us, Mr. LI worked in the finance industry in Canada. Mr. LI obtained a Bachelor degree in Commerce from the University of Toronto in 2000 and an Executive Master of Business Administration degree from the Chinese University of Hong Kong in 2011.

LAM Choi Ha, aged 41, is our Company Secretary responsible for handling the company secretarial and compliance affairs of the Group, as well as facilitating the Board process. Ms. LAM joined us in November 2005 and was promoted to be the Company Secretary in September 2010. Prior to joining us, Ms. LAM has worked in the accountancy profession with PricewaterhouseCoopers. Ms. LAM obtained a Bachelor degree in Business Administration from the Hong Kong Baptist University in 2001. Ms. LAM is a fellow member of the Hong Kong Institute of Certified Public Accountants.

The Board recognises the importance of incorporating elements of good corporate governance into the management structure and the risk management and internal control procedures of the Group so as to ensure that all business activities of the Group and the decision making process are properly regulated.

During the year under review, the Company has applied the principles and complied with the code provisions in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board.

The Board is responsible for governing the Group and managing assets entrusted by the Shareholders. Its principal responsibilities include formulating the Group's business strategies and management objectives, monitoring and overseeing the performance of the Group, setting the Group's values and standards and ensuring a prudent and effective framework of risk management and internal control is in place to enable risks to be assessed and managed.

The day-to-day operations of the Group are delegated to the Chief Executive Officer and the management of the Group. The delegated functions and work tasks are periodically reviewed.

Composition

The Board currently comprises four executive Directors and four independent non-executive Directors, whose biographical details and relationships among the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 14.

The composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operation and development of the Group.

All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, contributing to the successful performance of the Group.

Relationship Between the Board Members

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management", none of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship) between each other.

Chairman and Chief Executive Officer

To ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer are clearly segregated.

The Chairman of the Board is Mr. LI Kwok Tung Roy and his principal role is to provide leadership for the Board on corporate and strategic planning, ensure proper proceedings of the Board and encourage all Directors to have active contributions to the Board's affairs.

The Chief Executive Officer is Mr. LEE Kwok Leung. Supported by the other executive Directors and the management, his principal role is to manage and operate the Group's day-to-day business, including the implementation of major strategies and initiatives adopted by the Board.

Responsibilities, Accountability and Contribution of the Board and Management

The management of the Company is led by the executive Directors of the Board and has been delegated powers and authorities to carry out the day-to-day operations of the Group; formulate business policies and make decision on key business issues; and exercise power and authority delegated by the Board from time to time. The management assumes full accountability to the Board for the operations of the Group.

The Board had given clear directions to the management, while certain matters (including the following) must be reserved to the Board for its approval:

(a) Publication of final and interim results of the Company;

(b) Decisions on whether or not to declare, recommend and pay dividend;

(c) Changes to major group structure or Board composition;

(d) Notifiable or connected transactions within the meaning of Chapters 14 and 14A to the Listing Rules; and

(e) Matters specifically set out in the Listing Rules which require approval at a full Board Meeting.

Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") in Appendix 10 to the Listing Rules. Having made enquiry to all Directors, they all have confirmed that they have complied with the required standards as set out in the Model Code during the year.

All Directors are also reminded not to deal in the securities of the Company within 30 days and 60 days before the publication of the interim and the annual results announcements respectively and they are prohibited to make use of inside information to deal in the securities of the Company.

Continuous Professional Development

Each newly appointed Director has received comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations as a director under the Listing Rules and relevant regulatory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities.

During the year under review, the Company has arranged training sessions to Mr. LI Kwok Tung Roy, Mr. LAI Ching Ping, Mr. LEE Kwok Leung, Mr. WONG Chi Keung, Dr. CHAN Kwong Fai, Mr. KWAN Kai Cheong, Mr. MA Ka Chun and Mr. CHAN Ka Kui which are conducted by external professional bodies to develop and refresh their knowledge and skills through suitable trainings. The participation in such trainings is to ensure that their contribution to the Board remains informed and relevant.

Independent Non-Executive Directors

Independent non-executive Directors serve the function of bringing independent judgment on the development, performance and risk management of the Group. Each of the independent non-executive Directors has been appointed for a term of three years and subject to retirement by rotation at least once every three years.

The Company confirmed that it has received from each of them the confirmations of independence according to Rule 3.13 of the Listing Rules and considered each of them to be independent. In addition, any further re-appointment of an independent non-executive Director who has served the Board for more than nine years will be subject to separate resolution to be approved by Shareholders.

Board Nomination Policy

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election or re-election as directors of the Company at general meetings or appoint as directors to fill casual vacancies or as an addition to the Board.

The following factors would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(a) Reputation for integrity;

(b) Accomplishment and experience in the industry which the Group operates;

(c) Commitment in respect of available time and relevant interest; and

(d) Diversity in all its aspects as set out in the board diversity policy adopted by the Company from time to time, including but not limited to gender, age (18 years or above), cultural and educational background, professional experience and skills.

The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

For filling a casual vacancy and/or as an addition to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

The Nomination Committee will monitor and review the nomination policy, as appropriate, to ensure that the nomination policy remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice.

Inside Information Policy

The Board has adopted the inside information policy in 2013 which contains the guidelines to the Directors, officers and certain relevant employees of the Group to ensure that inside information of the Group can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The Company must disclose inside information to the public as soon as reasonably practicable, unless the "safe harbor" provisions under the Securities and Futures Ordinance apply. The Board shall take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication.

Board Committees

Certain committees have been set up under the Board to supervise the management and administrative functions of the Group. They include:

Audit Committee

The Company established the Audit Committee on 18 April 2006 with written terms of reference which were in compliance with the Listing Rules. The primary duties of the Audit Committee include the following:

(a) To recommend the Board on the appointment, re-appointment and removal of external auditor, and to approve their remuneration and terms of engagement;

(b) To monitor the integrity of the Group's financial statements, annual reports and interim reports;

(c) To review the Group's financial controls, risk management and internal control systems;

(d) To discuss the risk management and internal control systems with the management and ensure that the management has performed its duty to have effective systems; and

(e) To review the Group's financial and accounting policies and practices.

In addition, the Audit Committee has been delegated by the Board to be responsible for performing the corporate governance functions that are listed as follows:

(a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) To review and monitor the training and continuous professional development of the Directors and senior management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct applicable to our employees and Directors; and

(e) To review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

The following is a summary of work performed by the Audit Committee in 2019:

(a) review of and recommendation for the Board's approval of the consolidated financial statements for the year ended 31 December 2018 and unaudited interim consolidated financial information for the six months ended 30 June 2019 with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting;

(b) discussion with the external auditor and the management on accounting policies and practices;

(c) review of the external auditor's significant audit matters;

(d) review of the effectiveness of the Company's internal control system covering financial, operational and compliance controls and risk management functions;

(e) consider the adequacy of resources, qualification and experience of staff of our Company's accounting, internal audit and financial reporting function, and training programmes and budget;

(f) approval of the audit fees and terms of engagement of the external auditor;

(g) review of independence of the external auditor and recommendation to the Board on the re-appointment of the external auditor; and

(h) determine the policy for the corporate governance of the Company and perform related duties delegated by the Board.

Members of the Audit Committee comprise Mr. KWAN Kai Cheong *(Chairman)*, Dr. CHAN Kwong Fai, Mr. MA Ka Chun and Mr. CHAN Ka Kui, all being independent non-executive Directors. Mr. CHAN Ka Kui was newly appointed in October 2019.

Nomination Committee

The Company established the Nomination Committee on 18 April 2006 with written terms of reference which were in compliance with the Listing Rules. The primary duties of the Nomination Committee include the following:

(a) To review the structure, size, composition and diversity (including without limitation, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of Directors) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) Having regard to the board diversity policy and the nomination policy of the Company, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) To assess the independence of independent non-executive Directors;

(d) To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for directors;

(e) To monitor the implementation of the board diversity policy and to review as appropriate, such a policy to ensure its effectiveness; and

(f) To review its own performance, constitution and terms of reference at least once a year to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

The Board adopted a board diversity policy which sets out its approach to achieve diversity on the Board. The summary of the board diversity policy is set out as follows:

(a) The Board recognises and embraces the benefits of having a diverse board with a view to enhancing its effectiveness and achieving a high standard of corporate governance. The Board also sees diversity as an essential element in maintaining a competitive advantage and contributing to the attainment of the strategic objectives and sustainable development of the Company;

(b) The Board believes that a diversity of perspectives can be achieved through consideration of a number of factors, including without limitation, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of directors; and

(c) These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately having regard to the Company's own business model and specific needs. The ultimate decision of all Board appointments should be based on meritocracy and the likely contributions that the selected candidates will bring to the Board.

The following is a summary of work performed by the Nomination Committee in 2019:

(a) review of the structure, size, composition and diversity of the Board;

(b) review of the independence of the independent non-executive Directors;

(c) review of the policy for the nomination of directors; and

(d) review of the appointment and re-appointment of Directors.

Members of the Nomination Committee comprise Mr. MA Ka Chun *(Chairman)*, Mr. LI Kwok Tung Roy, Dr. CHAN Kwong Fai and Mr. CHAN Ka Kui, three of whom are independent non-executive Directors. Mr. CHAN Ka Kui was newly appointed in October 2019.

Remuneration Committee

The Company established the Remuneration Committee on 18 April 2006 with written terms of reference which were in compliance with the Listing Rules. The primary duties of the Remuneration Committee include making recommendations to the Board on the policy and structure of all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Company's emolument policy is to ensure that the remuneration offered to employees including executive Directors and senior management is based on skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages are also determined by reference to the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions. The emolument policy for independent non-executive Directors, mainly comprising directors' fees, is subject to an annual assessment with reference to the market standard. Individual director and senior management would not be involved in deciding their own remuneration.

During the year under review, the Remuneration Committee has assessed performance of the executive Directors and reviewed and determined their remuneration packages. The remuneration of Directors comprises basic salary, pensions and discretionary bonus. Details of the amount of emoluments of Directors for the year ended 31 December 2019 are set out in Note 33 to the consolidated financial statements.

The remuneration of the members of the senior management by band for the year ended 31 December 2019 is set out below:

	Number of individuals	
	2019	2018
Remuneration band		
HK$1,000,001 – HK$1,500,000	**2**	3

Members of the Remuneration Committee comprise Dr. CHAN Kwong Fai *(Chairman)*, Mr. LI Kwok Tung Roy and Mr. KWAN Kai Cheong, two of whom are independent non-executive Directors.

Attendance of Meetings

The Board holds regular Board meetings, Remuneration Committee meeting, Nomination Committee meeting and Audit Committee meetings to discuss the Group's businesses, operations, development and conduct. All important issues are discussed in a timely manner. The attendance record of each Director, who held office in 2019, at the aforesaid meetings held during the year ended 31 December 2019 is set out below:

	Number of meetings attended/eligible to attend for the year ended 31 December 2019				
Name of Director	**Board Meeting**	**General Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**Audit Committee Meeting**
Executive Directors					
Mr. LI Kwok Tung Roy[1, 3]	4/4	1/1	1/1	1/1	N/A
Mr. LAI Ching Ping	4/4	1/1	N/A	N/A	N/A
Mr. LEE Kwok Leung	4/4	1/1	N/A	N/A	N/A
Mr. WONG Chi Keung	4/4	1/1	N/A	N/A	N/A
Independent Non-Executive Directors					
Dr. CHAN Kwong Fai[2, 3, 5]	4/4	1/1	1/1	1/1	2/2
Mr. KWAN Kai Cheong[1, 6]	3/4	0/1	1/1	N/A	2/2
Mr. MA Ka Chun[4, 5]	3/4	1/1	N/A	0/1	1/2
Mr. CHAN Ka Kui[3, 5] *(appointed on 7 October 2019)*	1/1	N/A	N/A	N/A	N/A
Ms. CHAU Pui Lin[3, 5] *(resigned on 7 October 2019)*	1/3	0/1	N/A	1/1	1/2

Notes:

1. Members of Remuneration Committee
2. Chairman of Remuneration Committee
3. Members of Nomination Committee
4. Chairman of Nomination Committee
5. Members of Audit Committee
6. Chairman of Audit Committee

COMPANY SECRETARY

Ms. LAM Choi Ha, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Group's affairs. During the year under review, Ms. LAM confirmed that she has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. Her biographical detail is set out in the section headed "Biographical Details of Directors and Senior Management" on page 14.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for establishing and maintaining the Group's risk management and internal control procedures and systems and for reviewing the effectiveness of the Group's risk management and internal control systems which include financial, operational and compliance controls.

Risk Management

The Group is committed to the identification, monitoring and management of risks associated with its business activities. In 2016, the Board engaged a third-party consultant to conduct a review on the risk management functions of the Group and the risk management policy was approved and adopted by the Group. The consultant also conducted risk assessment for the Group, and a list of key risks was compiled from the top risks identified from the risk assessment exercise. Subsequently, senior management of the Group conducted meetings to share knowledge in risk management, communicate specific business risks and eventually updated the Group's risk appetite statements.

As an ongoing basis, risk management philosophy and practices are adopted in the Group's routine business operations and management process.

The processes used to identify, assess and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identify risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assess risks identified by using the assessment criteria developed by the management; and
- Consider impact on the business and the likelihood of their occurrence.

Risk Response

- Prioritise risks by comparing the results of risk assessment; and
- Determine risk management strategies and internal control processes to avoid, prevent, transfer and mitigate risks.

Risk Monitoring and Reporting

- Perform ongoing and periodic monitoring of risk and ensure that appropriate internal control processes are in place;
- Revise risk management strategies and internal control processes in case of any significant change of environment; and
- Report results of risk monitoring to the management and the Board on a regular basis.

Internal Control

The Group's internal control is designed to provide reasonable and not absolute assurance against material misstatement or loss and to mitigate rather than eliminate risks of failure in operational systems and fulfilment of business objectives. The Group has established internal control to help the business operations to achieve the Group's business objectives, to safeguard the Group's assets, to ensure business operations complying with applicable laws and regulations, and to ensure the maintenance of proper accounting records and the reliability of financial information reported by the business operations.

Internal Audit

In view of the requirements in the Listing Rules in relation to the code provision on internal audit function which took effect in January 2016, the Board, through the Audit Committee, set up an internal audit department at the group level. The Group Internal Audit Department ("**Group Internal Audit**"), which is independent of daily operations, was set up at the end of 2015, to assist the Board in evaluating the various components of the internal control systems of the Group under the framework of control environment, risk assessment, control activities, information and communication, and monitoring in consistence with the "Committee of Sponsoring Organisations of the Treadway Commission" framework ("**COSO framework**"). The Group Internal Audit has unrestricted access to information that allows it to review all aspects of the Company's risk management, internal control and governance processes. The head of the Group Internal Audit Department reports directly to the Audit Committee. All the staff of the Group Internal Audit are fully competent in performing their duties, they are university graduates in accounting with either member of professional accounting bodies, certified internal auditor, certified information system auditor or quality management system auditor. Internal and external trainings were provided to staff to promote their continuous professional development.

As an ongoing process, the Group Internal Audit conducted selective reviews of the effectiveness and adequacy of the internal control systems putting key emphasis on retail operations, merchandising, purchasing and payment cycle, inventory management, payroll process and fixed assets management in all major business operations of the Group during the fiscal year 2019. All audit findings were reported and communicated to the Audit Committee, Directors and respective management. Appropriate recommendations for further enhancing the internal control systems were proposed to management and had been adopted as management thought fit. Audit issues were tracked and followed up for proper implementation, with progress reported to the Audit Committee, Directors and senior management on a regular basis.

The Audit Committee, which was delegated by the Board, reviews the effectiveness of the Group's risk management and internal control procedures and systems at least once a year, and has reviewed and evaluated the Group's internal control systems putting in place by management covering all material controls, including financial, operational and compliance controls, risk management functions and the internal audit function of the Company and its subsidiaries for the year ended 31 December 2019. During the year under review, the Audit Committee is satisfied with the effectiveness and adequacy of the risk management and internal control systems of the Group.

FINANCIAL REPORTING

Responsibilities in respect of the Financial Statements

The Board acknowledges its responsibility for preparing the financial statements of the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants have been adopted. The principal accounting policies, which have been consistently applied to all the years, adopted for the preparation of financial statements of the Group are set out in Note 2 to the consolidated financial statements.

The reporting responsibility of the Company's external auditor on the financial statements of the Group is set out in the independent auditor's report on pages 38 to 43 of this annual report.

Auditor's Remuneration

During the year under review, the fees payable to the Company's external auditor, PricewaterhouseCoopers, are set out as follows:

Nature of services	HK$'000
Audit related services	4,200
Non-audit related services *(Note)*	3,765
	7,965

Note: Non-audit related services include certain advisory services and taxation related services.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Communication with Shareholders

The Company had established a shareholders' communication policy in March 2012 and shall review it on a regular basis to ensure its effectiveness. The Company communicates with the Shareholders mainly in the following ways:

(a) the holding of annual general meetings and extraordinary general meetings, if any which may be convened for specific purposes, which provide opportunities for the Shareholders to communicate directly to the Board;

(b) the publication of announcements, annual reports, interim reports and circulars on the websites of the Company and the Stock Exchange;

(c) publication of press releases of the Company providing updated information of the Group;

(d) the availability of latest information of the Group on the Company's website;

(e) the holding of investor/analyst briefings and media conference from time to time; and

(f) meeting with investors and analysts on a regular basis.

Convening an Extraordinary General Meeting of the Company ("EGM")

Pursuant to article 58 of the articles of association of the Company, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing at the head office of the Company in Hong Kong written requisition to the Board or the Company Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene an EGM, the requisitionist(s) himself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company.

There are no provisions allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law (2011 Revision) or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Voting by Poll

The articles of association of the Company set out the procedures, requirements and circumstances where voting by poll is required. Pursuant to Rule 13.39 of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

The poll results will be published on the websites of the Company and the Stock Exchange as soon as possible after conclusion of the general meeting, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following the general meeting.

Dividend Policy

The Company strives for generating steady returns to the Shareholders. It is the policy of the Company, in considering the payment of dividends, to allow the Shareholders to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The dividend payout ratio shall be determined by the Board at its absolute discretion after taking into account of, among others, the following factors:

(a) the Group's financial performance;

(b) retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;

(c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(d) the Group's liquidity position; and

(e) other factors that the Board deems relevant.

The payment of the dividend by the Company is also subject to any restrictions under the applicable laws and regulations, including the Companies Law of the Cayman Islands and the memorandum and articles of association of the Company.

The Board will continue to review the dividend policy from time to time and reserves the right in its sole and absolute discretion to update, amend and/or modify the dividend policy at any time. There is no assurance that dividends will be paid in any particular amount for any given period.

Enquiries from Shareholders

Shareholders are welcomed to send their enquiries and concerns to the Board addressing to the Company Secretary of the Company through the following channels:

(i) by mail to the Company's head office at 6th Floor, Phase 6, Hong Kong Spinners Industrial Building, 481–483 Castle Peak Road, Kowloon, Hong Kong;

(ii) by email at ir@win-hanverky.com.hk; or

(iii) by fax at (852) 3544-3316.

Changes to Constitutional Documents

During the year ended 31 December 2019, there was no amendment to the Company's constitutional documents, and these documents are published on the websites of the Company and the Stock Exchange.

Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Group is principally engaged in the manufacturing, distributing and retailing of internationally renowned sports, fashion and outdoor brands. Sales are primarily under OEM arrangements to customers mainly in Europe, the United States, Mainland China and other countries, and under retail modes in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW

General

A review of the business of the Group in 2019 and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 11 of this annual report.

Principal Risks and Uncertainties

A number of factors affecting the results and business operations of the Group is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 11 of this annual report.

Post Year End Events

Save as disclosed in Note 32 to the consolidated financial statements, no other important event has occurred since 31 December 2019, being the end of the financial year under review, which affects the Group.

Analysis of Key Financial Performance Indicators

A summary of the key financial performance indicators of the Group for the last five financial years is set out in the section headed "Financial Highlights" on page 3 of this annual report.

Environmental Policies

We are committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. We strive to minimise our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also require our factories under Manufacturing Business to operate in strict compliance with the relevant environmental regulations and rules.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China, Vietnam, Cambodia and Hong Kong while the Company itself is listed on the Stock Exchange in Hong Kong. Our establishment and operations accordingly shall comply with relevant local laws and regulations. During the year ended 31 December 2019 and up to the date of this annual report, we have complied with relevant local laws and regulations applicable to it in all material respects.

Key Relationships

The Group endeavours to maintain sustainable development in the long term, continuously create value for its employees and customers, and foster good relationship with its suppliers.

The Group understands that employees are its valuable assets and the realisation and enhancement of employees' value will facilitate the achievement of the Group's overall goals. A comprehensive range of fringe benefits is offered to attract, retain and motivate employees.

The Group also understands the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group and to ensure that they can share its commitment to product quality. Suppliers are carefully selected and they are required to satisfy certain criteria including track record, experience, reputation, ability to produce high-quality products and quality control effectiveness. To maintain the competitiveness of its products and brands, the Group commits itself to consistently provide quality products to its customers.

During the year under review, the Group considered the relationship with employees was well and the turnover rate is acceptable whereas there was no significant and material dispute with its suppliers and customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 17 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 31 and Note 18 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 48 and 49 of this report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2019, the Company's reserves available for distributions to Shareholders amounted to HK$923.2 million (2018: HK$733.5 million). Details of movements in the reserves of the Company are set out in Note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company and there is no restriction against such rights under the laws of Cayman Islands where the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement on page 46 of this annual report.

The Board declared an interim dividend of HK1.0 cent per Share for the six months ended 30 June 2019. The Board does not recommend the payment of final dividend for the year ended 31 December 2019.

CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 4 June 2020 to Thursday, 11 June 2020 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting of the Company, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 3 June 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 6 to the consolidated financial statements.

DONATION

During the year under review, the Group made charitable and other donations totaling HK$724,000.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year under review.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' INTEREST IN CONTRACTS

Save for the related party transactions disclosed in Note 30 to the consolidated financial statements, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or any of their respective subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year under review.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. LI Kwok Tung Roy
Mr. LAI Ching Ping
Mr. LEE Kwok Leung
Mr. WONG Chi Keung

Independent Non-Executive Directors

Dr. CHAN Kwong Fai
Mr. KWAN Kai Cheong
Mr. MA Ka Chun
Mr. CHAN Ka Kui *(appointed on 7 October 2019)*
Ms. CHAU Pui Lin *(resigned on 7 October 2019)*

As announced by the Company on 4 October 2019, Mr. CHAN Ka Kui was appointed as an independent non-executive Director of the Company with effect from 7 October 2019. According to Article 86(3) of the articles of association of the Company, Mr. CHAN Ka Kui, as a newly appointed Director, shall hold office until the forthcoming annual general meeting and be eligible for re-election.

According to Articles 87(1) and 87(2) of the articles of association of the Company, Mr. LI Kwok Tung Roy, Mr. WONG Chi Keung and Mr. KWAN Kai Cheong shall retire at the forthcoming annual general meeting by rotation and be eligible to offer themselves for re-election as a Director.

PERMITTED INDEMNITY PROVISION

According to Article 167 of the articles of association of the Company, the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts, provided that the indemnity shall not extend to any fraud or dishonesty which may attach to them.

The Company has taken out and maintained appropriate insurance cover for its Directors and officers in respect of potential legal actions that may be incurred in the course of performing their duties.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 14.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has a service contract with the Company for a term of three years and is subject to termination by either party giving not less than six months' written notice. Under the service contracts, each of the executive Directors is entitled to an annual discretionary management bonus in respect of each complete financial year of the Group as the Board may approve.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company with a fixed term of office for three years which is determinable by either party giving not less than three months' written notice.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' DISCLOSURE OF INTERESTS

As at 31 December 2019, the interests and short positions of the Directors and chief executive(s) of the Company (if any) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the shares/underlying shares of the Company

Name of Directors	Capacity	Number of shares/ underlying shares	Percentage of interest in the Company*
Mr. LI Kwok Tung Roy	Interest in a controlled corporation	743,769,967[1]	57.91%
Mr. LAI Ching Ping	Beneficial owner	4,186,000	0.33%
Mr. LEE Kwok Leung	Beneficial owner	12,000,000[2]	0.93%
Mr. WONG Chi Keung	Beneficial owner	10,102,000[3]	0.79%

* The calculation of percentages is based on 1,284,400,000 Shares in issue as at 31 December 2019.

Notes:

1. Mr. LI Kwok Tung Roy holds 70% of the issued share capital of Quinta Asia Limited ("**Quinta**"). Mr. LI Kwok Tung Roy has a controlling interest in Quinta and is therefore deemed to be interested in Quinta's interest in the Company for the purposes of the SFO.

2. Mr. LEE Kwok Leung is interested as a grantee of options to subscribe for up to 12,000,000 Shares under the Share Option Scheme.

3. Mr. WONG Chi Keung held 102,000 Shares and is interested as a grantee of options to subscribe for up to 10,000,000 Shares under the Share Option Scheme.

(b) Long positions in the shares of the associated corporation of the Company (as defined in the SFO)

Name of directors	Associated corporation	Capacity	Number of shares	Percentage of interest in associated corporation
Mr. LI Kwok Tung Roy	Quinta	Beneficial owner	7	70%
Mr. LAI Ching Ping	Quinta	Beneficial owner	3	30%

Save as disclosed above, as at 31 December 2019, none of the Directors, chief executive(s) or any of their respective associates had any interest or short position, whether beneficial or non-beneficial, in the shares, the underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, as far as the Directors were aware, the following persons (other than the Directors or chief executive(s) of the Company) had interests or short positions in the Shares or underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO.

Name	Capacity	Number of Shares			Percentage of interest in the Company*
		Long position	Short position	Lending pool	
Quinta	Beneficial owner	743,769,967	—	—	57.91%
Mr. Webb David Michael	Beneficial owner/ interests in a controlled corporation	67,714,000 *(Note)*	—	—	5.27%

* The calculation of percentages is based on 1,284,400,000 Shares in issue as at 31 December 2019.

Note: Mr. Webb David Michael was the beneficial owner of 25,618,659 Shares and was interested in 42,095,341 Shares through Preferable Situation Assets Limited which is 100% held by him.

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any person (other than the Directors or chief executive(s) of the Company) who had interests or short position in the Shares and underlying shares of the Company which were recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME AND NEW SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders passed on 8 August 2006, the Company has established a share option scheme ("**Share Option Scheme**") whereby the Board may, at their discretion, invite any directors, employees, consultants, professionals, customers, suppliers, agents, partners or advisers of or contractors to the Group (subject to the eligibility requirements as set out therein). The total number of Shares available for issue under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the listing date on 6 September 2006 unless further Shareholders' approval has been obtained. In addition, the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme and any other schemes adopted by the Group shall not exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme or any other schemes adopted by the Group if the grant of such option will result in the limit being exceeded. The total number of Shares issued and to be issued upon the exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 months' period up to the date of grant to a substantial Shareholder or an independent non-executive director or their associates would not exceed 0.1% of the shares in issue or an aggregate value of HK$5,000,000 unless further Shareholders' approval has been obtained; and to each other eligible person would not exceed 1% of the Shares in issue.

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that eligible participants have made or may make to the Group. It also provides the eligible participants with an opportunity to acquire proprietary interests in the Company with a view to (a) motivate the eligible participants to optimise the performance and efficiency for the benefit of the Group; and (b) attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group.

The Share Option Scheme has expired on 5 September 2016. In order to continue to provide the eligible participants, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long-term success of the business of the Group, the Board has sought and obtained approval of the Shareholders for the adoption of a new share option scheme ("**New Share Option Scheme**") at the annual general meeting of the Company on 16 June 2016. The New Share Option Scheme adopted became effective from 20 June 2016 and will remain in force for a period of 10 years.

Under the New Share Option Scheme, the Board may, at their discretion, grant share options to eligible participants including any directors, employees or partners of the Group. The offer shall remain open for acceptance by the eligible participants for a period of not less than three business days from the date of offer and the Board may, at its discretion, specify the minimum period for which an option must be held before it can be exercised at the time of grant. A non-refundable consideration of HK$10 shall be paid by each grantee on acceptance of the options. The exercise price is to be determined by the Board, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The total number of Shares which may be issued under the New Share Option Scheme must not exceed 128,440,000 shares, representing 10% of the issued share capital of the Company as at the date of this annual report. Other major terms of the New Share Option Scheme are substantially similar to those under the Share Option Scheme.

Upon the expiry of the Share Option Scheme, no share options can be further granted thereunder, whereas outstanding share options under the Share Option Scheme remain valid.

The accounting policy adopted for the share options is described in Note 2.19(b) to the consolidated financial statements.

Movements of the options under the Share Option Scheme for the year ended 31 December 2019 are as follows:

Grantee	Date of grant	Exercise price per Share HK$	Exercise period	Number of options under the Share Option Scheme: As at 1 January 2019	Exercised during the year	Lapsed/ cancelled during the year	As at 31 December 2019
Mr. LEE Kwok Leung *Executive Director*	16/07/2014	0.946	16/07/2015–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2016–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2017–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2018–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2019–15/07/2024	2,400,000	–	–	2,400,000
				12,000,000	–	–	12,000,000
Mr. WONG Chi Keung *Executive Director*	22/12/2015	1.562	22/12/2016–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2017–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2018–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2019–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2020–21/12/2025	2,000,000	–	–	2,000,000
				10,000,000	–	–	10,000,000
An employee	16/07/2014	0.946	16/07/2016–15/07/2024	1,000,000	–	–	1,000,000
			16/07/2017–15/07/2024	1,000,000	–	–	1,000,000
			16/07/2018–15/07/2024	1,000,000	–	–	1,000,000
			16/07/2019–15/07/2024	1,000,000	–	–	1,000,000
				4,000,000	–	–	4,000,000
An employee	09/01/2014	1.010	09/01/2015–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2016–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2017–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2018–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2019–08/01/2024	1,000,000	–	–	1,000,000
				5,000,000	–	–	5,000,000
An employee	22/12/2015	1.562	22/12/2016–21/12/2025	600,000	–	(600,000)	–
			22/12/2017–21/12/2025	600,000	–	(600,000)	–
			22/12/2018–21/12/2025	600,000	–	(600,000)	–
			22/12/2019–21/12/2025	600,000	–	(600,000)	–
			22/12/2020–21/12/2025	600,000	–	(600,000)	–
				3,000,000	–	(3,000,000)	–
Total				34,000,000	–	(3,000,000)	31,000,000

During the year ended 31 December 2019, no option has been granted under the New Share Option Scheme.

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in Mainland China, Vietnam and Cambodia and certain Mandatory Provident Fund Schemes for the employees in Hong Kong.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year under review.

CONNECTED TRANSACTIONS

Acquisition of Additional 27% Equity Interest in a Subsidiary from a Connected Person

On 20 December 2019, the Group entered into a sale and purchase agreement with Mr. WONG Yiu Sun ("**Mr. WONG**"), a connected person at the subsidiary level of the Company, pursuant to which the Group has acquired from Mr. WONG 27% of the issued shares of Shine Gold ("**Acquisition**") at a consideration of HK$22 million. After the Acquisition, Shine Gold is owned as to 97% by the Group and the Group continues to consolidate the financial results of the Shine Gold Group.

Taking into account of the remarkable business development and financial performance of the Shine Gold Group which contributed considerable profits to the Group, the Directors consider that it would be beneficial for the Group to acquire more shareholding interests in Shine Gold from Mr. WONG to gain more control of the Shine Gold Group.

The Acquisition constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction which was subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the Acquisition were disclosed in the Company's announcement dated 20 December 2019.

Save as disclosed above, none of the related party transactions of the Group for the year ended 31 December 2019 as set out in Note 30 to the consolidated financial statements constituted connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A to the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

Sales and purchases of the Group attributable to its major customers and suppliers respectively for the year ended 31 December 2019 were as follows:

	% of Sales	% of Purchases
The largest customer/supplier	50.6	20.5
Five largest customers/suppliers	57.1	48.3

To the best knowledge and belief of the Directors, none of the Directors, their close associates or any Shareholder owning more than 5% of the issued share capital of the Company, has any interest in any of the Group's five largest customers or suppliers as disclosed above.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has applied the principles and complied with the code provisions in the CG Code as set out in Appendix 14 to the Listing Rules throughout the reporting period covered by this annual report. Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 15 to 27 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules as at the latest practicable date prior to the issue of this report.

AUDITOR

The financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company for the year ending 31 December 2020.

By order of the Board
Win Hanverky Holdings Limited
LI Kwok Tung Roy
Chairman

Hong Kong, 26 March 2020

羅兵咸永道

TO THE SHAREHOLDERS OF
WIN HANVERKY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Win Hanverky Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") are set out on pages 44 to 119, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of intangible assets
- Impairment of property, plant and equipment and leased assets of underperforming retail stores

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of intangible assets	
Refer to notes 2.8, 2.9, 4(d), 4(e) and 7 to the consolidated financial statements The Group carried HK$249 million intangible assets on the consolidated statement of financial position as at 31 December 2019, of which HK$91 million is attributable to the goodwill arisen from the acquisition of the high-end fashion retailing business under Shine Gold Group, HK$92 million is attributable to the goodwill and customer relationship arisen from the acquisition of Sport Field Group, HK$34 million is attributable to the goodwill arisen from the acquisition of the golf and high-end apparel manufacturing and trading business under Charmtech Group and HK$22 million is attributable to the know-how arisen from the acquisition of the textiles manufacturing and trading business under Win Success Group. Shine Gold Group, Charmtech Group together with Sport Field Group and Win Success Group are considered three separate group of cash generating units ("**CGUs**"). Goodwill is required to be assessed for impairment at least annually. Know-how and customer relationship are required to be assessed for impairment when an impairment indicator exists. For the impairment assessment of intangible assets, management has estimated the recoverable amount based on discounted cash flow projections using fair value less costs of disposal ("**FVLCD**") or value in use ("**VIU**") calculations. Management has concluded that there is no impairment in respect of the Group's intangible assets in the current year. We focused on this area as the assessments made by management involved significant estimates and judgements, including the revenue growth, gross margins, and terminal growth rates used to estimate future cash flows and discount rates applied to these forecasted future cash flows of the underlying CGUs.	For the intangible assets impairment assessments, we evaluated management's valuation models by assessing the appropriateness of the valuation methodologies and the process by which the models were drawn up. We obtained management's future cash flow forecasts, tested the mathematical accuracy of the underlying calculations and compared the underlying inputs to the latest approved one-year financial budget and future business plans. We also compared the current year actual results to those budgeted figures adopted in the cash flow forecasts used in the prior year impairment assessment to assess the quality of management's forecasts. We assessed management's key assumptions used in the business plans, in particular the forecasted revenue growth and budgeted gross margins, by comparing against the historical performance of the CGUs and industry data such as actual gross margins of other market players. We also assessed the reasonableness of other key assumptions used in the calculations. Our audit procedures included an assessment of: — the terminal growth rates used by management and comparing them to the long term economic growth forecasts of the garment, yarn and fabric manufacturing and retail industries; and — the risk adjusted discount rates used by management by involving our internal valuation expert and comparing these discount rates used to entities with similar risk profile and market information. In addition, we also reviewed the sensitivity analyses performed by management around the key assumptions to ascertain that the selected adverse changes of key assumptions would not cause the carrying amount of the intangible assets to exceed the recoverable amounts. Based on the collective audit evidence obtained, we consider that the management's judgements and assumptions used in the intangible assets impairment assessments were supportable.

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment of property, plant and equipment and leased assets of underperforming retail stores

Refer to notes 2.9, 4(a) and 21 to the consolidated financial statements

As at 31 December 2019, management assessed the Group's retail store assets mainly comprising right-of-use assets, leasehold improvements and furniture and equipment for indication of impairment. The economic and sector trends facing the Group may adversely impact the recoverable values of the assets used within the retail stores which is considered to be a triggering event for impairment review.

Management considered each retail store to be a cash generating unit and performed a review of the trading results of its retail stores for the year to assess whether the related property, plant and equipment and leased assets of the retail store were subject to an impairment loss.

As a result of management's assessment, which is based on cash flow forecast of each retail store with indications of impairment, considering on top of the impairment made in the prior years, the Group recognised impairment loss of property, plant and equipment and leased assets of HK$5.4 million of its underperforming retail stores operating in Hong Kong and Mainland China in the consolidated income statement for the year ended 31 December 2019.

We focused on this area because there were significant estimates and judgements made by management in the assessment in determining the impairment loss of the related property, plant and equipment and leased assets of each retail store. The key assumptions adopted in the assessments included the forecasted sales performance and running costs of each retail store as well as the discount rates applied to the forecasted future cash flows of these retail stores.

We obtained management's assessment of the underperforming retail stores. We checked whether all underperforming retail stores of the Group in Hong Kong and Mainland China were considered in the process. We also discussed with management the possibility that the performing retail stores may be subject to impairment loss and corroborated management's representation by comparing to the historical performance of these retails stores and understanding of their business plan obtained during the course of audit.

We further gained an understanding of the calculations based on the cash flow forecast of each underperforming store used by management in determining the impairment loss of the property, plant and equipment and leased assets.

In assessing the impairment, we focused on assessing the key assumptions adopted in the assessments of individual retail store where we:

— compared the forecasted sales performance to the approved budget and business plan, and compared estimated running costs to the existing retail store's performance;

— discussed with management the business plan and evaluated the reasonableness of those plans with the historical performance of these retail stores and latest market trend;

— checked key inputs to the calculations to the relevant supporting documents;

— assessed the reasonableness of the discount rates adopted by management and compared the discount rates used to entities with similar risk profile; and

— checked accuracy of the mathematical calculations of the impairment loss of the retail stores.

Based on the collective audit evidence obtained, we consider that the management's judgements and assumptions used in the assessment to determine the impairment loss of the property, plant and equipment and leased assets of the underperforming retail stores were supportable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Woon Yin Michael.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2020

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	6	1,330,091	838,917
Land-use-rights	6(a)(iv)	–	79,227
Intangible assets	7	248,828	255,403
Investments in associates	8	13,867	10,517
Other receivables and financial assets	11	90,038	86,780
Deferred tax assets	16	70,935	46,971
Pledged bank deposits	12	1,114	–
		1,754,873	1,317,815
Current assets			
Inventories	9	1,224,202	872,094
Trade and bills receivable	10	637,524	544,029
Other receivables and financial assets	11	215,923	251,388
Current tax recoverables		24,780	22,677
Pledged bank deposits	12	–	1,139
Cash and bank balances	12	486,623	355,053
		2,589,052	2,046,380
Assets classified as held for sale	27(a)(i)	–	30,295
		2,589,052	2,076,675
Current liabilities			
Trade and bills payable	13	252,248	226,482
Accruals and other payables	14	414,372	425,603
Borrowings	15	874,876	478,904
Lease liabilities	6(b)	179,300	–
Current tax liabilities		89,709	65,325
		1,810,505	1,196,314
Liabilities directly associated with assets classified as held for sale	27(a)(i)	–	2,017
		1,810,505	1,198,331
Non-current liabilities			
Other payables	14	38,933	–
Borrowings	15	146,250	–
Lease liabilities	6(b)	227,204	–
Deferred tax liabilities	16	7,708	11,505
		420,095	11,505
Net assets		2,113,325	2,184,654

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Equity attributable to equity holders of the Company			
Share capital	17	**128,440**	128,440
Reserves	18	**2,028,707**	2,037,360
		2,157,147	2,165,800
Non-controlling interests		**(43,822)**	18,854
Total equity		**2,113,325**	2,184,654

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 44 to 119 were approved by the Company's Board of Directors on 26 March 2020 and were signed on its behalf.

LI Kwok Tung Roy	**LAI Ching Ping**
Director	*Director*

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Continuing operations			
Revenue	5	5,069,728	4,137,949
Cost of sales		(3,627,446)	(2,993,427)
Gross profit		1,442,282	1,144,522
Selling and distribution costs		(788,965)	(588,823)
General and administrative expenses		(506,637)	(507,875)
Other net income	19	16,880	117,981
Operating profit		163,560	165,805
Finance costs — net	20	(43,713)	(7,785)
Share of profits/(losses) of associates	8	3,225	(1,226)
Profit before income tax	21	123,072	156,794
Income tax expense	23	(49,324)	(52,205)
Profit from continuing operations		73,748	104,589
Discontinued operations			
Loss from discontinued operations	27(b)	—	(47,361)
Profit for the year		73,748	57,228
Profit for the year attributable to:			
Equity holders of the Company		64,214	42,253
Non-controlling interests		9,534	14,975
		73,748	57,228
Earnings per share (basic and diluted) attributable to:			
(expressed in HK cents per share)	24		
Equity holders of the Company from continuing operations		5.0	6.8
Equity holders of the Company		5.0	3.3

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	73,748	57,228
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	(20,101)	(32,792)
Share of other comprehensive income of associates	125	352
Item that has been reclassified to profit or loss		
Realisation of accumulated exchange differences upon disposal/liquidation of subsidiaries	(57,979)	(12,168)
Item that will not be reclassified to profit or loss		
Change in the fair value of financial assets at fair value through other comprehensive income	31	—
Total comprehensive income for the year	(4,176)	12,620
Total comprehensive income for the year attributable to:		
Equity holders of the Company		
— Continuing operations	(13,217)	49,973
— Discontinued operations	—	(44,497)
	(13,217)	5,476
Non-controlling interests	9,041	7,144
	(4,176)	12,620

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to equity holders of the Company				
	Share capital *(Note 17)* HK$'000	Reserves *(Note 18)* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2018	128,440	2,037,360	2,165,800	18,854	2,184,654
Change in accounting policy *(Note 2.2)*	–	(11,474)	(11,474)	(2,067)	(13,541)
At 1 January 2019	128,440	2,025,886	2,154,326	16,787	2,171,113
Profit for the year	–	64,214	64,214	9,534	73,748
Other comprehensive income	–	(77,431)	(77,431)	(493)	(77,924)
Total comprehensive income for the year	–	(13,217)	(13,217)	9,041	(4,176)
Transactions with owners					
Employee share option scheme	–	593	593	–	593
Dividends					
— 2018 final	–	(12,844)	(12,844)	–	(12,844)
— 2019 interim	–	(12,844)	(12,844)	–	(12,844)
Change in ownership interests in subsidiaries without change of control *(Note 18(b))*	–	41,133	41,133	(69,650)	(28,517)
	–	16,038	16,038	(69,650)	(53,612)
At 31 December 2019	128,440	2,028,707	2,157,147	(43,822)	2,113,325

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to equity holders of the Company				
	Share capital *(Note 17)* HK$'000	Reserves *(Note 18)* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	128,440	2,097,977	2,226,417	38,170	2,264,587
Profit for the year	—	42,253	42,253	14,975	57,228
Other comprehensive income	—	(36,777)	(36,777)	(7,831)	(44,608)
Total comprehensive income for the year	—	5,476	5,476	7,144	12,620
Transactions with owners					
Employee share option scheme	—	1,278	1,278	—	1,278
Dividends					
— 2017 final	—	(25,688)	(25,688)	—	(25,688)
— 2018 interim	—	(38,532)	(38,532)	—	(38,532)
Change in ownership interest in a subsidiary without change of control	—	(3,151)	(3,151)	1,984	(1,167)
Non-controlling interest arising from business combination	—	—	—	(19,739)	(19,739)
Capital repayment to non-controlling interest of a subsidiary	—	—	—	(8,705)	(8,705)
	—	(66,093)	(66,093)	(26,460)	(92,553)
At 31 December 2018	128,440	2,037,360	2,165,800	18,854	2,184,654

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	**2019 HK$'000**	2018 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	26(a)	**114,866**	(115,650)
Interest paid		**(29,412)**	(12,970)
Income taxes paid		**(49,946)**	(62,008)
Net cash generated from/(used in) operating activities		**35,508**	(190,628)
Investing activities			
Interest received		**3,436**	1,136
Payment for property, plant and equipment		**(264,079)**	(229,429)
Proceeds from disposal of property, plant and equipment	26(b)	**1,528**	7,476
Proceeds from disposal of subsidiaries		**24,758**	194,403
Repayment of receivables from a landlord		**10,920**	12,870
Deposit received for a subsidiary classified as assets held for sale		**–**	11,496
Net cash inflow for acquisition of subsidiaries		**–**	7,186
Payment for financial assets at fair value through other comprehensive income		**–**	(3,919)
Net cash (used in)/generated from investing activities		**(223,437)**	1,219
Financing activities			
Proceeds from bank borrowings	26(c)	**2,044,075**	1,123,328
Repayments of bank borrowings	26(c)	**(1,501,603)**	(913,439)
Principal elements of lease payments	26(c)	**(175,805)**	–
Interest elements of lease payments	26(c)	**(19,066)**	–
Dividends paid to the Company's equity holders		**(25,688)**	(64,220)
Payment for acquisition of interest from non-controlling interest of a subsidiary		**(3,853)**	–
Decrease in amounts due to non-controlling interests of subsidiaries	26(c)	**–**	(810)
Capital repayment to non-controlling interest of a subsidiary		**–**	(8,705)
Net cash generated from financing activities		**318,060**	136,154
Net increase/(decrease) in cash and cash equivalents		**130,131**	(53,255)
Cash and cash equivalents at beginning of the year		**355,053**	424,809
Cash and cash equivalents of assets classified as held for sale at 1 January 2019 and 31 December 2018		**5,661**	(5,661)
Exchange differences on cash and cash equivalents		**(4,222)**	(10,840)
Cash and cash equivalents at end of year	12	**486,623**	355,053

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

Win Hanverky Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are engaged in the manufacturing and selling of garment products, including sportswear, high-end fashion apparel, and related accessories. Sales are primarily under original equipment manufacturing ("**OEM**") arrangements to customers mainly in Europe, the United States, Mainland China and other countries, and under retail modes in Mainland China, Hong Kong, Macau, Taiwan and Singapore. Its production bases are primarily located in Mainland China, Vietnam and Cambodia. Details of the principal subsidiaries of the Group are set out in Note 34 to these consolidated financial statements.

The Company is an exempted Company with limited liability under the Companies Law, Cap.22, (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") 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. Significant accounting policies adopted by the Group are disclosed below.

These consolidated financial statements have been prepared under historical cost convention except the financial assets at fair value through other comprehensive income are stated at their fair value (Note 2.10) and assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell (Note 2.24).

The preparation of financial statements in conformity with HKFRSs 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16 *Leases*, and a number of new amendments that became applicable for the current reporting period.

Except for HKFRS 16, none of the developments have had a material effect on the Group's result and financial position for the current or prior periods have been prepared or presented in these consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current reporting period.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

(a) The Group's leasing activities and practical expedients applied

The Group is a lessee of its retail shops, offices, warehouses, plant and equipment which were classified as operating leases. Payments made under operating leases were charged to income statement on a straight-line basis over the period of the lease. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From 1 January 2019, lease liabilities in relation to leases which had previously been classified as operating leases have been recognised except for short-term leases. These liabilities were measured at the present value of the remaining lease payments. As at 1 January 2019, the Group recognised and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the lessee's incremental borrowing rate at the date of initial application, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.74%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(a) The Group's leasing activities and practical expedients applied (Continued)

The Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying Hong Kong Accounting Standard ("**HKAS**") 17 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(b) Initial impact on adoption of HKFRS 16

The following table shows the adjustments on the Group's consolidated statement of financial position:

	Note	**31 December 2018** HK$'000	**Initial adoption of HKFRS 16** HK$'000	**1 January 2019** HK$'000
Non-current assets				
Property, plant and equipment	6(a)	838,917	494,956	1,333,873
Land-use-rights	6(a)(iv)	79,227	(79,227)	–
Deferred tax assets	16	46,971	3,979	50,950
Current liabilities				
Accruals and other payables		425,603	(4,299)	421,304
Lease liabilities	6(b)	–	150,666	150,666
Non-current liabilities				
Lease liabilities	6(b)	–	286,882	286,882
Equity				
Reserves	18	2,037,360	(11,474)	2,025,886
Non-controlling interests		18,854	(2,067)	16,787

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(b) Initial impact on adoption of HKFRS 16 (Continued)

The reconciliation of operating lease commitment to lease liabilities is set out below:

	HK$'000
Operating lease commitment at 31 December 2018	498,677
Discounted effect using the lessee's incremental borrowing rates at the date of initial application	(54,248)
Less: short-term leases recognised on a straight-line basis as expense	(6,881)
Lease liabilities at 1 January 2019	437,548

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

(c) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting period and have not been early adopted by the Group. These include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Consolidation and equity accounting

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gain on transactions between group companies are eliminated. Unrealised gains/losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with the policy described in Note 2.9.

(c) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises: the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, the equity interests issued by the Group, the fair value of any asset or liability resulting from a contingent consideration arrangement, and the fair value of any pre-existing interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Consolidation and equity accounting (Continued)

(c) Business combinations (Continued)

Any consideration to be transferred by the Group classified as financial liabilities is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the consideration that is classified as financial liabilities are recognised in the income statement. Consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

(d) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(e) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee comprising the executive directors who make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong Dollar ("**HK$**"), which is the Company's functional and the Group's presentation currency, unless otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment, leased assets and lease liabilities

(a) Property, plant and equipment

Land and buildings comprise mainly manufacturing factories and offices. Property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and accumulated impairment losses (Note 2.7(c) and Note 2.9). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress represents buildings and leasehold improvements in which construction work has not been completed and plant, machinery and equipment pending for installation. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses (Note 2.9). No depreciation is provided for construction in progress until it is completed and available for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other net income' in the income statement.

(b) Leased assets and lease liabilities

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified assets and to obtain substantially all of the economic benefits from that use.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment, leased assets and lease liabilities (Continued)

(b) Leased assets and lease liabilities (Continued)

Where the lease is recognised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease liabilities include the present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivables. After initial recognition, each lease payment was allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to income statement in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is recognised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset of to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (Note 2.7(c) and Note 2.9).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension of termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Policy applicable prior to 1 January 2019

The up-front prepayments made for land-use-rights were accounted for as operating leases. They are expensed in the income statement on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is expensed in the income statement.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment, leased assets and lease liabilities (Continued)

(c) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment and right-of-use assets, less their estimated residual value, if any, using the straight-line method as follows:

— Freehold land and construction in progress	Not depreciated
— Buildings	10 to 50 years
— Leasehold improvements	Shorter of the unexpired lease term and the estimated useful lives
— Plant and machinery	4 to 10 years
— Furniture and equipment	3 to 10 years
— Motor vehicles and yacht	5 to 10 years
— Right-of-use assets	Shorter of the unexpired lease term and the estimated useful lives

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the consideration transferred over the Group's interest in, net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is not amortised but it is tested annually or more frequently if events or changes in circumstances indicate a potential impairment.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(b) Trademarks, customer relationship and know-how

Separately acquired trademarks, customer relationship and know-how are shown at historical cost. Trademarks, customer relationship and know-how acquired in a business combination are recognised at fair value at the acquisition date. Trademarks, customer relationship and know-how have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost of trademarks, customer relationship and know-how over their estimated useful lives of 10 to 20 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, and are tested at least annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

— those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

— those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debts instruments only when its business model for managing these assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement and presented in other net income, together with foreign exchange gains and losses.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised as other net income in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(d) Impairment

The Group assesses at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

For loans and receivables which are financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(e) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Costs of purchased inventories are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents includes cash at bank and on hand and short-term bank deposits.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

2.15 Trade and other payables

Trade payables are obligations for goods or services that have been acquired. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down, and the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as financial costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable profit will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits

(a) Post-employment obligation

Group companies operate several defined contribution retirement schemes.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

(c) Bonus plans

The Group recognises a liability and an expense for bonuses. It recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earliest of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Provisions, contingent liabilities and financial guarantee

(a) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

(b) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(c) Financial guarantee

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. The Company has given certain financial guarantees to banks, financial institutions and other bodies on behalf of its subsidiaries to secure loans, overdrafts and other banking facilities. The Company does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee were to result in a present legal or constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods — wholesale

Sales are recognised when control of the products has transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been transported to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sale of goods — retail

Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery in store.

(c) Service income

Revenue is recognised over time based on work performed by which performance obligation is satisfied through the transfer of service to customer.

(d) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(e) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.23 Dividend distributions

Dividend distributions to the Company's equity holders are recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

2.24 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax asset, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specially exemption from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been ceased, disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to disposal of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk.

The Group's risk management programme focuses on the unpredictability of financial markets and, where considered necessary, seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge its risk exposures to changes in foreign currency exchange rates and interest rates.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chinese Renminbi ("**RMB**") and United States Dollar ("**USD**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

As at 31 December 2019, if RMB had strengthened/weakened by 5% (2018: 5%) against the HK$ with all other variables held constant, profit for the year would have been approximately HK$10,847,000 higher/lower (2018: HK$11,901,000 higher/lower) mainly as a result of foreign exchange gains/losses on translation of RMB denominated inter-company balances, trade and other payables, borrowings, cash and bank balances, and trade and other receivables.

The foreign currency exchange exposure on assets and liabilities denominated in USD is considered to be minimal as HK$ is currently pegged to USD.

(b) Credit risk

Credit risk arises from pledged bank deposits and cash and bank balances, deposits and other receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Trade and bills receivable

Debtors of the Group may be affected by the unfavourable economic conditions and the lower liquidity situation which could in turn impact their ability to repay the amounts owed to the Group. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected updated estimates of expected future cash flows in their impairment assessments.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. It performs periodic credit evaluations/reviews of its customers.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Trade and bills receivable (Continued)

Majority of trade receivables are with customers having good credit history. The Group grants its customers credit terms within 90 days. Most of the Group's sales are on open account, while sales made to a small number of customers are covered by letters of credit issued by banks or settled by documents against payment issued by banks.

As at 31 December 2019, the Group's trade and bills receivable due from one single group of customer (2018: one single group of customer) represent approximately 49% (2018: 60%) of its total trade and bills receivable from third parties.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivable.

To measure the expected credit losses, trade and bills receivable have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2019 and 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

In the course of evaluating relevant forward-looking information, the Group has identified the general default rate of customers to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

There were minimal historical credit losses incurred over existing customers and the overall default rate of customers remained relatively stable and low. For the year ended 31 December 2019, loss allowance of HK$658,000 was recognised (2018: HK$274,000).

Trade and bills receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period greater than a year past due.

Impairment losses on trade and bills receivable are presented as net impairment losses in general and administrative expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables. Management performs regular assessment on credit risk associated with these amounts based on the counterparties' repayment history, financial position and other forward-looking factors. Management does not expect any losses from non-performance by the counterparties as they have no default history in the past and these counterparties had strong capacity to meet its contractual cash flow obligations in the near term. Management applies the HKFRS 9 simplified approach to measure expected credit losses. No impairment losses were provided for the years ended 31 December 2019 and 2018.

Cash and cash equivalents

The Group has policies to place deposits and cash and cash equivalents only with major financial institutions. Management does not expect any losses from non-performance by these financial institutions as they have no default history in the past.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowing facility and cash and bank balances on the basis of expected cash flows. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

(i) The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
Floating rates — expiring within one year	**493,375**	152,483

The banking facilities expiring within one year are annual facilities subject to review at various dates in 2020.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

(ii) Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2019 Contractual undiscounted cash flow						
	Within 1 year or on demand HK$'000	After 1 year but within 2 years HK$'000	After 2 years but within 5 years HK$'000	After 5 years HK$'000	Total HK$'000	Carrying amount HK$'000	*(Note)* 2018 HK$'000
Borrowings and interest	887,364	53,100	119,469	–	1,059,933	1,021,126	481,559
Trade and bills payable	252,248	–	–	–	252,248	252,248	226,482
Accruals and other payables	383,713	1,645	–	–	385,358	385,358	360,227
Lease liabilities	202,381	136,434	83,905	22,518	445,238	406,504	–
	1,725,706	191,179	203,374	22,518	2,142,777	2,065,236	1,068,268

Note: As at 31 December 2018, all financial liabilities of the Company were due within one year. Balances due within 12 months equalled their carrying balances as the impact of discounting was not significant.

(d) Cash flow and fair value interest-rate risk

As at 31 December 2019, the Group held interest-bearing assets including the pledged bank deposits, short-term bank deposits, receivables from a landlord and amounts due from related parties. Except for the receivables from a landlord which are at fixed rate, other interest-bearing assets are at floating rates.

Except for the bank borrowings as at 31 December 2019, the Group has no other significant interest-bearing liabilities.

At the respective end of the reporting periods, if interest rates had increased/decreased by one percentage point and all other variables were held constant, the Group's profit before tax would decrease/increase by approximately HK$7,556,000 for the year ended 31 December 2019 (2018: decrease/increase by HK$2,069,000). The fluctuation is attributable to interest income from pledged bank deposits, short-term bank deposits, amounts due from related parties and interest expense on bank borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the Company's shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as total borrowings (including bank borrowings and loans from non-controlling interests of subsidiaries) less cash and bank balances, divided by total equity.

The gearing ratios at 31 December 2019 and 2018 were as follows:

	Note	**2019 HK$'000**	2018 HK$'000
Bank borrowings	15	**1,021,126**	478,904
Loans from non-controlling interests of subsidiaries	30(d)	**4,900**	4,892
Less: Cash and bank balances	12	**(486,623)**	(355,053)
		539,403	128,743
Total equity		**2,113,325**	2,184,654
Net gearing ratio		**25.5%**	5.9%

The increase in the net gearing ratio above resulted primarily from increase in bank borrowings.

3.3 Fair value estimation

The carrying values less impairment provision of trade and bills receivable, financial assets and liabilities measured at amortised cost and financial assets at fair value through other comprehensive income are a reasonable approximation of their fair values. The carrying values of pledged bank deposits and cash and bank balances also approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of property, plant and equipment and leased assets

Property, plant and equipment and leased assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

Given the persistently competitive retail market which may adversely impact the recoverable values of the assets used within the retail stores, an asset impairment assessment was carried out against the underperforming retail stores and an impairment of property, plant and equipment and leased assets of HK$5,431,000 was recognised for the year ended 31 December 2019. Each retail store was considered as a separate CGU and the respective recoverable amounts were assessed based on value-in-use calculations. Key assumptions used in the calculations included the forecasted sales performance and operating costs of each retail store as well as the discount rate applied to the forecasted future cash flows of these retail stores.

(b) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Most extension options of the leases have not been included in the lease liabilities because the extension options are subject to negotiation and agreement of both of the Group and the respective lessors.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Useful lives and residual values of property, plant and equipment, leased assets and intangible assets

The Group's management determines the estimated useful lives and residual values (if applicable) and consequently related depreciation/amortisation charges for its property, plant and equipment, leased assets and intangible assets. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment, leased assets and intangible assets of similar nature and functions, or based on the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated, and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation/amortisation expense in future periods.

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.9. The goodwill is allocated to the high-end apparel manufacturing and trading business CGU resulted from the acquisition of Charmtech Industrial Limited and its subsidiary ("**Charmtech Group**") and Sport Field Limited and its subsidiaries ("**Sport Field Group**"), which was included in the manufacturing segment; and the high-end fashion retailing business CGU resulted from the acquisition of Shine Gold Limited ("**Shine Gold**") and its subsidiaries (together, "**Shine Gold Group**"), which was included in high-end fashion retailing segment.

The recoverable amounts of CGUs have been determined based on value-in-use or fair value less costs of disposal calculations. These calculations require significant judgment and estimates. No impairment was recognised against these goodwill during the year ended 31 December 2019.

For the goodwill resulted from the acquisition of Charmtech Group and Sport Field Group, if the budgeted gross margin or the pre-tax discount rate used in the value-in-use calculation has been 1% lower/higher than management's estimates respectively as at 31 December 2019, still no impairment against goodwill would be recognised by the Group.

For the goodwill resulted from the acquisition of Shine Gold Group, if the budgeted gross margin or the pre-tax discount rate used in the fair value less costs of disposal calculation has been 1% lower/higher than management's estimates respectively as at 31 December 2019, still no impairment against goodwill would be recognised by the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Impairment of trademarks, customer relationship and know-how

The Group tests whether the trademarks, customer relationship and know-how have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy stated in Note 2.8. The recoverable amount of the trademarks, customer relationship and know-how has been determined as the higher of its value in use and its fair value less costs of disposal, i.e., the amount for which the asset could be sold between knowledgeable and willing parties, net of estimated costs of disposal.

The Group's know-how arose from the acquisition of the textiles manufacturing and trading business of Win Success Holding Limited and its subsidiaries ("**Win Success Group**"). The Group assessed the impairment of the know-how based on the cash flow projection of the textiles manufacturing and trading business. Key assumptions applied in the assessment included forecasted revenue growth, budgeted gross margin, terminal growth rate and discount rate. No impairment on know-how was recognised during the year ended 31 December 2019.

(f) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at the end of each reporting period.

(g) Trade and bills receivable and other financial assets measured at amortised cost

The Group's management determines the provision for impairment of trade and bills receivable and other financial assets measured at amortised cost based on an assessment of the recoverability of the receivables. This assessment is based on the historical default rate of customers and other debtors, current market conditions and forward-looking macroeconomic factors where applicable, and requires the use of judgements and estimates. Management reassesses the provision at the end of each reporting period.

(h) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise the temporary differences or tax losses. Management reassesses its expectation at the end of each reporting period based on the latest business plan and forecasts.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified collectively as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources and report segment performance based on internal reporting.

The executive directors review the performance of the Group mainly from a business operation perspective. The major business segments of the Group for the year ended 31 December 2019 are Manufacturing and High-end Fashion Retailing.

- The Manufacturing segment represents manufacturing and sales of (i) sportswear and (ii) high-end functional outerwear of which both primarily under OEM arrangements to customers mainly in Europe, the United States, Mainland China and other countries; and (iii) manufacturing and sales of fabric and yarn products under "**e.dye**".

- The High-end Fashion Retailing segment represents retail of high-end fashion products in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

In order to further refine the management of the Manufacturing Business for better resources allocation and performance assessment, the executive directors have decided to re-divide Manufacturing into (i) Sportswear Manufacturing (ii) High-end Functional Outerwear Manufacturing and (iii) e.dye to align with the internal review process. The Sportswear Retailing segment which represented the retail of sportswear products was discontinued during the year ended 31 December 2018.

The executive directors assess the performance of the business segments based on a measure of operating results of each segment, which excludes net finance costs in the result for each operating segment. Other information provided to the executive directors is measured in a manner consistent with that in the consolidated financial statements.

Disaggregation of revenue from contracts with customer by products or service lines is as follows:

	2019 HK$'000	2018 HK$'000
Continuing operations		
Sales of goods	**5,055,787**	4,124,682
Provision of services	**13,941**	13,267
	5,069,728	4,137,949

For the year ended 31 December 2019, revenues from continuing operations of approximately HK$2,562,897,000 (2018: HK$2,314,222,000), representing 50.6% (2018: 55.9%) of the Group's total revenue, were derived from a single group of external customers. These revenues are attributable to the Manufacturing segment.

5 SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2019 are as follows:

	Manufacturing				
	Sportswear Manufacturing HK$'000	High-end Functional Outerwear Manufacturing HK$'000	e.dye HK$'000	High-end Fashion Retailing HK$'000	Total Continuing Operations HK$'000
Total segment revenue	2,842,694	444,140	35,532	1,753,018	5,075,384
Inter-segment revenue	(3,133)	(2,360)	(163)	–	(5,656)
Revenue	2,839,561	441,780	35,369	1,753,018	5,069,728
Operating profit/(loss) and segment results	98,249	(62,012)	(45,908)	173,231	163,560
Finance costs — net					(43,713)
Share of profits of associates	3,225	–	–	–	3,225
Profit before income tax					123,072
Income tax expense					(49,324)
Profit for the year					73,748

Other segment items included in the consolidated income statement for the year ended 31 December 2019 are as follows:

	Manufacturing				
	Sportswear Manufacturing HK$'000	High-end Functional Outerwear Manufacturing HK$'000	e.dye HK$'000	High-end Fashion Retailing HK$'000	Total Continuing Operations HK$'000
Depreciation and amortisation of property, plant and equipment, and leased assets	98,292	16,479	6,901	215,205	336,877
Amortisation of intangible assets	–	2,130	3,747	698	6,575
Impairment of property, plant and equipment, net	–	–	–	5,431	5,431
Loss on disposal of property, plant and equipment, net	1,360	2,168	29	18	3,575
Provision for inventories, net	6,130	2,525	2,140	62,818	73,613
Impairment of trade receivables, net	7	651	–	–	658
Staff compensation and factory relocation costs	46,075	–	–	–	46,075
Gain on disposal and liquidation of subsidiaries, net	(77,123)	–	–	–	(77,123)

Inter-segment transactions are conducted at terms mutually agreed among group companies.

5 SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2018 are as follows:

	Manufacturing						
	Sportswear Manufacturing HK$'000	High-end Functional Outerwear Manufacturing HK$'000	e.dye HK$'000	High-end Fashion Retailing HK$'000	Total Continuing Operations HK$'000	Discontinued Operations – Sportswear Retailing HK$'000	Total HK$'000
Total segment revenue	2,531,342	366,806	28,377	1,220,675	4,147,200	132,053	4,279,253
Inter-segment revenue	(7,737)	(452)	(1,062)	—	(9,251)	—	(9,251)
Revenue	2,523,605	366,354	27,315	1,220,675	4,137,949	132,053	4,270,002
Operating profit/(loss) and segment results	147,937	(70,410)	(48,790)	137,068	165,805	(47,371)	118,434
Finance costs — net					(7,785)	10	(7,775)
Share of losses of associates	(1,226)	—	—	—	(1,226)	—	(1,226)
Profit/(loss) before income tax					156,794	(47,361)	109,433
Income tax expense					(52,205)	—	(52,205)
Profit/(loss) for the year					104,589	(47,361)	57,228

Other segment items included in the consolidated income statement for the year ended 31 December 2018 are as follows:

	Manufacturing						
	Sportswear Manufacturing HK$'000	High-end Functional Outerwear Manufacturing HK$'000	e.dye HK$'000	High-end Fashion Retailing HK$'000	Total Continuing Operations HK$'000	Discontinued Operations – Sportswear Retailing HK$'000	Total HK$'000
Depreciation and amortisation of property, plant and equipment, and land-use-rights	76,024	11,773	5,404	43,044	136,245	1,303	137,548
Amortisation of intangible assets	—	1,952	3,747	698	6,397	—	6,397
Impairment of property, plant and equipment, net	—	—	—	1,699	1,699	—	1,699
(Gain)/loss on disposal of property, plant and equipment, net	(4,948)	19	—	129	(4,800)	—	(4,800)
Provision/(write-back of provision) for inventories, net	27,417	(10,544)	3,893	38,349	59,115	(13,680)	45,435
Provision for onerous leases	—	—	—	1,124	1,124	—	1,124
Impairment of trade receivables, net	—	78	—	—	78	196	274
Gain on disposal and liquidation of subsidiaries, net	(131,482)	—	—	—	(131,482)	—	(131,482)

Inter-segment transactions are conducted at terms mutually agreed among group companies.

5 SEGMENT INFORMATION (Continued)

The segment assets and liabilities are as follows:

	Manufacturing							
	Sportswear Manufacturing HK$'000	High-end Functional Outerwear Manufacturing HK$'000	e.dye HK$'000	High-end Fashion Retailing HK$'000	Total Continuing Operations HK$'000	Discontinued Operations – Sportswear Retailing HK$'000	Unallocated HK$'000	Total HK$'000
Assets								
31 December 2019	2,058,851	451,485	107,096	1,630,778	4,248,210	–	95,715	4,343,925
31 December 2018	1,851,209	407,880	108,059	937,203	3,304,351	19,999	70,140	3,394,490
Liabilities								
31 December 2019	982,068	246,230	15,299	889,586	2,133,183	–	97,417	2,230,600
31 December 2018	567,315	203,084	8,671	352,371	1,131,441	1,565	76,830	1,209,836

Segment assets/liabilities exclude current tax recoverables/liabilities and deferred tax assets/liabilities which are managed on a group basis.

The Group's revenue by geographical location is determined by the final destination of delivery of the products. The Group's revenue from external customers by geographical location is as follows:

	2019 HK$'000	2018 HK$'000
Continuing operations		
Mainland China	2,196,864	1,279,046
Europe	1,098,319	1,103,082
United States	735,394	727,308
Other Asian countries	511,250	443,714
Hong Kong	310,921	391,167
Canada	87,095	79,895
Others	129,885	113,737
	5,069,728	4,137,949

The total of non-current assets other than deferred tax assets by geographical location is as follows:

	2019 HK$'000	2018 HK$'000
Mainland China	601,938	309,615
Hong Kong	546,218	447,433
Vietnam	286,170	265,794
Cambodia	221,286	238,266
Others	28,326	9,736
	1,683,938	1,270,844

6 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of net book amount

	Freehold land HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles and yacht HK$'000	Total HK$'000
Year ended 31 December 2018								
Opening net book amount	44,906	224,506	165,693	35,763	178,356	50,321	9,939	709,484
Additions	–	–	117,633	13,559	49,670	78,476	5,168	264,506
Acquisition of subsidiaries	–	33,449	1,331	–	2,118	476	5	37,379
Transfers	–	–	34,757	(34,757)	–	–	–	–
Disposals	–	–	(602)	–	(905)	(1,079)	(90)	(2,676)
Impairment	–	–	(1,699)	–	–	–	–	(1,699)
Depreciation and amortisation	–	(10,480)	(59,627)	–	(37,027)	(24,824)	(4,702)	(136,660)
Currency translation differences	–	(3,670)	(5,950)	(983)	(4,665)	(1,332)	(218)	(16,818)
Assets classified as held for sale	–	(12,816)	(7)	–	(1,647)	(100)	(29)	(14,599)
Closing net book amount	44,906	230,989	251,529	13,582	185,900	101,938	10,073	838,917
At 31 December 2018								
Cost	44,906	343,349	525,905	13,582	580,438	239,484	51,705	1,799,369
Accumulated depreciation, amortisation and impairment	–	(112,360)	(274,376)	–	(394,538)	(137,546)	(41,632)	(960,452)
Net book amount	44,906	230,989	251,529	13,582	185,900	101,938	10,073	838,917
Year ended 31 December 2019								
Opening net book amount	44,906	230,989	251,529	13,582	185,900	101,938	10,073	838,917
Impact on initial adoption of HKFRS 16 *(Note 2.2(b) and 6(a)(iv))*	–	500,642	(5,686)	–	–	–	–	494,956
Restated opening net book amount	44,906	731,631	245,843	13,582	185,900	101,938	10,073	1,333,873
Additions	–	157,230	116,430	14,739	26,408	37,854	2,872	355,533
Transfers	–	–	16,203	(16,203)	–	–	–	–
Disposals	–	–	(1,080)	–	(2,123)	(1,782)	(118)	(5,103)
Impairment	–	(4,655)	(776)	–	–	–	–	(5,431)
Depreciation and amortisation	–	(189,572)	(81,023)	–	(37,889)	(25,963)	(2,430)	(336,877)
Currency translation differences	–	(6,152)	(3,155)	(120)	(107)	(2,314)	(56)	(11,904)
Closing net book amount	44,906	688,482	292,442	11,998	172,189	109,733	10,341	1,330,091
At 31 December 2019								
Cost	44,906	954,960	599,101	11,998	588,347	265,960	52,678	2,517,950
Accumulated depreciation, amortisation and impairment	–	(266,478)	(306,659)	–	(416,158)	(156,227)	(42,337)	(1,187,859)
Net book amount	44,906	688,482	292,442	11,998	172,189	109,733	10,341	1,330,091

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Reconciliation of net book amount (Continued)

Notes:

(i) Freehold land are located in the Hashemite Kingdom of Jordan and Cambodia.

(ii) During the year ended 31 December 2019, impairment loss of HK$5,431,000 (2018: HK$1,699,000) had been included in "selling and distribution costs" in the consolidated income statement.

(iii) As at 31 December 2019, land and properties with carrying value of HK$59,189,000 (2018: HK$35,254,000) were pledged to banks for certain banking facilities of the Group (Note 15).

(iv) On 1 January 2019, following the adoption of HKFRS 16, up-front payments made for land-use-rights as at 31 December 2018 have been recognised as right-of-use asset under land and buildings and presented within property, plant and equipment. The net book amount for the year ended 31 December 2018 was analysed as follows:

	2018 HK$'000
Opening net book amount	22,699
Additions	55,280
Acquisition of subsidiaries	6,968
Amortisation	(888)
Currency translation differences	(1,530)
Assets classified as held for sale	(3,302)
Closing net book amount	79,227

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets

(i) Net book amounts of right-of-use assets by class and related lease liabilities are as follows:

	31 December 2019 HK$'000	1 January 2019 HK$'000
Right-of-use assets		
Land and buildings	538,509	574,379
Furniture and equipment	547	—
	539,056	574,379
Lease liabilities		
Current	179,300	150,666
Non-current	227,204	286,882
	406,504	437,548

(ii) Expense items in relation to leases:

	2019 HK$'000
Depreciation and amortisation	
— Land and buildings	183,151
— Furniture and equipment	166
Short-term leases and leases of low value assets	22,002
Variable lease payments not included in lease liabilities	137,369
Interest on lease liabilities *(Note 20)*	19,066

(iii) Other items in relation to leases:

	2019 HK$'000
Additions of right-of-use assets	157,943
Total cash outflow for leases	354,242

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets (Continued)

(iv) The Group leases various land, retail shops, offices, warehouses, plant and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Rental contracts are typically made for fixed periods of 1 to 10 years, but may have extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of termination options held are exercisable only by the Group and not by the respective lessor and the extension options are subject to negotiation and agreement of both the Group and the respective lessor.

(v) The Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentage ranging from 5% to 31% of sales. Variable lease payments that depend on sales are recognised in income statement in the period in which the condition that triggers those payments occurs. As at 31 December 2019, it is estimated that an increase in sales generated from these retail stores by 5% would have increased the lease payments by HK$6,877,000.

7 INTANGIBLE ASSETS

	Goodwill HK$'000	Know-how HK$'000	Customer relationship HK$'000	Trademarks HK$'000	Total HK$'000
Year ended 31 December 2018					
Opening net book amount	124,385	29,351	–	11,057	164,793
Acquisition of subsidiaries	75,709	–	21,298	–	97,007
Amortisation	–	(3,746)	(1,952)	(699)	(6,397)
Closing net book amount	200,094	25,605	19,346	10,358	255,403
At 31 December 2018					
Cost	200,094	37,471	21,298	13,966	272,829
Accumulated amortisation and impairment	–	(11,866)	(1,952)	(3,608)	(17,426)
Net book amount	200,094	25,605	19,346	10,358	255,403
Year ended 31 December 2019					
Opening net book amount	**200,094**	**25,605**	**19,346**	**10,358**	**255,403**
Amortisation	**–**	**(3,747)**	**(2,130)**	**(698)**	**(6,575)**
Closing net book amount	**200,094**	**21,858**	**17,216**	**9,660**	**248,828**
At 31 December 2019					
Cost	**200,094**	**37,471**	**21,298**	**13,966**	**272,829**
Accumulated amortisation and impairment	**–**	**(15,613)**	**(4,082)**	**(4,306)**	**(24,001)**
Net book amount	**200,094**	**21,858**	**17,216**	**9,660**	**248,828**

The amortisation charge for know-how for the year is included in "cost of sales" and the amortisation charges for customer relationship and trademarks are included in "selling and distribution costs" in the consolidated income statement.

7 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to business segment as follows:

	2019 HK$'000	2018 HK$'000
High-end apparel manufacturing and trading	109,459	109,459
High-end fashion retailing	90,635	90,635
	200,094	200,094

The recoverable amounts of the CGUs are determined based on value-in-use or fair value less costs of disposal calculations. These calculations use pre-tax cash flow projections based on financial budgets and future business plans approved by management covering a five-year period of the related business. Cash flows beyond the period covered in approved budgets and future business plans are extrapolated using an estimated growth rate of 3% (2018: 3%) which do not exceed the long-term average growth rates for the businesses in which the CGUs operate. The cash flows are discounted using discount rates of 14%–15% (2018: 14%–17%). The discount rates used are pre-tax and reflect specific risks relating to the relevant business segments. The fair value less costs of disposal calculation is a level 3 fair value measurement.

Management determined revenue growth rate and budgeted gross margin based on past performance and its expectations of market development. No impairment was recognised in respect of the high-end apparel manufacturing and trading business and high-end fashion retailing business CGUs during the year ended 31 December 2019 (2018: Nil).

8 INVESTMENTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Carrying amount in the consolidated financial statements	**13,867**	10,517
Share of effective interest for the year:		
— profits/(losses)	**3,225**	(1,226)
— reserve movements	**125**	352

Set out below are the major associates of the Group as at 31 December 2019. The associates as listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Company.

Name	Place of incorporation and type of legal entity	Percentage of ownership interest 2019	Percentage of ownership interest 2018	Nature	Measurement method
Fu Hsun Bowker Dyeing Factory (Heyuan) Company Limited	Mainland China, wholly foreign owned enterprise	**30%**	30%	Property holding	Equity
Fu Hsun Investment Company Limited	BVI, limited liability company	**30%**	30%	Investment holding	Equity
Fu Jin Bowker Company Limited	BVI, limited liability company	**30%**	30%	Inactive	Equity

The associates above are private companies and there is no quoted market price for their shares.

There are no contingent liabilities relating to the Group's interests in the associates.

The directors are of the opinion that the associates are not material to the Group. Accordingly, summarised financial information is not presented.

9 INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**260,438**	207,887
Work in progress	**159,386**	138,670
Finished goods	**804,378**	525,537
	1,224,202	872,094

10 TRADE AND BILLS RECEIVABLE

	2019 HK$'000	2018 HK$'000
Trade receivables		
— from third parties	625,308	524,121
— from related parties *(Note 30(b))*	6,682	7,759
Bills receivable	7,145	13,747
	639,135	545,627
Less: impairment of trade receivables	(1,611)	(1,598)
Financial assets measured at amortised cost	637,524	544,029

Majority of trade receivables are with customers having good credit history. The Group grants its customers credit terms within 90 days. Most of the Group's sales are on open account, while sales made to a small number of customers are covered by letters of credit issued by banks or settled by documents against payment issued by banks. The ageing of trade and bills receivable based on invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0 – 90 days	629,006	533,389
91 – 180 days	661	3,014
181 – 365 days	2,428	684
Over 365 days	7,040	8,540
	639,135	545,627

The carrying values of trade and bills receivable approximate their fair values due to their short term maturities.

10 TRADE AND BILLS RECEIVABLE (Continued)

Movements of provision for impairment of trade and bills receivable are as follows:

	2019 HK$'000	2018 HK$'000
Beginning of the year	1,598	1,528
Impairment of trade receivables, net	658	274
Receivables written off during the year as uncollectible	(641)	(78)
Currency translation differences	(4)	(13)
Assets classified as held for sale	–	(113)
End of the year	1,611	1,598

The creation and release of loss allowances have been included in general and administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The Group's trade and bills receivable were denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
United States Dollar	340,196	311,205
Chinese Renminbi	288,155	219,030
Hong Kong Dollar	4,483	8,363
Others	6,301	7,029
	639,135	545,627

The maximum exposure to credit risk at the reporting date is the fair value of the trade and bills receivable mentioned above. The Group does not hold any collateral.

11 OTHER RECEIVABLES AND FINANCIAL ASSETS

	2019 HK$'000	2018 HK$'000
Non-current		
Rental, utility and other deposits	42,927	43,662
Receivables from a landlord *(Note)*	2,730	8,190
Rental deposit to a related party *(Note 30(c))*	441	—
Financial assets measured at amortised cost	46,098	51,852
Deposits for plant and equipment	39,990	31,009
Financial assets at fair value through other comprehensive income	3,950	3,919
	90,038	86,780
Current		
Rental, utility and other deposits	68,519	58,276
Receivables from related parties *(Note 30(c))*	37,204	37,006
Government grant receivable	18,643	—
Other receivables from customers and suppliers	11,051	8,802
Receivables from a landlord *(Note)*	8,190	13,650
Sundry receivables	10,165	9,284
Financial assets measured at amortised cost	153,772	127,018
Value-added tax recoverable	34,364	28,560
Prepayments for inventories	15,144	77,513
Prepayments for operating expenses	12,643	18,297
	215,923	251,388
	305,961	338,168

Note: Amounts represented receivables from a landlord in Vietnam which are repayable semi-annually, unsecured, interest-bearing at 5% (2018: 5%) per annum and denominated in USD.

The carrying amounts of financial assets disclosed above approximate their fair values. The maximum exposure to credit risk at the reporting date is the fair value of the items mentioned above. Save as disclosed in Note 30(c), the Group does not hold any collateral.

The financial assets disclosed above were denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
Hong Kong Dollar	87,784	93,581
Chinese Renminbi	73,639	35,715
United States Dollar	37,150	47,642
Others	5,247	5,851
	203,820	182,789

12 PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

Pledged bank deposits

As at 31 December 2019, bank deposit of RMB1,000,000 equivalent to HK$1,114,000 (2018: RMB1,000,000 equivalent to HK$1,139,000) was pledged as security deposit at Custom Department for custom declaration for a subsidiary of the Group.

The effective interest rate on pledged bank deposits was 2.75% (2018: 2.75%) per annum and the pledged bank deposits will mature in 2022 (2018: matured in 2019).

Cash and bank balances

	2019 **HK$'000**	2018 HK$'000
Short-term bank deposits	**229,307**	230,213
Cash at bank and on hand	**257,316**	124,840
Cash and cash equivalents	**486,623**	355,053

The effective interest rate on short-term bank deposits was 1.34% (2018: 0.93%) per annum, which have maturities of 3 months or less at inception.

Cash and bank balances were denominated in the following currencies:

	2019 **HK$'000**	2018 HK$'000
United States Dollar	**206,559**	139,087
Chinese Renminbi	**177,012**	181,987
Hong Kong Dollar	**82,014**	17,724
Others	**21,038**	16,255
	486,623	355,053

The maximum exposure to credit risk at the reporting date approximates the carrying values of pledged bank deposits and cash and bank balances.

Cash and bank deposits of HK$206,825,000 (2018: HK$156,946,000) held in Mainland China and Vietnam are subject to local exchange control regulations. These local exchange control regulations provide restrictions on remitting funds out of these countries, other than through normal dividends.

13 TRADE AND BILLS PAYABLE

	2019 HK$'000	2018 HK$'000
Trade payables		
— to third parties	**245,503**	211,207
— to related parties *(Note 30(b))*	**6,340**	11,201
Bills payable	**405**	4,074
Financial liabilities measured at amortised costs	**252,248**	226,482

The ageing of the trade and bills payable based on invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0 – 90 days	**246,538**	217,798
91 – 180 days	**2,783**	4,970
181 – 365 days	**1**	347
Over 365 days	**2,926**	3,367
	252,248	226,482

The Group's trade and bills payable were denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
United States Dollar	**201,643**	179,459
Chinese Renminbi	**33,287**	24,584
Hong Kong Dollar	**16,250**	19,043
Others	**1,068**	3,396
	252,248	226,482

14 ACCRUALS AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Non-current		
Payable for acquisition of remaining interest from non-controlling interest of a subsidiary	1,645	–
Financial liabilities measured at amortised costs	1,645	–
Deferred income	23,944	–
Provision for re-instatement of leased assets	13,344	–
	38,933	–
Current		
Accruals for employee benefit costs	151,905	151,913
Deposits received	56,056	–
Accruals for other operating expenses	52,380	41,763
Consideration payable for acquisition of subsidiaries	42,578	41,300
Payables for purchases of property, plant and equipment	31,609	90,249
Payable for acquisition of interests from non-controlling interests of subsidiaries	23,167	1,167
Other taxes payable	8,640	17,126
Payables to related parties *(Note 30(d))*	4,900	7,786
Others	12,478	8,923
Financial liabilities measured at amortised costs	383,713	360,227
Deferred income	21,694	37,494
Provision for re-instatement of leased assets	5,179	13,175
Contract liabilities	3,786	1,958
Deposits received for disposal of subsidiaries	–	11,496
Provision for onerous leases	–	1,253
	414,372	425,603
	453,305	425,603

15 BORROWINGS

The interest-bearing bank borrowings were repayable as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year or on demand	874,876	478,904
After 1 year but within 2 years	45,000	–
After 2 years but within 5 years	101,250	–
	146,250	–
	1,021,126	478,904

	2019	2018
Effective interest rate — floating	3.7% p.a.	3.6% p.a.

The Group's borrowings were carried at amortised cost. As at 31 December 2019 and 2018, the Group's borrowings were secured by certain land and properties (Note 6) of the Group and/or corporate guarantees given by the Company and/or personal guarantees given by certain related parties.

The carrying amounts of the Group's borrowings were denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
Hong Kong Dollar	497,441	270,447
United States Dollar	442,015	196,617
Chinese Renminbi	81,670	11,390
Others	–	450
	1,021,126	478,904

16 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax jurisdiction. The net movement on the deferred tax assets/(liabilities) are as follows:

	2019 HK$'000	2018 HK$'000
Beginning of the year	**35,466**	57,299
Impact on initial adoption of HKFRS 16 *(Note 2.2(b))*	**3,979**	—
Restated opening	**39,445**	57,299
Recognised in the income statement *(Note 23)*	**23,193**	(16,078)
Currency translation differences	**589**	244
Acquisition of subsidiaries	**—**	(5,508)
Assets classified as held for sale	**—**	(491)
End of the year	**63,227**	35,466

The movements in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets:

	Tax depreciation HK$'000	**Tax losses** HK$'000	**Unrealised profit** HK$'000	**Provisions** HK$'000	**Total** HK$'000
At 1 January 2018	4,077	13,322	36,022	9,983	63,404
Recognised in the income statement	(1,295)	18,319	(30,220)	4,036	(9,160)
Currency translation differences	—	(5)	(89)	(25)	(119)
Assets classified as held for sale	—	—	—	(491)	(491)
At 31 December 2018	2,782	31,636	5,713	13,503	53,634
Set-off pursuant to set-off provisions					(6,663)
Net deferred tax assets					46,971
At 31 December 2018	**2,782**	**31,636**	**5,713**	**13,503**	**53,634**
Impact on initial adoption of HKFRS 16 *(Note 2.2(b))*	**3,979**	**—**	**—**	**—**	**3,979**
At 1 January 2019	**6,761**	**31,636**	**5,713**	**13,503**	**57,613**
Recognised in the income statement	**1,636**	**11,584**	**4,192**	**4,308**	**21,720**
Currency translation differences	**(38)**	**51**	**(4)**	**502**	**511**
At 31 December 2019	**8,359**	**43,271**	**9,901**	**18,313**	**79,844**
Set-off pursuant to set-off provisions					**(8,909)**
Net deferred tax assets					**70,935**

16 DEFERRED TAX (Continued)

Deferred tax liabilities:

	Tax depreciation HK$'000	Fair value gains HK$'000	Withholding tax on undistributed earnings HK$'000	Total HK$'000
At 1 January 2018	(1,736)	(2,135)	(2,234)	(6,105)
Recognised in the income statement	(5,757)	135	(1,296)	(6,918)
Acquisition of subsidiaries	—	(5,508)	—	(5,508)
Currency translation differences	—	363	—	363
At 31 December 2018	(7,493)	(7,145)	(3,530)	(18,168)
Set-off pursuant to set-off provisions				6,663
Net deferred tax liabilities				(11,505)
At 1 January 2019	**(7,493)**	**(7,145)**	**(3,530)**	**(18,168)**
Recognised in the income statement	**(1,931)**	**671**	**2,733**	**1,473**
Currency translation differences	**—**	**78**	**—**	**78**
At 31 December 2019	**(9,424)**	**(6,396)**	**(797)**	**(16,617)**
Set-off pursuant to set-off provisions				**8,909**
Net deferred tax liabilities				**(7,708)**

Deferred tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2019, the Group did not recognise deferred tax assets of HK$161,397,000 (2018: HK$156,216,000) in respect of tax losses amounting to HK$839,502,000 (2018: HK$799,392,000) that can be carried forward against future taxable income. Total unrecognised tax losses of HK$440,592,000 (2018: HK$427,231,000) can be carried forward indefinitely; while cumulative tax losses of HK$398,910,000 (2018: HK$372,161,000) will expire from 2020 to 2029 (2018: 2019 to 2028).

Deferred tax liabilities of HK$37,887,000 (2018: HK$54,466,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries, as it is management's intention to reinvest such amounts in the foreseeable future. The said unremitted earnings totalled HK$189,436,000 as at 31 December 2019 (2018: HK$272,329,000).

17 SHARE CAPITAL

	2019 HK$'000	2018 HK$'000
Authorised		
3,000,000,000 ordinary shares of HK$0.1 each	300,000	300,000
Issued and fully paid up		
1,284,400,000 ordinary shares at beginning and end of the year	128,440	128,440

Share options

The Company operates a share option scheme as described below:

In August 2006, the Company established a share option scheme ("**Share Option Scheme**") which remained in force for 10 years and expired on 5 September 2016, no share option can be further granted thereunder, whereas outstanding share options under the Share Option Scheme remain valid.

Pursuant to the resolution of Shareholders at the annual general meeting of the Company on 16 June 2016, a new share option scheme ("**New Share Option Scheme**") has been adopted. Under the New Share Option Scheme, share options may be granted to any directors, employees, or partners of the Group. The exercise price is to be determined by the Board, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The Group has no legal or constructive obligation to repurchase or settle these options in cash.

17 SHARE CAPITAL (Continued)

Share options (Continued)

Movements in the number of outstanding options and their related weighted average exercise prices were as follows:

	Weighted average exercise price per share HK$	Number of options 2019 '000	2018 '000
Beginning of the year	1.191	**34,000**	34,000
Lapsed	1.562	**(3,000)**	—
End of the year	1.155	**31,000**	34,000
Exercisable at 31 December	1.127	**29,000**	24,400

The above outstanding share options have the following expiry dates and exercise prices:

Expiry date	Exercise price per share HK$	Number of options 2019 '000	2018 '000
8 January 2024	1.010	**5,000**	5,000
15 July 2024	0.946	**16,000**	16,000
21 December 2025	1.562	**10,000**	13,000
		31,000	34,000

During the year ended 31 December 2019, share option expenses charged to the consolidated income statement were approximately HK$593,000 (2018: HK$1,278,000).

18 RESERVES

	Share premium HK$'000	Share-based payment reserve HK$'000	Statutory reserve HK$'000	Foreign currency translation reserve HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2018	692,227	9,766	13,383	66,486	172,619	1,143,496	2,097,977
Profit attributable to equity holders of the Company	–	–	–	–	–	42,253	42,253
Currency translation differences							
– Subsidiaries	–	–	–	(24,961)	–	–	(24,961)
– Associates	–	–	–	352	–	–	352
Disposal/liquidation of subsidiaries	–	–	(867)	(12,168)	–	867	(12,168)
Employee share option scheme							
– value of services provided	–	1,278	–	–	–	–	1,278
Dividends							
– 2017 final	–	–	–	–	–	(25,688)	(25,688)
– 2018 interim	–	–	–	–	–	(38,532)	(38,532)
Transfer to statutory reserve *(Note (a))*	–	–	3,689	–	–	(3,689)	–
Change in ownership interest in a subsidiary without change of control	–	–	–	–	(3,151)	–	(3,151)
At 31 December 2018	692,227	11,044	16,205	29,709	169,468	1,118,707	2,037,360
Change in accounting policy *(Note 2.2(b))*	–	–	–	–	–	(11,474)	(11,474)
At 1 January 2019	692,227	11,044	16,205	29,709	169,468	1,107,233	2,025,886
Profit attributable to equity holders of the Company	–	–	–	–	–	64,214	64,214
Currency translation differences							
– Subsidiaries	–	–	–	(19,608)	–	–	(19,608)
– Associates	–	–	–	125	–	–	125
Disposal/liquidation of subsidiaries	–	–	(1,351)	(57,979)	–	1,351	(57,979)
Employee share option scheme							
– value of services provided	–	593	–	–	–	–	593
– lapsed	–	(1,336)	–	–	–	1,336	–
Dividends							
– 2018 final	–	–	–	–	–	(12,844)	(12,844)
– 2019 interim	–	–	–	–	–	(12,844)	(12,844)
Transfer to statutory reserve *(Note (a))*	–	–	1,947	–	–	(1,947)	–
Change in ownership interests in subsidiaries without change of control *(Note (b))*	–	–	–	–	41,133	–	41,133
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	31	–	31
At 31 December 2019	692,227	10,301	16,801	(47,753)	210,632	1,146,499	2,028,707

Notes:

(a) As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior years' losses) to the general reserve and the enterprise expansion fund, at rates determined by their respective boards of directors. The general reserve can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations.

(b) The amount of change in ownership interests in subsidiaries without change of control is mainly resulting from acquisition of 27% of the issued shares of Shine Gold Group and 20% equity interest of another subsidiary from the non-controlling interests.

On 20 December 2019, the Group entered into a sale and purchase agreement with Mr. Wong Yiu Sun ("**Mr. Wong**"), the holder of non-controlling interests of Shine Gold Group, pursuant to which the Group has acquired from Mr. Wong 27% of the issued shares of Shine Gold Group ("**Acquisition**") at a consideration of HK$22,000,000. After the Acquisition, Shine Gold Group is owned as to 97% by the Group. The difference amount of HK$36,935,000 between the consideration paid and the carrying value of net assets of 27% shares of Shine Gold Group at the date of acquisition is recorded in other reserve.

19 OTHER NET INCOME

	2019 HK$'000	2018 HK$'000
Continuing operations		
Gain on disposal and liquidation of subsidiaries, net *(Note 27(a))*	77,123	131,482
Rental income	1,373	1,326
(Loss)/gain on disposal of property, plant and equipment, net	(3,575)	4,800
Net exchange losses	(7,781)	(28,893)
Staff compensation and factory relocation costs *(Note)*	(46,075)	—
Loss on disposal of an associate	—	(713)
Others	(4,185)	9,979
	16,880	117,981

Note: In August 2019, the Group's factory in Heyuan city, Mainland China, was relocated to another site within Heyuan city due to the expiry of the existing lease. To facilitate the relocation, the Group had agreed with most of the factory's employees to terminate their existing employment contracts and enter into new ones simultaneously. Accordingly, staff compensation for termination of existing employment contracts and other relocation costs totaling HK$46,075,000, which were non-recurring and one-off in nature, were incurred during the year ended 31 December 2019.

20 FINANCE COSTS — NET

	2019 HK$'000	2018 HK$'000
Continuing operations		
Finance income		
— Interest income from bank deposits and receivables from a landlord	1,669	4,245
— Others	1,253	940
	2,922	5,185
Finance costs		
— Interest on bank borrowings	(29,412)	(12,756)
— Interest on lease liabilities *(Note 6(b))*	(19,066)	—
— Others	—	(214)
Less: interest expenses capitalised	1,843	—
	(46,635)	(12,970)
	(43,713)	(7,785)

21 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2019 HK$'000	2018 HK$'000
Continuing operations		
Cost of inventories	2,429,460	1,940,437
Processing and subcontracting charges	84,147	81,083
Depreciation and amortisation		
— right-of-use assets (2018: land-use-rights)	183,317	888
— property, plant and equipment	154,010	135,357
— capitalised to construction in progress	(450)	—
Amortisation of intangible assets	6,575	6,397
Impairment, net		
— property, plant and equipment	5,431	1,699
— trade receivables	658	78
Rental in respect of retail shops, office equipment and land and buildings		
— contingent rent	137,369	106,267
— short-term leases and low value of assets	22,002	—
— minimum lease payments under HKAS 17	—	207,512
Auditor's remuneration		
— audit related services	4,200	4,550
— non-audit related services	3,765	6,424
Provision for inventories, net	73,613	59,115
Provision for onerous leases	—	1,124

22 EMPLOYMENT BENEFIT EXPENSE

	2019 HK$'000	2018 HK$'000
Continuing operations		
Wages, salaries, commission, allowances, bonus and other termination payments	1,179,705	1,031,067
Welfare and other benefits	53,483	33,948
Retirement benefit schemes	58,523	79,454
Social insurance	19,699	13,386
Share options granted to directors and employees	593	1,278
	1,312,003	1,159,133

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 include four (2018: four) directors whose emoluments are reflected in Note 33. The emoluments paid/payable to the remaining one individual (2018: one individual) during the year are as follows:

	2019 HK$'000	2018 HK$'000
Basic salaries, commission, share options and other allowances	3,920	5,460
Retirement benefit schemes	15	18
	3,935	5,478

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
HK$3,500,001 – HK$4,000,000	1	—
HK$5,000,001 – HK$5,500,000	—	1

(b) During the year ended 31 December 2019, no emoluments were paid by the Company to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

23 INCOME TAX EXPENSE

The amounts of income tax expense charged/(credited) to the consolidated income statement represent:

	2019 HK$'000	2018 HK$'000
Continuing operations		
Current tax		
— Mainland China	68,237	40,537
— Overseas	3,775	4,008
— Hong Kong	977	1,651
— Over-provision in prior years	(472)	(10,069)
	72,517	36,127
Deferred tax *(Note 16)*	(23,193)	16,078
	49,324	52,205

Mainland China corporate income tax and Hong Kong profits tax have been provided at the rates of 25% (2018: 25%) and 16.5% (2018: 16.5%) on the estimated assessable profits respectively. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

Reconciliation between accounting profit and tax expense:

	2019 HK$'000	2018 HK$'000
Profit/(loss) before income tax		
— Continuing operations excluding share of profits/losses of associates	119,847	158,020
— Discontinued operations	—	(47,361)
	119,847	110,659
Tax calculated at the rates applicable in the respective jurisdictions	25,361	28,831
Tax effects of:		
— Non-taxable income and tax concession	(17,625)	(12,948)
— Non-deductible expenses	8,698	10,217
— Tax losses not recognised	45,177	36,867
— Utilisation of previously unrecognised tax losses	(1,844)	(9,212)
— Derecognition of previously recognised deferred tax asset	2,474	9,722
— Recognition of previously unrecognised tax losses and temporary differences	(9,265)	(2,767)
— Withholding tax on undistributed earnings	(2,733)	1,296
— Over-provision in prior years	(472)	(10,069)
— Others	(447)	268
Tax expense	49,324	52,205

24 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company and on the weighted average number of ordinary shares of 1,284,400,000 shares (2018: 1,284,400,000 shares) in issue during the year.

	2019	2018
Basic earnings/(losses) per share (HK cents)		
— Continuing operations	**5.0**	6.8
— Discontinued operations	**—**	(3.5)
	5.0	3.3

	2019 HK$'000	2018 HK$'000
Profit/(loss) attributable to equity holders of the Company		
— Continuing operations	**64,214**	86,868
— Discontinued operations	**—**	(44,615)
	64,214	42,253

The diluted earnings per share for the years ended 31 December 2019 and 2018 are the same as the basic earnings per share as the potential ordinary shares arising from the share options granted by the Company outstanding do not have dilutive effect.

25 DIVIDENDS

	2019 HK$'000	2018 HK$'000
Interim dividend paid of HK1.0 cent (2018: HK3.0 cents) per ordinary share	**12,844**	38,532
Proposed final dividend — Nil (2018: HK1.0 cent) per ordinary share	**—**	12,844
	12,844	51,376

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: HK1.0 cent, amounting to HK$12,844,000).

26 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of cash generated from/(used in) operations

	2019 HK$'000	2018 HK$'000
Profit/(loss) before income tax		
— Continuing operations	123,072	156,794
— Discontinued operations	—	(47,361)
Profit before income tax including discontinued operations	123,072	109,433
Adjustments for:		
— Depreciation and amortisation of property, plant and equipment and leased assets	336,877	137,548
— Amortisation of intangible assets	6,575	6,397
— Impairment of property, plant and equipment, net	5,431	1,699
— Loss/(gain) on disposal of property, plant and equipment, net	3,575	(4,800)
— Provision for inventories, net	73,613	45,435
— Impairment of trade receivables, net	658	274
— Gain on disposal of subsidiaries, net	(19,144)	(119,314)
— Realisation of accumulated exchange differences upon disposal/liquidation of subsidiaries	(57,979)	(12,168)
— Share option expenses	593	1,278
— Finance costs, net	43,713	7,775
— Share of (profits)/losses of associates	(3,225)	1,226
— Provision for onerous leases	—	1,124
— Loss on disposal of an associate	—	713
Changes in working capital:		
— Inventories	(429,782)	(109,871)
— Trade and bills receivable	(98,129)	(129,669)
— Other receivables and financial assets	27,299	(40,052)
— Trade and bills payable	25,998	22,396
— Accruals and other payables	75,721	(35,074)
Cash generated from/(used in) operations	114,866	(115,650)

(b) In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2019 HK$'000	2018 HK$'000
Disposal of property, plant and equipment		
Net book amount	5,103	2,676
(Loss)/gain on disposal of property, plant and equipment	(3,575)	4,800
Proceeds from disposal of property, plant and equipment	1,528	7,476

26 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Cash flow information — financing activities

This section sets out the reconciliation of liabilities arising from financing activities.

	Bank borrowings HK$'000	Lease liabilities HK$'000	Amounts due to non-controlling interests of subsidiaries HK$'000	Total HK$'000
At 1 January 2018	177,106	—	12,118	189,224
Cash flows, net	209,889	—	(810)	209,079
Reclassification due to change in ownership interest in a subsidiary	—	—	(4,335)	(4,335)
Currency translation differences	—	—	(20)	(20)
Acquisition of subsidiaries	91,909	—	—	91,909
At 31 December 2018	478,904	—	6,953	485,857
Impact on initial adoption of HKFRS 16 *(Note 2.2(b))*	—	437,548	—	437,548
At 1 January 2019	478,904	437,548	6,953	923,405
Cash flows, net	542,472	(194,871)	—	347,101
Acquisition of right-of-use assets	—	150,063	—	150,063
Interest expense on lease	—	19,066	—	19,066
Currency translation differences	(250)	(5,302)	8	(5,044)
Disposal of a subsidiary	—	—	(2,061)	(2,061)
At 31 December 2019	**1,021,126**	**406,504**	**4,900**	**1,432,530**

27 DISPOSAL/LIQUIDATION OF SUBSIDIARIES AND DISCONTINUED OPERATIONS

(a) Disposal and liquidation of subsidiaries

(i) On 23 November 2018, the Group entered into a sale and purchase agreement with a third party in relation to the disposal of Bowker Garment Accessories (Heyuan) Company Limited, a subsidiary in Mainland China, for an adjusted consideration of HK$36,034,000. Respective assets and liabilities were classified as assets held for sale and liabilities directly associated with assets held for sale respectively as at 31 December 2018. The transaction had been completed in May 2019 and a gain on disposal amounting to HK$19,807,000 is recognised during the year ended 31 December 2019.

(ii) The Group has completed certain disposal and liquidation of subsidiaries during the year resulting an aggregate loss on disposal amounting to HK$663,000 is recognised during the year ended 31 December 2019. Since the disposals and liquidations are relatively immaterial to both the Group's financial position and results of operation, details are not disclosed.

Upon disposal and liquidation of these subsidiaries, accumulated exchange differences amounting to HK$57,979,000 is realised and reclassified to income statement.

27 DISPOSAL/LIQUIDATION OF SUBSIDIARIES AND DISCONTINUED OPERATIONS (Continued)

(b) Discontinued operations

During the year ended 31 December 2018, the Group's Sportswear Retailing Business had been wholly ceased. Financial information relating to the discontinued operations for the year ended 31 December 2018 is set out below.

	2018 HK$'000
Revenue	132,053
Cost of sales	(109,407)
Gross profit	22,646
Selling and distribution costs	(61,280)
General and administrative expenses	(9,818)
Other net income	1,081
Operating loss	(47,371)
Finance income	10
Loss before income tax	(47,361)
Income tax expense	—
Loss from discontinued operations	(47,361)
Loss from discontinued operations attributable to:	
Equity holders of the Company	(44,615)
Non-controlling interests	(2,746)
	(47,361)
Cash flows:	
Operating cash flows	2,790
Investing cash flows	10
Financing cash flows	(10,880)
	(8,080)
Loss before income tax is arrived at after charging/(crediting):	
Purchase of finished goods	41,422
Depreciation of property, plant and equipment	1,303
Impairment of trade receivables, net	196
Write-back of provision for inventories, net	(13,680)

28 CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities (2018: Nil).

29 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet provided for is as follows:

	2019 HK$'000	2018 HK$'000
Capital injection in subsidiaries	**154,760**	200,932
Property, plant and equipment	**19,603**	13,795

(b) Lease commitments

At 31 December 2019, the total future lease payments for leases committed but not yet commenced in relation to leased properties were HK$19,073,000.

30 RELATED PARTY TRANSACTIONS

The Group is controlled by Quinta Asia Limited (the immediate holding company), a company incorporated in the British Virgins Islands, which owns approximately 57.91% of the Company's shares as at 31 December 2019. The Company's directors regard Quinta Asia Limited as being the ultimate controlling party.

Apart from those disclosed elsewhere in these consolidated financial statements, the following significant transactions were carried out with related parties:

(a) Transactions with related parties

	2019 HK$'000	2018 HK$'000
Sales of goods and services		
Entities controlled by non-controlling interests of subsidiaries	2,855	20,567
Purchases of goods and services		
Major shareholder of an associate of the Group	74,361	63,851
Entities controlled by non-controlling interests of subsidiaries	1,764	7,005
	76,125	70,856
Interest income		
Entity controlled by non-controlling interest of a subsidiary	762	584
Non-controlling interest of a subsidiary	437	335
	1,199	919
Lease expenses		
An associate of the Group	1,497	–

Goods and services are sold/purchased at prices mutually agreed by both parties.

Interest income from related parties are charged at prevailing market rates.

Lease expenses are recognised based on monthly rental charge mutually agreed by both parties.

30 RELATED PARTY TRANSACTIONS (Continued)

(b) Year-end balances arising from sales/purchases of goods and services

	2019 HK$'000	2018 HK$'000
Included in trade receivables *(Note 10)*		
Entities controlled by non-controlling interests of subsidiaries	6,682	7,759
Included in trade payables *(Note 13)*		
Major shareholder of an associate of the Group	6,327	10,884
Entities controlled by non-controlling interests of subsidiaries	13	317
	6,340	11,201

All amounts are unsecured, interest-free and payable within normal trade credit terms.

(c) Amounts due from related parties

	2019 HK$'000	2018 HK$'000
Included in other receivables *(Note 11)*		
Receivables from an entity controlled by non-controlling interest of a subsidiary	23,646	22,884
Receivables from non-controlling interest of a subsidiary	13,558	14,122
Rental deposit to an associate of the Group	441	—
	37,645	37,006

The receivables from an entity controlled by non-controlling interest of a subsidiary and non-controlling interests of a subsidiary were secured by properties held by a related party and a non-controlling interest of a subsidiary respectively, interest-bearing at floating rates that are market dependent and repayable on demand.

Rental deposit will be refunded at the end of the lease term.

30 RELATED PARTY TRANSACTIONS (Continued)

(d) Amounts due to related parties

	2019 HK$'000	2018 HK$'000
Included in accruals and other payables *(Note 14)*		
Loans from non-controlling interests of subsidiaries	4,900	4,892
Payables to non-controlling interests of subsidiaries	–	2,061
Payables to entities controlled by non-controlling interests of subsidiaries	–	833
	4,900	7,786

All amounts are unsecured, interest-free and repayable on demand.

(e) Key management compensation

	2019 HK$'000	2018 HK$'000
Salaries, bonus and allowances	18,210	19,126
Share-based compensation in respect of share options	464	919
Retirement benefit schemes	72	90
	18,746	20,135

(f) As at 31 December 2019, the Company granted corporate guarantees of HK$1,539,480,000 (2018: HK$660,504,000) to certain banks in respect of the banking facilities granted of HK$1,534,580,000 (2018: HK$655,604,000) to its subsidiaries. As at 31 December 2019, the banking facilities utilised by the subsidiaries amounted to HK$1,041,805,000 (2018: HK$503,671,000).

31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
Non-current assets		
Right-of-use assets	431	—
Investments in subsidiaries	1,605,914	1,723,507
Deferred tax assets	547	454
	1,606,892	1,723,961
Current assets		
Other receivables	256	208
Current tax recoverables	2,462	1,801
Cash and bank balances	21,682	1,442
	24,400	3,451
Current liabilities		
Accruals and other payables	8,302	4,187
Amounts due to subsidiaries	32,244	321,925
Lease liabilities	104	—
	40,650	326,112
Non-current liabilities		
Lease liabilities	334	—
Net assets	1,590,308	1,401,300
Equity attributable to equity holders of the Company		
Share capital	128,440	128,440
Reserves	1,461,868	1,272,860
Total equity	1,590,308	1,401,300

The statement of financial position of the Company was approved by the Company's Board of Directors on 26 March 2020 and were signed on its behalf.

LI Kwok Tung Roy
Director

LAI Ching Ping
Director

31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

Reserve movements of the Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2018	692,227	9,766	528,331	105,857	1,336,181
Loss for the year	–	–	–	(379)	(379)
Employee share option scheme					
– value of services provided	–	1,278	–	–	1,278
Dividends					
– 2017 final	–	–	–	(25,688)	(25,688)
– 2018 interim	–	–	–	(38,532)	(38,532)
At 31 December 2018 and 1 January 2019	692,227	11,044	528,331	41,258	1,272,860
Profit for the year	–	–	–	214,103	214,103
Employee share option scheme					
– value of services provided	–	593	–	–	593
– lapsed	–	(1,336)	–	1,336	–
Dividends					
– 2018 final	–	–	–	(12,844)	(12,844)
– 2019 interim	–	–	–	(12,844)	(12,844)
At 31 December 2019	692,227	10,301	528,331	231,009	1,461,868

32 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Following the coronavirus outbreak in early 2020, a series of precautionary and control measures have continued to be implemented as required by the local governments, and suppliers' delivery of certain raw materials for production has also been delayed in the short term as affected by those measurements as well as logistic impediment. Disruption of global sporting events, precautionary measurements such as closure of retail stores and people quarantined will adversely affect consumer spending.

As the coronavirus outbreak has been expanded globally, the business activities of the Group have been affected to a certain extent and the Group's revenue, cash flows and profit from the operation are expected to decrease as compared to the same period in 2019.

Up to the date of these consolidated financial statements, the Group is still in the process of assessing the impacts on the financial performance and position of the Group and not yet able to quantify the impacts given the dynamic nature of the coronavirus outbreak.

33 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

The remuneration of every director and the chief executive is set out below:

	2019					2018				
Name	Fees HK$'000	Salaries and other allowances HK$'000	Employer's contribution to retirement schemes HK$'000	Share-based compensation in respect of share options HK$'000	Total HK$'000	Fees HK$'000	Salaries and other allowances HK$'000	Employer's contribution to retirement schemes HK$'000	Share-based compensation in respect of share options HK$'000	Total HK$'000
Executive directors										
Li Kwok Tung, Roy	–	4,883	–	–	4,883	–	4,883	–	–	4,883
Lai Ching Ping	–	4,132	–	–	4,132	–	4,132	–	–	4,132
Lee Kwok Leung *(chief executive)*	–	3,360	18	65	3,443	–	3,360	18	207	3,585
Wong Chi Keung	–	2,660	18	398	3,076	–	2,660	18	712	3,390
Independent non-executive directors										
Chan Kwong Fai	160	–	–	–	160	160	–	–	–	160
Chan Ka Kui (appointed on 7 October 2019)	37	–	–	–	37	–	–	–	–	–
Chau Pui Lin (resigned on 7 October 2019)	123	–	–	–	123	160	–	–	–	160
Kwan Kai Cheong	240	–	–	–	240	240	–	–	–	240
Ma Ka Chun	160	–	–	–	160	160	–	–	–	160
	720	15,035	36	463	16,254	720	15,035	36	919	16,710

No remunerations were paid or receivable in respect of accepting office as directors during the year ended 31 December 2019 (2018: Nil).

No directors waived any emoluments during the year ended 31 December 2019 (2018: Nil).

No emoluments were paid or receivable in respect of directors' other services in connection with the management of affairs of the Company or its subsidiary undertakings during the year ended 31 December 2019 (2018: Nil).

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2018: Nil).

Except disclosed above, no directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2018: Nil).

34 SUBSIDIARIES

(a) The following are details of principal subsidiaries, all of which are unlisted, as at 31 December 2019:

Name	Place of incorporation and type of legal entity	Particulars of issued share capital	Percentage of equity interest attributable to the Group 2019	2018	Principal activities and place of operation
Bowker Asia Limited	British Virgin Islands ("**BVI**"), limited liability company	US$100	100%	100%	Trading of garment products/ Hong Kong
Bowker Garment Factory (Cambodia) Company Limited	Cambodia, limited liability company	KHR4,000,000	100%	100%	Manufacturing of garment products/Cambodia
Bowker Garment Investment (Cambodia) Company Limited	Cambodia, limited liability company	KHR4,000,000	100%	100%	Property holding/ Cambodia
Bowker Venture Garment (Yunfu) Company Limited	Mainland China, foreign equity joint venture	HK$84,279,000	100%	100%	Manufacturing of garment products/ Mainland China
Bowker (Vietnam) Garment Factory Company Limited	Vietnam, limited liability company	US$10,500,000	100%	100%	Manufacturing of garment products/Vietnam
Bowker Yee Sing Garment Factory (Heyuan) Company Limited	Mainland China, wholly foreign owned enterprise	HK$148,557,000	71%	71%	Manufacturing of garment products/ Mainland China
Bowker (Vinh Long) Garment Factory Company Limited	Vietnam, limited liability company	US$4,000,000	100%	100%	Property holding/Vietnam
Bright Global (Vinh Long) Garment Factory Company Limited	Vietnam, limited liability company	US$3,000,000	100%	100%	Property holding/Vietnam
Corus Investments Limited	Hong Kong, limited liability company	HK$10,000 *(Note (ii))*	100%	100%	Property holding/ Hong Kong
D-mop Limited	Hong Kong, limited liability company	HK$1,000,000	97%	70%	Retailing of fashion products/ Hong Kong
Kepac Trading (Hangzhou) Limited	Mainland China, wholly foreign owned enterprise	HK$5,000,000	97%	70%	Retailing of fashion products/ Mainland China
Kunshan Sport Field Apparel Company Limited	Mainland China, wholly foreign owned enterprise	HK$48,300,000	60%	60%	Manufacturing of garment products/ Mainland China
Premier Global (Vietnam) Garment Company Limited	Vietnam, limited liability company	US$10,000,000	100%	100%	Manufacturing of garment products/Vietnam
Provel Limited	Hong Kong, limited liability company	HK$1,000 ordinary HK$1,000,000 non-voting deferred *(Note (i))*	100%	100%	Trading of garment products and leasing of equipment/ Hong Kong
Shanghai Yinpac Trading Limited	Mainland China, wholly foreign owned enterprise	US$800,000	97%	70%	Retailing of fashion products/ Mainland China

34 SUBSIDIARIES (Continued)

(a) The following are details of principal subsidiaries, all of which are unlisted, as at 31 December 2019: (Continued)

Name	Place of incorporation and type of legal entity	Particulars of issued share capital	Percentage of equity interest attributable to the Group		Principal activities and place of operation
			2019	2018	
Shine Gold Limited	BVI, limited liability company	US$400	97%	70%	Investment holding/ Hong Kong
Smartex Solution Company Limited	Mainland China, wholly foreign owned enterprise	RMB55,000,000	51%	51%	Manufacturing and trading of textile products/ Mainland China
Sport Field Limited	Hong Kong, limited liability company	HK$2,475,000	60%	60%	Trading of garment products/ Hong Kong
Win Hanverky (China) Company Limited	Hong Kong, limited liability company	HK$10,000	100%	100%	Trading of garment products/ Hong Kong
Winning Best Limited	Hong Kong, limited liability company	HK$1 *(Note (ii))*	100%	100%	Property holding/ Hong Kong
Winning Castle Limited	Hong Kong, limited liability company	HK$1 *(Note (ii))*	100%	100%	Property holding/ Hong Kong

Notes:

(i) The non-voting deferred shares are not owned by the Group. These shares have no voting rights, are not entitled to dividends unless the accumulated net profit of the relevant company exceeds HK$100,000,000,000 and are not entitled to any distributions upon winding up unless a sum of HK$100,000,000,000 has been distributed by the relevant company to the holders of its ordinary shares.

(ii) The shares of these companies are directly held by the Company.

(iii) None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2019 (2018: None).

The English names of certain subsidiaries represent the best effort by management of the Group to translate their Chinese names as they do not have official English names.

34 SUBSIDIARIES (Continued)

(b) Material non-controlling interests

As at 31 December 2019, the accumulated non-controlling interests of HK$12,591,000 (2018: HK$46,654,000) is attributable to Shine Gold Group. The directors are of the opinion that the non-controlling interests in respect of other non-wholly owned subsidiaries are not material.

Set out below are the summarised financial information for Shine Gold Group that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	2019 **HK$'000**	2018 HK$'000
Current		
Assets	**1,078,110**	718,088
Liabilities	**(1,009,749)**	(594,486)
	68,361	123,602
Non-current		
Assets	**491,773**	173,403
Liabilities	**(316,594)**	(141,492)
	175,179	31,911
Net assets	**243,540**	155,513

34 SUBSIDIARIES (Continued)

(b) Material non-controlling interests (Continued)

Summarised statement of comprehensive income

	2019 HK$'000	2018 HK$'000
Revenue	1,753,018	1,220,677
Profit before income tax	141,879	135,167
Income tax expense	(41,634)	(34,149)
Profit for the year	100,245	101,018
Other comprehensive income	(6,824)	(10,726)
Total comprehensive income	93,421	90,292
Total comprehensive income allocated to non-controlling interests	21,334	27,088

Summarised cash flow statement

	2019 HK$'000	2018 HK$'000
Cash flows from operating activities		
Cash generated from/(used in) operations	222,326	(46,532)
Interest paid	(12,736)	(5,979)
Income tax paid	(46,276)	(15,823)
Net cash generated from/(used in) operating activities	163,314	(68,334)
Net cash used in investing activities	(97,276)	(95,630)
Net cash generated from financing activities	51,586	166,110
Net increase in cash and cash equivalents	117,624	2,146
Cash and cash equivalents at beginning of the year	67,854	67,604
Exchange differences on cash and cash equivalents	(754)	(1,896)
Cash and cash equivalents at end of the year	184,724	67,854

The information above is the amount before inter-company eliminations.

Glossary

In this annual report, unless the context states otherwise, the following expression have the following meanings:

"Board"	the board of Directors
"Company"	Win Hanverky Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 13 December 2005
"Director(s)"	the director(s) of the Company
"Group" or "we" or "our" or "us"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of Mainland China
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange (for avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange)
"Mainland China"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"OEM"	acronym for original equipment manufacturing, a business that manufactures or purchases from other manufacturers and possibly modifies goods or equipment for branding and resale by others
"RMB"	Renminbi, the lawful currency of Mainland China
"Share(s)"	the share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	shareholders of the Company
"Shine Gold"	Shine Gold Limited, a non-wholly owned subsidiary of the Company
"Shine Gold Group"	Shine Gold and its subsidiaries
"Sport Field"	Sport Field Limited, a non-wholly owned subsidiary of the Company
"Sport Field Group"	Sport Field and its subsidiaries
"Stock Exchange"	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"US"	the United States of America

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