ANNUAL REPORT 2019

Trinity Limited
Incorporated in Bermuda with limited liability
Stock Code: 891

CERRUTI 1881

GIEVES & HAWKES
No.1 SAVILE ROW LONDON

KENT & CURWEN
ENGLAND

D'URBAN

Contents

Corporate Information

Directors

Executive Directors

SUN Weiying *(Chief Executive Officer)*

Paul David HAOUZI *(President)*

QIU Chenran

SU Xiao

Kelvin HO Cheuk Yin *(Chief Strategy Officer)*

Non-executive Directors

QIU Yafu *(Chairman)*

Sabrina FUNG Wing Yee *(Deputy Chairman)*

WONG Yat Ming

Independent Non-executive Directors

Eva CHENG LI Kam Fun

Patrick SUN

Victor HUANG

YANG Dajun

ZHAO Zongren

Chief Compliance and Risk Management Officer

Jason YEUNG Chi Wai

Company Secretary

LEUNG Wai Yee

Auditor

PricewaterhouseCoopers

Registered Office

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Hamilton HM 11
Bermuda

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Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Legal Advisers

Mayer Brown
(as to Hong Kong law)

Conyers Dill & Pearman
(as to Bermuda law)

Share Registrars and Transfer Offices

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Cedar House
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Highlights

Highlights of results for the year ended 31 December 2019

	2019	2018
Revenue *(HK$ million)*	**1,962.2**	1,723.1
Gross profit *(HK$ million)*	**1,308.1**	1,195.3
Gross margin (%)	**66.7%**	69.4%
Core operating profit/(loss) *(HK$ million)* [1]	**161.3**	(248.1)
Profit/(loss) attributable to Shareholders *(HK$ million)*	**50.4**	(264.8)
Trade receivables *(HK$ million)*	**543.0**	166.2
Trade payables *(HK$ million)*	**205.8**	66.1
Return on equity (%) [2]	**1.3%**	-8.6%
Basic earnings/(loss) per share *(HK cents)* [3]	**1.4**	(8.7)

Notes:
1. Core operating profit/(loss) includes profit/(loss) of the retail, wholesale and licensing businesses before net finance costs, income tax, gain on remeasurement of contingent purchase consideration payable for acquisition and material gains or losses which are of capital nature or non-operational related
2. Return on equity = Profit/(loss) attributable to Shareholders/average of opening and closing balances on total equity as shown in the consolidated statement of financial position x 100%
3. Basic earnings/(loss) per share = Profit/(loss) attributable to Shareholders/weighted average number of ordinary shares in issue

Store numbers as at 31 December 2019

	Cerruti 1881	Gieves & Hawkes	Kent & Curwen	D'URBAN	Multi-brands	Total for the Group
Total	**73**	**44**	**84**	**19**	**1**	**221**
Mainland China	**52**	**23**	**61**	**6**	**1**	**143**
Hong Kong & Macau	**8**	**5**	**11**	**5**		**29**
Taiwan	**13**	**9**	**10**	**8**		**40**
Europe		**7**	**2**			**9**

CERRUTI 1881

Always at the forefront of creativity and intelligent design, based on a long tradition of unique innovative fabrics woven in Europe, CERRUTI 1881 is the quintessential contemporary and lifestyle brand reflecting elegance a la francaise.

73
STORES

40
CITIES

01
CERRUTI 1881 Fall/Winter 2019 - Fashion Show Backstage in Paris

02
CERRUTI 1881 Spring/Summer 2019 Women Capsule Collection - Launch Party in Taipei 101

03
CERRUTI 1881 Spring/Summer 2019 - Exhibition in Dalian, China

04

CERRUTI 1881 Made-to-measure Project for Celebrities Ruoyun Zhang & Yixin Tang's Wedding

05

CERRUTI 1881 Shared Wardrobe Video got shortlisted in Berlin Commercial 2019 and Aesthetica Short Film Festival 2019


04

05

BY APPOINTMENT
TO HER MAJESTY THE QUEEN
LIVERY & MILITARY TAILORS
GIEVES & HAWKES, LONDON

BY APPOINTMENT
TO HIS ROYAL HIGHNESS
THE DUKE OF EDINBURGH
NAVAL TAILORS & OUTFITTERS
GIEVES & HAWKES, LONDON

BY APPOINTMENT
TO HIS ROYAL HIGHNESS
THE PRINCE OF WALES
TAILORS & OUTFITTERS
GIEVES & HAWKES, LONDON

GIEVES & HAWKES

No.1 SAVILE ROW LONDON

Combining the prestige of a House holding Royal Warrants and a 200-year tradition of outfitter to adventurers and explorers, Gieves & Hawkes caters to the most refined customers with an impeccable bespoke tradition.

44	29
STORES	CITIES

01
Gieves & Hawkes partnered with GQ Taiwan to host a course with Made-to-Measure Specialist Ben Reed from the UK to talk about the brand and the service

02
Gieves & Hawkes Spring/Summer 2019 Press Day at The Opposite House Beijing

03
Celebrity Moses Chan attended a private dinner hosted by Gieves & Hawkes with COMFORT China for their first Asia Bespoke trunk show

04
Gieves & Hawkes launched a Bespoke jacket exclusively for Rolls Royce at the 'Spirit of Rolls Royce' event in the UK

05
Gieves & Hawkes Spring/Summer 2019 Presentation at No.1 Savile Row London


KENT AND CURWEN

KENT & CURWEN
ENGLAND

Drawing inspiration from a typical British
tradition of clubs and private circles, especially
in universities and sports, Kent and Curwen
perfectly fits the global millennials' tribe lifestyle codes and attitudes: a relaxed but refined
dressing style, with instantly recognizable elements.

84	36
STORES	CITIES

01
Kent & Curwen launched the Fall/Winter 2019 Collection at 2019 London Fashion Week

02
At Backstage of Kent & Curwen Fall/Winter 2019 London Fashion Week Presentation

03
Kent & Curwen showcased their Spring/Summer 2019 Collection at Lotus event in Shanghai


01


02

03

04

05

06

04
Kent & Curwen Fall/Winter 2019 Capsule Collection inspired by the British Drama series ‘Peaky Blinders’

05
Kent & Curwen special collection in collaboration with British artist David Shrigley

06
A limited edition T-shirt from the official partnership with The Stone Roses

D'URBAN

D'URBAN, the Japanese brand founded in 1970, is a blend of the best European tailoring tradition with world-renowned Japanese quality. Adding research and technology to their fabrics, D'URBAN is now widening its offer to exquisite casual wear designed for sophisticated urban travellers.

19 STORES

10 CITIES

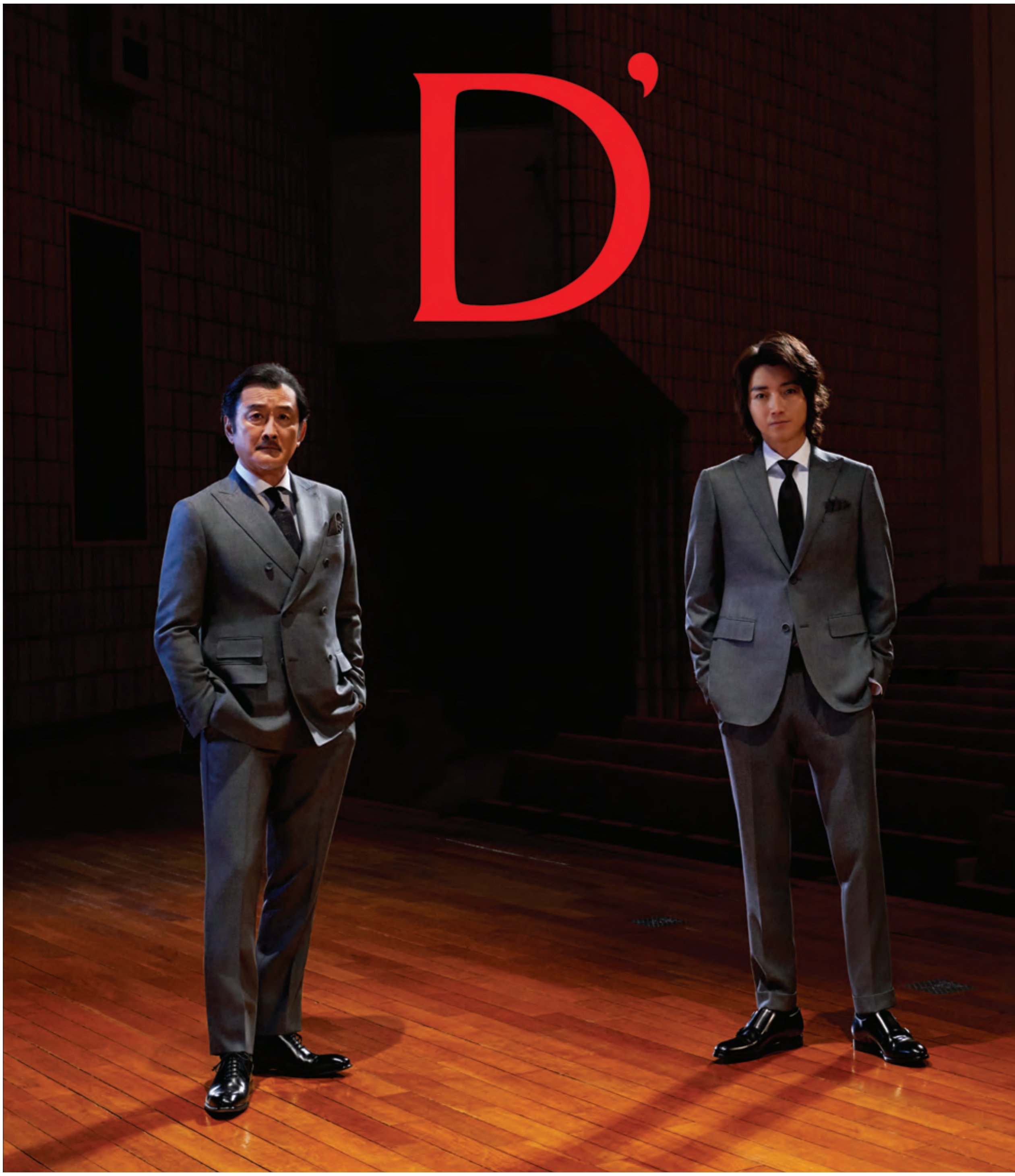
01
D'URBAN Fall/Winter 2019
Advertising Campaign

02
D'URBAN Fall/Winter 2019
Digital Campaign - starring celebrity
Payne Peng

03
D'URBAN Fall/Winter 2019
Digital Campaign - Collaboration with KOL
Charles Lam

04

D’URBAN 50th Anniversary Advertising Campaign
with the theme of “Inheritance”, features actors Kotaro Yoshida and Tatsuya Fujiwara



DETERMINATION IN TIMES OF UNCERTAINTY

On behalf of the Board, I hereby present the annual results of the Group for the year ended 31 December 2019.

Continuing Effort

When ruminating on the past year, the conflicting emotions of delight and apprehension immediately come to mind. In the case of the former, such emotion perfectly describes the turnaround of the Group as it reinforced its profit making position in the first half of the year. With respect to the latter, the challenging business climate is faced not only by the Group, but all members of the retail sector who have heightened anxiety and apprehension of what may come next.

As detailed in the 2019 Interim Report, the Group showed signs of profitability in the final quarter of 2018, which it then was able to sustain through further reform and transformation efforts, central of which was the rightsizing of various operations. As we continue to raise our competitiveness and become fighting fit, we will in turn edge closer towards our immediate goal to "Go Global". This will consequently see our premium self-owned brands Cerruti 1881, Gieves & Hawkes and Kent & Curwen as well as our licensed brand D'URBAN exercise greater influence in their respective country of origin and in key fashion capitals of the world. Before such time, however, we will prudently steer the Group pass the increasingly volatile retail climate which looks set to persist in the immediate future.

Cloudy Days on the Horizon

According to one leading US bank, it projected global GDP to decline by 0.1% to 0.2% in 2020 under its baseline scenario[1]. With the coronavirus disease 2019 ("COVID-19") spreading across the globe, the future trend of global economic is still uncertain. In Hong Kong, GDP contracted by 2.9% in real terms in the fourth quarter of 2019, and declined by 1.2% for the entire year, the first annual decline since 2009[2]. Headwinds for local retail players are unlikely to subside in the short term and the actual impacts remain unknown.

Belief and Confidence/Grit and Determination

In view of the many formidable local and international challenges on the horizon, the Group will continue to leverage the relationship between Trinity and, its controlling shareholder, Ruyi, to ensure not only that the global retail restructuring strategies are implemented effectively and expeditiously, but also to tap markets that were previously unexplored, such as the wholesale segment. Indeed, this newest endeavour, which specifically caters for the upper echelons of the corporate world, has played a pivotal role in lifting our performance in the year under review; helping the Group raise the brand profile as well as offsetting the decline in the retail segment in the Hong Kong market. As there remains tremendous room for growth, we will dedicate still greater effort towards the prestige wholesale segment, while leveraging Ruyi's resources in the formal wear market.

While encouraged by the wholesale business, we are aware that our growth aspirations can only be achieved through contributions from all key facets of operation. Consequently, we will take a suitably holistic approach; seeking to better reaches our discerning customers by creating incomparable omnichannel experiences that befits the prestige and sophistication of its self-owned brands. This will include capitalising on our management team's invaluable experience and leadership to help re-energise our brick-and-mortar stores and the clothes found within so that they emanate a sophistication and youthful vibrancy that is consistent with our target demographic. In addition, we will further leverage e-commerce to strengthen our online presence, while concurrently reinforcing ties with established online retail platforms, especially those having links with Ruyi.

Though 2020 looks difficult and uncertain due to various macroeconomic factors, we maintain the view that the glass is half full. With our highly experienced management team at the helm, clear business direction, optimised workforce and unstinting ties with key stakeholders, we will ensure that our "Go Global" goal will become a reality, and Trinity continues to grow from strength to strength.

QIU Yafu
Chairman

Hong Kong, 31 March 2020

[1] https://www.ft.com/content/eb6a7d40-4691-11ea-aee2-9ddbdc86190d
[2] https://www.hkeconomy.gov.hk/en/situation/development/index.htm

PROFITABILITY IN 2019 HIGHLIGHTS OUR COMPETENCE

Hunkering Down

In a year filled with tremendous challenges from near and far, the fact that the Group is able to sustain profitability must certainly be regarded as an outstanding achievement. However, as much as we are pleased by the Group's profit, it would be remiss to declare that our path to brighter days is assured. On the contrary, we are well aware of the significant challenges ahead, many of which are unprecedented. Yet with great challenges lie significant opportunities that we will make every effort to seize.

Already, the past year's performance has enabled us to clearly examine both our strengths and weaknesses. While our wholesale business performed encouragingly, helping to drive the Group's profitability, the retail segment suffered due to a weakened global economy resulting from the US-China trade dispute, while in Hong Kong, social unrest during the second half of the year created even stiffer headwinds for the retail sector as a whole. The resultant rise in competition that featured aggressive promotion and discount practices, which the Group was forced to adopt, led to a decline in profit. As market conditions began to deteriorate, we did begin to employ a variety of defensive measures, including curbing marketing and advertising expenditures, as well as aligning with an online retail platform to manage inventory.

Reinforcing Bricks and Webs

As the best defence is a good offence, we also sought to further advance the Group's omnichannel operations, while concurrently revising fashion portfolios for our premium self-owned brands – Cerruti 1881, Gieves & Hawkes, and Kent & Curwen. In respect of the former, we completed the refurbishment of several stores during the year, and will be introducing a concept store for Kent & Curwen, all with a decidedly younger edge. Beyond brick-and-mortar stores, we are also fortifying our presence online, as well as relevant social media channels. E-commerce is no longer a new frontier, but rather an important market. According to a forecast from a leading research firm, the global online fashion market is predicted to reach US$765 billion by 2022, a projected increase of US$281 billion, or 58%, from 2018, with 36% of total fashion retail sales expected to occur online by that time[1]. With millennials and Gen Xers accounting for the two largest groups of online shoppers – 67% and 56% respectively, as well as men spending 28% more than women when shopping online[2], such developments highlight the tremendous opportunities that e-commerce presents. Correspondingly, our e-commerce team is continuously and conscientiously enhancing our online presence, so that we maximise our impact on a global scale.

While market penetration is crucial, whether by traditional or online means, delivering the right products remain fundamental to our success at the end of the day. Mindful of our target clientele, we instructed our design team to introduce more youthful collections, extending to unisex clothing that is in tune with the times. Furthermore, the team will be creating accessories that are part and parcel of todays aesthetic. Yet, another business avenue we are examining involves collaborating with other labels that will allow us to welcome an even wider breadth of customers. Underpinning our creative efforts will be Ruyi, which, with its large portfolio of advance materials, will ensure that all of our clothing are not only visually appealing but possess properties that are desired and complement the wearer.

[1] https://www.marketingcharts.com/industries/retail-and-e-commerce-106623
[2] https://kinsta.com/blog/ecommerce-statistics/

As delivering the best in services is also imperative in aligning with the premium nature of our brands, we have continued to examine ways to better serve our discerning customers. Besides offering appropriate training, we have sought to recruit capable frontline staff who possess the sensitivities to serve the increasingly young yet well-travelled clientele that are frequenting the Group's stores. In order to acknowledge, reward and encourage frontline staff for their efforts, we have also developed new incentive programmes that take into consideration the harsh retail conditions they are presently facing.

Testing Times

The harsh retail conditions are likely to persist well into 2020, as decelerating global economic growth and intensifying competition will inhibit value creation in the fashion industry. This sentiment is reflected in a recent survey involving 290 global fashion executives, the majority of whom expected a slowdown in 2020, regardless of value segment or geography[3]. Despite facing potentially the harshest period in recent years, we will continue to pursue our "Go Global" goal by reinforcing the aforementioned omnichannel operations, as well as providing support to staff on the frontlines. We will also optimise our supply chain by enhancing relations with factories so as to achieve greater efficiency in areas such as procurement, turnaround time and speed to market, leading to lower costs and greater profitability, among other benefits.

Having maintained profitability in 2019, the Group has proved that it possesses many of the underpinnings that are essential for growth. As we continue to fortify our foundation, as well as leveraging the tremendous depth of experience of our management team, diligence of our entire workforce and support from our major stakeholders, we are adamant that the Group will not only overcome the many obstacles on the horizon, but also move closer towards securing its long-term development.

SUN Weiying
Chief Executive Officer

Hong Kong, 31 March 2020

[3] https://www.mckinsey.com/industries/retail/our-insights/the-state-of-fashion-2020-navigating-uncertainty

Discussion and Analysis

Key Performance Indicators	**2019 HK$'000**	2018 HK$'000
Revenue	**1,962,226**	1,723,138
Gross profit	**1,308,061**	1,195,331
Gross margin	**66.7%**	69.4%
Core operating profit/(loss)	**161,336**	(248,102)
Profit/(loss) attributable to Shareholders	**50,353**	(264,801)
Inventories	**606,482**	645,624
Inventory turnover days	**349**	438
Trade receivables	**543,000**	166,194
Trade payables	**205,781**	66,129
Return on equity [1]	**1.3%**	-8.6%

Note:

1. Return on equity = Profit/(loss) attributable to Shareholders/average of opening and closing balances on total equity as shown in the consolidated statement of financial position x 100%

The above Key Performance Indicators (KPIs) are the common KPIs used in the retail industry. The Group selects and adopts the above capital structure and business KPIs to assess its business performance.

Revenue

The Group's total revenue for 2019 was HK$1,962.2 million, which increased by 13.9% compared to last year. Due to the unstable consumer market and fragile macro-economy around the globe, the Group put extra efforts to develop new business and sales channels to diversify business risks with the support and network from Ruyi Group since the beginning of the year. This resulted in a significant increment in wholesale business with revenue of HK$617.2 million recorded as compared to HK$81.7 million recorded last year.

Analysis by geographical location

Retail

Mainland China

Retail sales in Mainland China were HK$587.3 million and were lower than that of last year by HK$102.7 million. This was mainly due to our continuous measures to cut down non-performing stores, resulting in a net closure of 20 stores during the year. Number of stores as at 31 December 2019 was 143 stores. Same store sales declined by 5.3% because of the change in pricing strategy. To improve the long-term profitability, we fine-tuned our retail price and reduced the sales discounts. The gross margin thus improved from 69.6% to 71.4%. Despite the new strategy implementing temporary pressure on the retail sales growth, the overall segmental contribution improved from HK$21.9 million in 2018 to HK$38.3 million in 2019 as a result of improved gross margin and the closure of three regional offices in Mainland China.

Hong Kong & Macau

Retail sales in Hong Kong & Macau were HK$380.6 million and were lower than the sales last year by HK$140.0 million. Number of stores was 29 in 2019, down from 36 in 2018. Same store sales declined by 25.5%. The sales performance was adversely affected by the social events since the second half of the year. Although gross margin improved from 71.5% to 72.2% in 2019, overall segmental contribution declined from HK$16.4 million profit in 2018 to HK$1.0 million loss in 2019 as a result of sharp decline in sales.

Taiwan

Retail sales in Taiwan were HK$114.6 million and were lower than the sales last year by HK$15.6 million. Number of stores in 2019 slightly dropped by 2 stores to 40 stores. Although same store sales declined by 14.4%, gross margin improved from 66.4% to 67.8% and overall segmental contribution improved from HK$3.7 million in 2018 to HK$6.0 million in 2019.

Europe

In 2019, the retail sales in Europe were HK$120.7 million, representing 10.9% drop compared to last year mainly due to the closure of non-performing stores. The number of stores dropped to 9 in 2019.

Wholesale

Formal wear business with corporate customers like financial institutions had become an important market sector for premium brands. Therefore, the Group put more resources on future developments in these wholesale businesses since 2019. Wholesale revenue significantly increased from HK$81.7 million in 2018 to HK$617.2 million in 2019. With the support and network from Ruyi Group, the overall increase in wholesale revenue and gross profit were mainly contributed by new distribution partners through wholesaling our major brands such as Cerruti 1881 and Kent & Curwen to those corporate customers in the Mainland China and other countries.

Licensing

Licensing revenue decreased from HK$165.0 million in 2018 to HK$141.8 million in 2019.

Segmental Contribution

Segmental contribution for the Group increased from HK$188.3 million last year to HK$490.7 million in 2019. The increment was mainly contributed by new wholesales business, improvement in store profitability and cost control strategy.

Other Income

Other income increased from HK$25.4 million in 2018 to HK$72.4 million in 2019. The increment was mainly due to the service fee income from a related party for the provision of management, advisory and administrative services during the year.

Selling, Marketing and Distribution Expenses

Selling, marketing and distribution expenses decreased to HK$823.0 million in 2019, compared with HK$1,017.5 million in 2018. The drop of the expenses was mainly due to the closure of loss making stores and cost reduction programme.

General and Administrative Expenses

General and administrative expenses amounted to HK346.6 million in 2019 versus HK$444.5 million in 2018. This was largely caused by the reduction of the staff related expenses after group restructuring in 2018.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets increased from HK$6.9 million in 2018 to HK$49.6 million in 2019, mainly being impairment losses provision for long aged trade receivables and expected credit loss on overall receivables.

Core Operating Profit/(Loss)

The Group recorded a core operating profit of HK$161.3 million, compared to a core operating loss of HK$248.1 million last year.

Other Gains – net

Net other gains of HK$64.9 million were recorded in 2018, which mainly represented the net amount of write back on the contingent purchase consideration payable relating to the acquisition of Gieves & Hawkes. There is no such gain incurred in 2019.

Restructuring Costs

Restructuring costs of HK$3.4 million in 2019 was mainly related to the restructuring of Europe operations whereas the restructuring costs of HK$59.9 million in 2018 were related to the restructuring of both Europe and Greater China operations which include the reduction of head count in all regions and the closure of regional offices in Greater China.

Net Finance Costs

Net finance costs totalled HK$20.7 million in 2018, whereas net finance costs of HK$33.0 million were reported in 2019. The increase was primarily due to an increase in interest expenses as a result of recognition of lease liabilities after the first year adoption of HKFRS 16 in 2019.

Income Tax

Income tax expense increased from HK$0.9 million in 2018 to HK$74.6 million in 2019 was mainly driven by the wholesales business in the Mainland China.

Profit/(Loss) Attributable to Shareholders

The Group incurred a profit for the year of HK$50.4 million in 2019, which translates into an earnings of 1.4 HK cents per share.

Working Capital Management

Inventory balance decreased from HK$645.6 million in December 2018 to HK$606.5 million in December 2019. Inventory turnover days reduced from 438 as at 31 December 2018 to 349 days as at 31 December 2019.

The Group's trade receivables as of December 2019 totalled HK$543.0 million, compared with HK$166.2 million in 2018. The Group's trade receivable turnover days reached 66 in 2019, compared with 29 days in 2018. Increase in trade receivable turnover days was mainly due to the increase in undue receivable balance generated by wholesales transactions towards the year end in 2019.

The Group's trade payables amounted to HK$205.8 million in 2019, compared with HK$66.1 million in 2018. The Group's trade payable turnover days increased to 76 in 2019, compared with 68 days in 2018.

Financial Position and Liquidity

Net decrease in cash and cash equivalent by HK$504.3 million in 2019 was mainly due to repayment of bank loans and overdraft for a net amount of HK$541.8 million.

As at the end of December 2019, cash and cash equivalents totalled HK$833.7 million and interest bearing bank borrowings and bank overdrafts reduced to HK$568.5 million. The Group had a net cash balance of HK$265.2 million (net cash is defined as cash and cash equivalents of HK$833.7 million less bank borrowings and bank overdrafts of HK$568.5 million) as at the end of December 2019, compared with net cash balance of HK$227.8 million as at the end of December 2018. The improvement in net cash position was mainly due to the Group profitability and the effective cost saving measures in place in 2019 despite the repayment of bank loans.

Banking Facilities

As at 31 December 2019, the Group had a total bank borrowings of HK$568.5 million, of which HK$268.2 million from 3 different banks were either overdue or due for immediate repayment. The Group is actively negotiating with different parties (including but not limited to banks and financial institutions) to secure new sources of financing.

The Group had uncommitted bank lines of HK$350.4 million available and utilised 85.7% of the total facilities available at the end of the year, including HK$150.0 million in revolving loans and HK$150.3 million for trade financing. The undrawn facilities at year end amounted to HK$50.1 million.

Of the loans drawn down, all of them are repayable within one year.

Credit Risk Management

The major credit risk of the business includes trade receivables from department stores and receivables from wholesale customers and licensees. The Group has established procedures to evaluate and monitor the credit risk of department stores, wholesale customers and licensees in order to control its exposure in this area. Appropriate actions have been taken to collect the overdue receivables.

The Group's cash and cash equivalents were deposited with major banks and financial institutions.

Foreign Exchange and Interest Rate Management

The Group purchases a substantial part of its production materials and finished goods with foreign currencies. To minimise foreign-exchange risks, the Group has a hedging policy in place.

The Group evaluates interest-rate risks periodically to determine the need to hedge against adverse interest-rate movements. As the Group's interest-rate exposure was expected to be limited, no hedging activities were undertaken during the reporting year.

Use of Proceeds from Subscription of New Shares

Ruyi's subscription for 1,846,000,000 ordinary shares of the Company at the subscription price of HK$1.20 per share (the "Subscription") was completed on 18 April 2018. The net proceeds from the Subscription received by the Company amounted to approximately HK$2,215.2 million (the "Proceeds"). Among the Proceeds, approximately HK$1,546.0 million, HK$440.0 million and HK$220.0 million was planned for the use of future potential acquisitions, bank loans repayment and general working capital respectively.

Up to 31 December 2019, an additional HK$600.1 million further to the allocated sum disclosed in the 2019 Interim Report was reallocated out of the pool for acquisition to cover the extra repayment of bank borrowing exceeding the original plan. After the reallocation, the proceeds remaining for acquisition purpose were reduced to HK$455.8 million.

Human Resources and Training

As at 31 December 2019, the total workforce for the Group was 1,599 employees, compared with 1,796 a year earlier, an 11% decrease. This reduction in headcount was largely due to the closure of non-performing stores and outsourcing of warehouse services in Hong Kong.

Our workforce comprises 359 employees in Hong Kong and Macau; 914 in the Mainland China; 180 in Taiwan and 146 in other countries. Total staff costs were HK$439.5 million compared with HK$550.7 million in 2018. The decrease in staff costs was mainly due to the reduction in staff headcount associated with the closure of non-performing stores, consolidation of back office functions and outsourcing of warehouse services in Hong Kong.

The Group offers competitive remuneration packages, share options and development opportunities to its employees. Performance- and results-based bonuses and share options are granted as a means to reward and retain a high-calibre team.

Cultivating our highly skilled workforce and supporting employees' long-term career goals is integral to sustaining and strengthening our economic performance. The Group offers a wide array of professional development programmes, from leadership training to seasonal product training. Our Study Sponsorship Policy is one of our keystone development programmes. This policy encourages staff to build upon their existing skill sets by granting sponsorship to support external job-related training and studies. It covers a wide range of external training, including courses, seminars, conferences, workshops, skills training, experiential learning and experience sharing sessions.

Account of Key Relationships with Employees, Customers and Suppliers

The Group aims to develop positive relationships with our stakeholders by upholding the highest ethical standards while taking their interests into full account. We consistently engage and communicate with our employees, customers and suppliers to understand their expectations and interests.

Employees

The Group strives to provide a safe, inclusive and harmonious working environment to our employees with a strong emphasis on equal opportunities and fair recruitment processes. We strictly comply with all regulations related to anti-discrimination and protection of personal data privacy. We continue to provide all our employees with competitive remuneration and benefits commensurate with work experience and job duties. In a rapidly changing marketplace, we believe investing in our high-calibre talent and supporting their career goals will foster long-term business success. As such, we offer a wide array of professional development programmes, as well as sponsorships for external training.

Customers

With our robust customer-centric culture, we deliver quality products and highly personalised services before, during, and after a purchase is made. In line with the rise of e-commerce trends, we are developing business ties with key online partners to enhance our online presence, and to further develop our capacity to boost customer convenience and satisfaction. We operate with a high level of business integrity and product responsibility, and strictly comply with relevant customer data privacy regulations.

Suppliers

The Group works closely with our suppliers, who also share our dedication to sustainable development and business ethics. Our Supplier Code of Conduct details the principles and practices that we expect our partners to uphold. To ensure full compliance with our Code of Conduct, we conduct periodic audits and assert zero-tolerance to any confirmed breach.

Sustainability

Trinity is devoted to integrating sustainable practices in its operations to contribute to a more sustainable future. As the foundation of our environmental stewardship, our Environmental Policy communicates our commitments to environmental compliance, resource conservation and energy efficiency. To manage potential environmental impacts, and raise awareness of various environmental issues, we actively engaged and educated our staff members on responsible and sustainable behaviours.

As our business is primarily focused within the retail industry, we recognise the importance of, and act in line with operational aspects of efficient resource management through technological upgrades and energy benchmarking. To increase our energy efficiency, we supplemented our ongoing efforts to replace obsolete lighting fixtures utilising the CLP GREEN PLUS Energy Billboard to track and manage our electricity consumption patterns in designated retail stores. We assess modes of transport, for example, sea versus air, and seek to reduce the environmental impacts of transporting our products to the extent that is feasible. Additionally, we try to further reduce our environmental impact by adhering to the 3Rs principle (i.e. reuse, reduce and recycle) whenever possible, to ensure waste materials and useful resources are not thoughtlessly sent to landfill disposal. Consistent with our philosophy of sustainable development, we also encourage our partners to incorporate sustainability considerations into product design to increase longevity.

During the reporting year, the Group did not receive any cases of non-compliance with applicable standards, laws and regulations on the environment, labour standards, occupational health and safety, anti-corruption, data privacy and intellectual property.

Principal risks and uncertainties

The evolving economic and regulatory environment, together with the outbreak of COVID-19, exposes the Group to certain risks. Set out below are the principal risks that currently impact the Group and any mitigating measures against those risks.

Operational Risk Management

COVID-19 pandemic outbreak led to a series of austere administrative and precautionary measures taken by governments and authorities around the world and disrupted the operations of the Group's global businesses after 31 December 2019. In particular, the Group's retail shops in the Mainland China were closed for an extended period after Chinese New Year and were only able to gradually resume normal operations in March 2020. The Group's business in Hong Kong has also been negatively impacted by a material decline in customer demand. Similarly, our European market was not spared. The duration and intensity of the COVID-19 pandemic outbreak and related containment measures remained uncertain. We have taken additional measures to conserve cash to manage the procurement and sourcing supply chain flows, closely monitor operating costs, and manage the Group's operational performance and cash flows.

At the same time, established corporate policies and procedures covering key risks and control standards are reviewed regularly to ensure their effectiveness and control procedures are effectively put in place in connection with the approval of the Group's major business transactions and investments, and the monitoring of daily operations of the Group's business.

Fashion and Design

The premium menswear industry is susceptible to changes in fashion trends and fluctuations in consumer preferences and demands.

The Group counters these risks with in-depth analysis of our target customers and their tastes. Greater proximity to customers through the retail business and our digital channels also makes a major contribution toward quickly channelling information on trends and consumer behaviour into our collections.

Brand and reputation risk

The strength of our brands and their reputations are important to our business. There is a risk that our brands may be undermined or damaged by our actions or those of our partners. The counterfeit production of our brands or improper management of social media interactions could also have an adverse effect on our reputation.

In this regard, the Group places a high priority on protecting and maintaining brand image. Strategic measures are taken for this purpose, including but not limited to continuous monitoring of markets and media, clearly differentiated brand positioning supported by targeted marketing activities and a globally consistent brand presence. In addition, legal trademark protection and the prosecution of product piracy are two of the steps we undertake to secure brand image.

Store network

Our store network is one of the most important assets of the Group. As the prime locations for premium men's fashion are generally limited in the regions in which we operate, the availability of first tier locations and favourable lease terms is highly attributable to uncontrollable factors such as the economic environment and emerging brands. To secure key locations, we have an established leasing team to focus on managing lease negotiations with landlords. Formal assessment procedures have been established to ensure all new, renewals or terminations of leases are properly assessed and approved by senior management.

Macro-economic environment

The performance of the Group is highly correlated to the economic environment of our core market – Greater China. The recent economic slowdown, volatile stock market and changing political environment in the region can have adverse effects on the retail industry. The rising volatility of the foreign currencies also exposes the Group to higher exchange risk. To maintain optimal inventory levels under the current challenging environment, the Group continues to closely monitor the market and sales trends. The Group has put in place continuing performing structural measures to tighten cost controls. In addition, the Group has continued to optimise the store network by closing loss-making stores. The Group has established a formal hedging policy to mitigate the exchange risk.

Evolving business model and distribution channels

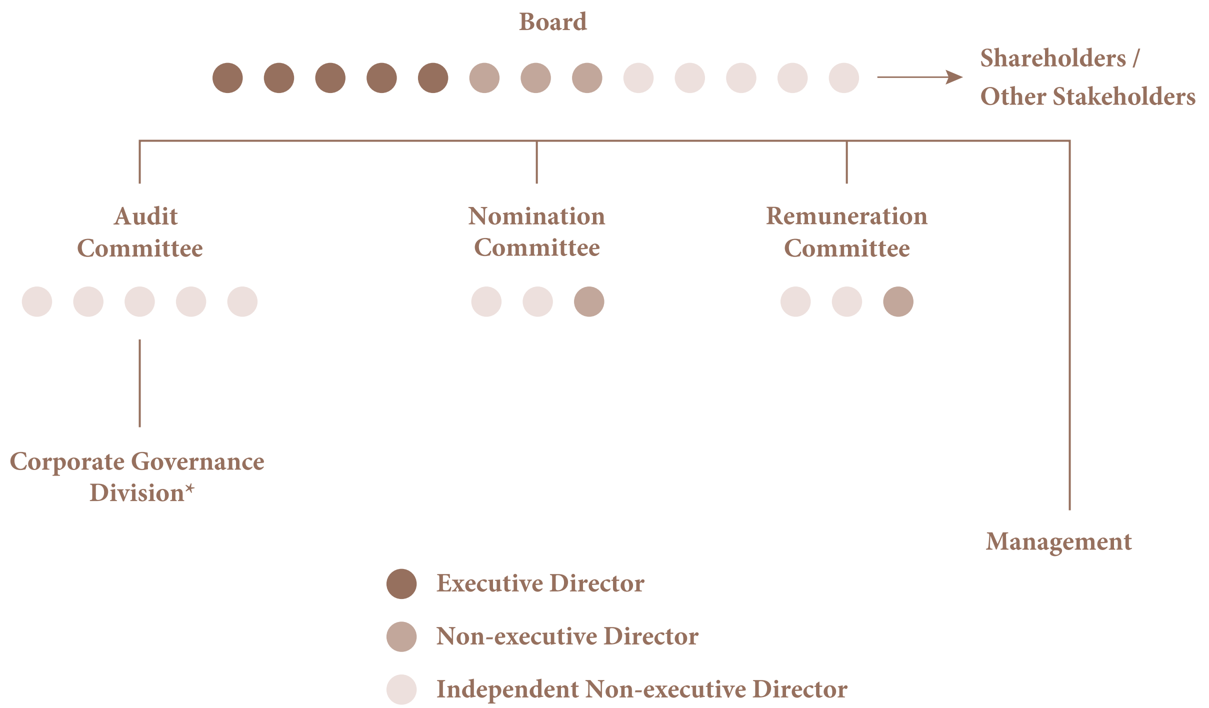
The rising popularity of online shopping in Greater China has created new challenges to the premium fashion industry, which has traditionally centred on physical stores. To cater to changing consumer demand and capture the extensive opportunities online, our e-commerce team has been continuously and consciously developing online presence leveraging on the extensive opportunities online to cater to the ever-changing consumer demand.

Compliance with relevant laws and regulations

Trinity promotes an organisational culture that encourages the highest ethical standards of business conduct and a commitment to compliance with prevailing laws and regulations wherever we operate. The Group fully complies with all occupational health and safety legislation, product safety and environmental protection regulations. We have not identified any material non-compliance during the year.

The Board and the management are committed to principles of good corporate governance consistent with prudent management and enhancement of Shareholder value. These principles emphasise transparency, accountability and independence.

Corporate Governance Structure



* The department undertakes the internal audit function

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2019, the Company has applied the principles of and complied with all applicable code provisions of the Corporate Governance Code, except for the deviations as explained below.

Mr Michael LEE Tze Hau resigned as an Independent Non-executive Director, the chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee with effect from 31 July 2019. Immediately upon the resignation of Mr Michael LEE Tze Hau, (i) the composition of the Remuneration Committee was not in compliance with Rule 3.25 of the Listing Rules (which requires the Remuneration Committee to be chaired by an independent non-executive director) and (ii) the composition of the Nomination Committee deviated from code provision A.5.1 (which requires the Nomination Committee to comprise a majority of independent non-executive directors as members) until Mr Victor HUANG, an existing Independent Non-executive Director, was appointed as a new member of the Remuneration Committee and the new chairman of the Nomination Committee on 22 August 2019. Besides, immediately upon the resignation of Mr Michael LEE Tze Hau, the Board was temporarily not in compliance with Rule 3.10A of the Listing Rules (which requires independent non-executive directors to account for not less than one-third of the Board members) until Mr ZHAO Zongren was appointed as an Independent Non-executive Director on 28 October 2019.

Subsequent to the end of the year, Mr Daniel LALONDE resigned as a Non-executive Director on 16 January 2020. Despite the resignation of Mr Daniel LALONDE, the Board's composition continues to comply with the requirements of the Listing Rules.

THE BOARD

Board Composition

The Board is responsible for setting the long-term objectives and overall strategy and ensuring effective execution of the strategy by management through regular review of the results of operation and financial performance of the Group. Members of the Board have a balance of skills, experience, knowledge and diversity which are appropriate to the businesses and development of the Group.

As at the date of this report, the Board comprises 13 members, including five Executive Directors, three Non-executive Directors and five Independent Non-executive Directors. The names and biographical details of the current Directors are set out in the "Directors and Senior Management" section on pages 44 to 49 of this annual report.

The Board Chairman and the CEO

The role of the Board Chairman (which is held by Mr QIU Yafu) is separate from that of the CEO (which is held by Ms SUN Weiying) to reinforce accountability, independence and responsibility. The Board Chairman takes the leadership role and ensures that the Board works effectively, whilst the CEO, with the support from the President and other senior management members, is responsible for managing the Group's businesses, including the implementation of major strategies and initiatives adopted by the Board. The respective responsibilities of the Board Chairman and the CEO are clearly set out in writing in the Board Practices.

Non-executive and Independent Non-executive Directors

The Non-executive Directors and the Independent Non-executive Directors offer to the Board their skills, experiences and diverse industry expertise. Through active participation in the Board and the Board Committees meetings, they bring constructive analysis and independent judgement on management proposals, scrutinize performance against business goals, ensure the Board maintains high standards of financial reporting and regulatory compliance, as well as providing adequate checks and balances for safeguarding the interests of the Company and the Shareholders as a whole.

Independence of Independent Non-executive Directors

Over 38% (5 out of 13) of the Board members are Independent Non-executive Directors. The strong independent element of the Board allows decisions to be made objectively for the benefits of the Company and the Shareholders as a whole.

The Company has received from each Independent Non-executive Director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee had assessed and considered that all the Independent Non-executive Directors to be independent based on the independence guidelines set out in Rule 3.13 of the Listing Rules.

Board Diversity

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level an essential element in maintaining a competitive advantage. The Board Diversity Policy was adopted in May 2013. In reviewing Board diversity, the Nomination Committee has considered factors such as skills, regional and industry experience, background, ethnicity, age, culture and gender, so as to maintain an appropriate range and balance of skills, experience and background on the Board.

On gender, female representation on the Board accounts for 38% (5 out of 13). In terms of experience, the current mix of Board members is well balanced and represented by business executives from the fashion industry, corporate finance and accounting professions, retail expertise and economist.

Board Evaluation

The Board conducts evaluation of its performance and that of the three Board Committees annually to ensure effectiveness of functioning. A tailored questionnaire is used to collect views and comments from Board members. Results and findings are reviewed and considered by the Nomination Committee and the Board to formulate appropriate follow-up actions.

Nomination and Appointment of Directors

The Board has the ultimate responsibility for the selection, appointment and re-appointment of Directors. The Nomination Committee is delegated with the duties to review Board composition and recommend on new appointment or re-appointment of Directors. A Director Nomination Policy in line with the Board Diversity Policy was adopted in December 2018.

When providing its recommendation on any new director's appointment, the Nomination Committee will consider factors such as the nominee's qualifications, skills, experience and industry expertise, time available for performance of his duties, character and integrity as well as contributions to diversity.

All Non-executive Directors and Independent Non-executive Directors are appointed for a specific term of three years. All Directors (whether Executive, Non-executive or Independent Non-executive Directors) are subject to retirement by rotation and re-election at annual general meetings at least once every three years. In addition, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and shall retire and stand for re-election. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then retire and stand for re-election. Re-election of Director (including Independent Non-executive Director who has served the Board for more than nine years) is subject to a separate resolution to be approved by the Shareholders.

Directors' Commitments

The Directors are committed to devoting sufficient time and attention to the affairs of the Group. All the Directors have disclosed to the Board, at the time of appointment and on an annual basis, their major appointments and directorships held outside the Group, particularly in other listed public companies.

Information and Continuous Professional Development

Every newly appointed Director will be provided by the company secretary an induction kit containing comprehensive information on the Group's structure, businesses and governance practices. In addition, a briefing will be given to the new Director by external legal advisers on director's responsibilities, applicable requirements of the Listing Rules and other relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills, and are required to provide to the Company their training records on an annual basis. The Company has also organised training and briefing sessions for the Directors.

Ongoing training and professional development undertaken by the current Directors during the year are summarised below:

Directors	Attended in-house/external training sessions, and/or corporate events arranged by the Company	Read the regulatory and industry related updates and materials
Non-executive Directors		
QIU Yafu	✓	✓
Sabrina FUNG Wing Yee	✓	✓
WONG Yat Ming	✓	✓
Executive Directors		
SUN Weiying	✓	✓
Paul David HAOUZI	✓	✓
QIU Chenran	✓	✓
Kelvin HO Cheuk Yin	✓	✓
SU Xiao	✓	✓
Independent Non-executive Directors		
Eva CHENG LI Kam Fun	✓	✓
Patrick SUN	✓	✓
Victor HUANG	✓	✓
YANG Dajun	✓	✓
ZHAO Zongren[1]	–	✓

[1] Mr ZHAO Zongren was appointed as an Independent Non-executive Director on 28 October 2019. He had received an "on-board" induction training orgainsed by external legal advisers.

BOARD PROCESS

The Board and the Management

An optimal balance of responsibility is maintained between the Board and the management. The powers and duties of the Board are set out in the Board Practices in addition to those stipulated in the Bye-laws. Certain matters which have a critical bearing on the Group are reserved for consideration by the Board. These reserved matters include (among others) the following:

- Directors' appointments, re-appointments and removals;
- appointment of Board Chairman, Deputy Chairman, CEO, President, Chief Financial Officer, Chief Operating Officer, Chief Compliance and Risk Management Officer and head of internal audit;
- appointment or removal of company secretary of the Company;
- approval of terms of reference of the Board Committees;
- approval of major acquisitions and disposals and connected or other notifiable transactions;
- approval of annual budget;
- approval the Company's interim and annual results announcements, reports and financial statements as well as circulars to Shareholders;
- declaration of dividends and amendment of dividend policy;
- maintenance of appropriate and effective risk management and internal control systems and review of their effectiveness;
- approval of bank loans, banking facilities, provision of bank guarantees and other borrowing transactions;
- amendments to the memorandum of association and Bye-laws;
- approval of other significant operational/financial matters and the Group's corporate governance policies.

The management, headed by the CEO with the support of the President, is responsible for the day-to-day management of the Group's businesses and affairs. Principal functions delegated by the Board to the management include the following:

- preparation of the Company's interim and annual results annoucnements, reports and financial statements for the Board's approval;
- execution of business strategies and initiatives adopted by the Board and monitoring of performance against budgets;
- implementation and monitoring of appropriate and effective systems of internal controls and risk management procedures; and
- review of relevant financial and operational, compliance, and Environmental, Social and Governance matters.

The Board or each Director may have separate and independent access to the Board Chairman, the CEO, the President and management staff at all levels. Senior executives hold meeting regularly to review the Group's operating results, performance, efficiency and effectiveness, and formulate Group-wide policies and practices, as well as discussing significant issues affecting the Group. Monthly financial update is circulated to each Director.

Meetings of the Board and the Board Committees

Regular Board meetings are held at least four times a year at quarterly intervals and additional meetings are arranged as and when required. A meeting calendar of regular Board and Board Committees meetings is set before the beginning of each year to facilitate maximum attendance of meetings by Directors. Notice of at least 14 days is given for a regular meeting and reasonable notice is given for any ad hoc meeting. Agenda is prepared in consultation with the Board Chairman or chairman of the respective Board Committee. Directors are given the opportunity to include in the meeting agenda any matters they wish to discuss. Agenda accompanied by papers with comprehensive information are sent to Directors at least three days before the intended meeting date so as to give them sufficient time to prepare for the meeting. Video or telephone participation is arranged for those Directors who cannot be present physically. Minutes of Board and Board Committee meetings are properly kept by the company secretary. Comments from Directors will be collected by the company secretary before final version of minutes is signed. Copies of minutes are circulated to each Director for information and record.

During the year, four Board meetings, four Audit Committee meetings, four Nomination Committee meetings and three Remuneration Committee meetings were held.

A summary of attendance for the meetings held in 2019 is set out in the following table:

	Number of meetings attended/eligible to attend				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Non-executive Directors					
QIU Yafu *(Chairman)*	4/4	–	2/4	2/3	1/1
Sabrina FUNG Wing Yee *(Deputy Chairman)*	3/4	–	–	–	0/1
WONG Yat Ming	4/4	–	–	–	1/1
Independent Non-executive Directors					
Eva CHENG LI Kam Fun *(Remuneration Committee Chairman)*	4/4	4/4	–	3/3	1/1
Patrick SUN *(Audit Committee Chairman)*	4/4	4/4	4/4	–	1/1
Victor HUANG *(Nomination Committee Chairman)*[1]	4/4	4/4	2/2	1/1	1/1
YANG Dajun	4/4	4/4	–	–	1/1
ZHAO Zongren[2]	1/1	1/1	–	–	–
Executive Directors					
SUN Weiying *(Chief Executive Officer)*	2/4	–	–	–	1/1
Paul David HAOUZI *(President)*	4/4	–	–	–	1/1
QIU Chenran	4/4	–	–	–	1/1
Kelvin HO Cheuk Yin *(Chief Strategy Officer)*	3/4	–	–	–	1/1
SU Xiao	3/4	–	–	–	0/1
Former Directors					
Michael LEE Tze Hau[3]	2/2	2/2	1/1	2/2	0/1
Daniel LALONDE[4]	4/4	–	–	–	0/1

1. Appointed as the chairman of the Nomination Committee and a member of the Remuneration Committee on 22 August 2019.
2. Appointed as an Independent Non-executive Director and a member of the Audit Committee on 28 October 2019.
3. Resigned as an Independent Non-executive Director, the chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee on 31 July 2019.
4. Resigned as a Non-executive Director on 16 January 2020.

During the year, the Board Chairman held a private separate meeting with the Independent Non-executive Directors to discuss issues of their concern.

The Chief Compliance and Risk Management Officer was invited to attend all Board and Board Committees meetings to advise and report on risk management, internal controls and compliance issues relating to business operations, accounting, financial reporting, and regulatory matters.

Directors are required to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings and are required to abstain from voting on any resolution in which they have material interests and are not counted in the quorum for such Board meeting.

Written procedures are also put in place for Directors to seek independent professional advice, at the expense of the Company, with respect to performing their duties. The procedures were refined in the year and have been circulated to all Directors.

BOARD COMMITTEES

The Board has established three Board Committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, each of which has its own written terms of reference. These written terms of reference can be viewed on website of the Company and HKEXnews.

All the three Board Committees are provided with sufficient resources to discharge their duties and have access to professional advice if considered necessary at the Company's expense.

Audit Committee

The Audit Committee is primarily responsible for reviewing the Group's financial information, financial reportings, risk management and internal control systems, corporate governance matters, the Group's relationship with external auditor, and providing advice and making relevant recommendations to the Board.

As at the date of this report, the Audit Committee comprises the following five members, who (including the chairman) are all Independent Non-executive Directors:

Mr Patrick SUN *(Chairman)**

Mrs Eva CHENG LI Kam Fun*

Mr Victor HUANG*

Mr YANG Dajun*

Mr ZHAO Zongren*

* Independent Non-executive Director

Mr Michael LEE Tze Hau, a former Independent Non-executive Director, ceased to serve as an Audit Committee member with effect from 31 July 2019. Mr ZHAO Zongren, an existing Independent Non-executive Director, joined the Audit Committee as a member on 28 October 2019. Mr Patrick SUN and Mr Victor HUANG are the two Audit Committee members who possess appropriate professional qualifications, accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee met four times in 2019 and the meeting attendance record is shown in the sub-section headed "Meetings of the Board and the Board Committees" above. Key tasks performed by the Audit Committee in the year included:

- review of the Group's accounting principles, accounting practices and financial reporting reports, (including the interim and annual results announcements, reports and financial statements) before recommending them to the Board for approval;
- review of quarterly business and financial performance of the Group including the Group's bank borrowings and cash flow positions;
- review of connected and continuing connected transactions conducted during the year and approval of updates on the "Guidelines on Monitoring of Connected Transactions";

- review of quarterly progress reports submitted by the corporate governance division covering (i) progress of the internal audit work; (ii) internal audit reports of work done, audit observations and recommendations, and management agreed actions to enhance internal controls; and (iii) progress report of on-going compliance with relevant governance and regulatory matters;
- review of audit findings from the external auditor;
- review of independence of external auditor, approval of audit and non-audit services fees, and recommendation on re-appointment of external auditor;
- review of amendments to the Board Practices before recommending them to the Board for approval; and
- review of the effectiveness of the financial reporting process including being satisfied with the adequacy of the resources; qualifications, experience, training programmes and budget of the staff of the Group's internal audit and financial reporting function.

During the year, two separate meetings were held between the Audit Committee and the external auditor to discuss audit and related issues of the Group.

The Audit Committee has authority to investigate any activity within its terms of reference and has full access to and the cooperation of the management. It has direct access to the Chief Compliance and Risk Management Officer, staff in the corporate governance division (who is in charge of the internal audit function) and the external auditor, and full discretion to invite management members to attend the Audit Committee meetings. Representatives of the external auditor and the Chief Compliance and Risk Management Officer are the usual attendees of the meetings.

Nomination Committee

The Nomination Committee is primarily responsible for the recommendations to the Board on the appointment or re-appointment of Directors, evaluation of Board composition (including diversity), assessment of the independence of Independent Non-executive Directors, monitoring of continuous professional development of Directors and senior management and the management of Board succession with reference to certain guidelines as endorsed by the Nomination Committee.

As at the date of this report, the Nomination Committee comprises of the following three members, the majority of whom (including the chairman) are Independent Non-executive Directors:

Mr Victor HUANG *(Chairman)* *

Mr QIU Yafu⁺

Mr Patrick SUN*

* Independent Non-executive Director

⁺ Non-executive Director

Mr Michael LEE Tze Hau, a former Independent Non-executive Director, ceased to serve as the Nomination Committee chairman with effect from 31 July 2019. On 22 August 2019, Mr Victor HUANG, an existing Independent Non-executive Director, was appointed as the new chairman of the Nomination Committee.

The Nomination Committee met four times in 2019 and the meeting attendance record is shown in the sub-section headed "Meetings of the Board and the Board Committees" above. Key tasks performed by the Nomination Committee during the year included:

- review of the composition of the Board and the three Board Committees;
- review of the Board Diversity Policy
- review of the independence of all the Independent Non-executive Directors;
- review of Board performance evaluation results;
- recommendations on the re-election of Directors at the annual general meeting held on 28 May 2019;
- review of the continuous professional development the Directors;
- recommendation on the appointment of new Independent Non-executive Director; and
- recommendation on changes of members of the Audit Committee, the Nomination Committee and the Remuneration Committee.

Remuneration Committee

The Remuneration Committee is primarily responsible for the review of the Group's remuneration policy and approval of the remuneration policy for all Directors and senior management, the determination (with delegated responsibility) of the remuneration packages of the Executive Directors and the senior management, the review of and the recommendation on proposals relating to the grant of share options and other incentives.

As at the date of this report, the Remuneration Committee comprises of the following three members, the majority of who (including the chairman) are Independent Non-executive Directors:

Mrs Eva CHENG LI Kam Fun *(Chairman)**

Mr QIU Yafu⁺

Mr Victor HUANG*

* Independent Non-executive Director

⁺ Non-executive Director

Mr Michael LEE Tze Hau, a former Independent Non-executive Directors, had ceased to serve as a Remuneration Committee member with effect from 31 July 2019. Mr Victor HUANG, an existing Independent Non-executive Director, was appointed as the new member of the Remuneration Committee with effect from 22 August 2019.

The Remuneration Committee met three times in 2019 and the meeting attendance record is shown in the sub-section headed "Meetings of the Board and the Board Committees" above. Key tasks performed by the Remuneration Committee in the year included:

- recommendation on adjustments to Directors' fees;
- recommendation on adoption of a new phantom shares plan;
- review of proposals on potential recruitment of new senior management;
- recommendation on adoption of a new share option scheme;
- review of remuneration packages of the Executive Directors and the senior management; and
- review of proposals in relation to bonus payments.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors' Fees

Directors are entitled to fees for serving on the Board and additional fees for serving on different Board Committees. The level of the fee was determined with reference to the range of directors' fees of other companies listed on the Stock Exchange with similar business nature and market capitalisation. Such fees had been reviewed by the Remuneration Committee, endorsed by the Board and approved by the Shareholders in general meeting.

Remuneration of Executive Directors

Apart from directors' fees, Executive Directors are also entitled to salary and other remuneration and benefits which are determined according to their respective duties and responsibilities within the Group. The amounts payable are reviewed by the Remuneration Committee and approved by the Board. The primary goal of the remuneration policy for Executive Directors is to enable the Company to motivate them by linking their compensation to performance with reference to corporate and business streams' objectives.

No Director is allowed to approve his/her own remuneration.

Details of Directors' fees and other emoluments for the year are set out in Note 15 to the consolidated financial statements.

Remuneration of Senior Management

The remuneration of the senior management is subject to review and approval of the Remuneration Committee. The Company has one senior management and remuneration payable to such senior management for the year is within the band of HK$3,000,001 to HK$3,500,000.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities and Auditor's Responsibility for Financial Statements

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects. The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the financial position of the Group and of the financial performance and cash flow for that period. In preparing the financial statements for the year ended 31 December 2019, the Directors have selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis.

The external auditor's reporting responsibilities are set out in the Independent Auditor's Report on pages 65 to 69.

External Auditor

PricewaterhouseCoopers is the external auditor of the Company. The Company has adopted a policy on engagement of external auditor for non-audit services. The external auditor will be engaged to provide non-audit services only if it will not impair their independence. Pre-approval by the Audit Committee is required for any single non-audit engagement with a fee exceeding a pre-determined threshold. If the engagement will result in the current year's accumulated non-audit services fee greater than the prior year's audit fee, the management shall seek approval from the Audit Committee and obtain immediate statement from the external auditor confirming their audit independence by the provision of such non-audit service. Amount of fees and details of non-audit services will be reported to the Audit Committee on an annual basis.

The audit and non-audit services fees payable to the external auditor for the year are set out below:

Services rendered	**Fees payable HK$'000**
Audit services	**5,228**
Non-audit services:	
Taxation	**954**
Others	**401**
Total	**6,583**

The Audit Committee has received from the external auditor a written confirmation on its independence and objectivity as required by the HKICPA. The Audit Committee is satisfied with the effectiveness of the audit process, as well as technical competence, professional ethics, independence and objectivity of the external auditor.

The Company has also adopted a policy restricting the employment of employees or former employees of the external auditor as senior executives or from taking financial positions within the Group.

Internal Audit

The corporate governance division (the department which performs the internal audit function of the Company), under the supervision of the Chief Compliance and Risk Management Officer, is responsible for performing the internal audit according to the internal audit plan approved by the Audit Committee. The internal audit function covers independent review of the risk management and internal controls processes and evaluation of their adequacy, effectiveness, and compliance. Its mission, authority, scope of work and other matters are formalised under the Internal Audit Charter.

The Audit Committee reviews and endorses the execution of the internal audit plan that is strategically linked to the Group's business plan. The internal audit plan is prepared under a risk-based assessment methodology that covers the review and assesses the effectiveness of capabilities in the business risk management and adequacy of internal control processes of the Group's significant operations over a three-year cycle period.

The scope of internal audit work covers financial, operations, and compliance matters. Staff of the corporate governance division has unrestricted access to all the information needed for review. The Chief Compliance and Risk Management Officer reports major findings and recommendations to the Audit Committee on a regular basis. The implementation of all agreed actions as recommended is being followed up on a three-month basis and status is reported to the Audit Committee at each Audit Committee meeting. In addition, staff of the corporate governance division visits the Group's local and overseas offices and selected stores to engage the management and retail staff on a regular basis to help embed the compliance culture in the Group's business practices when performing on-site reviews.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises the importance of risk management and internal controls to safeguard Shareholders' interests and investments and the Group's assets, as well as managing business risks. The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives. It is also responsible for ensuring that the Group maintains a sound and effective system of risk management and internal control, and for reviewing, through the Audit Committee, the adequacy and effectiveness of such system. Such system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and aims to provide reasonable but not absolute assurance against material misstatement, loss, or fraud.

The Board has delegated to the management the design, implementation, and ongoing monitoring of the Group's system of risk management and internal controls covering financial, operational and compliance requirements. The main features of the Group's risk management and internal control framework are set out as follows:

Control Environment and Governance Structure

The Group operates within an established risk management and internal control environment, which is consistent with the principles outlined in "Internal Control and Risk Management – A Basic Framework" issued by the HKICPA. The scope of risk management and internal controls of the Group covers three major areas: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

In order to maintain an effective risk management and internal control system, the Group developed a tailored governance framework with defined lines of responsibility and appropriate delegation of authority. Risk identification, assessment, reporting, monitoring and evaluating are performed across the business units. The operating functions, risk management processes and internal controls exercised over business units are supplemented by written policies tailored to the needs of respective business units in the countries where the Group operates.

The corporate governance division also independently reviews the risk management and internal control processes and evaluates their adequacy, effectiveness, and compliance as part of the internal audit function.

Management of Key Risks

The Group adopts sound management practices in mitigating operation, financial, compliance and other risks matters. The following are considered key risks faced by the Group and are managed as such:

1. Operational and Financial Risk Management

The Board reviews the Group's business plan and annual budget, the Group's operating and financial performance and key performance indicators against the budget on a quarterly basis. The management closely monitors actual operational and financial performance of the Group on a monthly basis. A discussion of principal risks and uncertainties facing the Group can be found in the Discussion and Analysis sections on pages 28 to 29. Details of the Group's financial risk management (encompassing foreign exchange risk, credit risk, liquidity risk and interest rate risk) are set out in Note 5 to the consolidated financial statements on pages 100 to 103.

2. Regulatory Compliance Risk Management

Under the supervision of the Chief Compliance and Risk Management Officer, the corporate governance division has, in conjunction with the external advisors, assisted in reviewing regularly the Group's adherence to relevant laws and regulations, compliance with the Listing Rules and standards of compliance practices.

Annual Review of Risk Management and Internal Control Systems

The Board, through the Audit Committee and with the assistance of the corporate governance division, had conducted annual review of the effectiveness of the Group's risk management and internal control systems for the year.

As part of the annual review of the effectiveness of the Group's system of risk management and adequacy of internal controls, the corporate governance division independently reviewed the internal control and risk management self-assessment checklist completed by the management, to assess its effectiveness and adequacy.

As part of its annual audit engagement, the external auditor had also reported to the Audit Committee any significant weaknesses in the Group's risk management and internal control systems that had come to their attention during the course of annual audit.

Based on the respective assessments made by the management, the corporate governance division, and also taking into the account the results of the work conducted by the external auditor for the purpose of their audit for 2019, the Board, through the Audit Committee, are satisfied that:

- the risk management, internal control and accounting systems of the Group are in place and functioning effectively. They are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with the Group's policies under the management's authorisation, and the financial statements are not materially misstated and are reliable for publication; and
- there are ongoing processes in place for identifying, evaluating, and managing the significant risks faced by the Group.

WHISTLEBLOWING POLICY

The Group has adopted a whistleblowing policy (which is posted on the Company's intranet) to ensure that proper arrangements are put in place for employees to report any concerns, including misconduct, impropriety, or fraud in financial reporting matters and accounting practices in confidence and without fear of recrimination. Employees are able to report any concerns to either senior management or the Audit Committee through the Chief Compliance and Risk Management Officer. Any Shareholders or other stakeholders (including customers and suppliers) can also report similar concerns by writing in confidence to our Chief Compliance and Risk Management Officer. In 2019, no incident of fraud or misconduct was reported from employees, Shareholders or other stakeholders that have material effect on the Group's financial statements and overall operations.

Code of Conduct & Business Ethics

The Group places great emphasis on staff's ethical standards and integrity in all aspects of its operations. The Group's Code of Conduct & Business Ethics is posted on the Company's intranet for ease of reference and as a constant reminder to all staff members. All Directors and staff members are required to comply with the Code of Conduct & Business Ethics at all times.

Compliance with the Guiding Principles on Dealings and the Model Code

The Company has adopted the Guiding Principles on Dealings on terms no less exacting than those set out in the Model Code to govern dealings in the securities of the Company by the Directors. Relevant employees who, by virtue of their offices or employments, are likely to access or otherwise may possess inside information in relation to the Group, are also required to comply with the Guiding Principles on Dealings.

Following specific enquiry on each of the Directors and the relevant employees, each of them confirmed that he/she had complied with the required standard set out in the Guiding Principles on Dealings and the Model Code throughout the year under review.

Compliance with Inside Information Requirements

The Company has adopted the Policy on Inside Information and has been handling and disseminating inside information in accordance with such policy which complies with the requirements of the SFO and the Listing Rules.

COMPANY SECRETARY

The company secretary of the Company is responsible for, among others, ensuring that Board policies and procedures are followed. All Directors have access to the company secretary's advice and services. In 2019, the company secretary undertook 15 hours of professional training and complied with all the required qualifications, experience and training requirements of the Listing Rules.

INVESTOR RELATIONS AND COMMUNICATION

Shareholders' Communication Policy

The Company has adopted a shareholders' communication policy which aims to ensure an effective communication with Shareholders and enhance the culture of disclosure of developments of the Group. The policy is regularly reviewed to ensure its effectiveness.

With a view to promoting communication and maintaining ongoing dialogue with Shareholders and the investment community, the Company had in the year held analysts' briefings after results announcement and regular meetings with institutional Shareholders and analysts.

Announcements, circulars, webcast of results presentation and other corporate communications covering financial and non-financial information of the Company are disseminated electronically on the website of the Company (www.trinitygroup.com) on a timely basis to keep Shareholders and the public informed of the Company's latest developments. To ensure proper dissemination of information, only selected members are authorised to represent the Company to respond to related external enquiries.

Key calendar events for Shareholders' attention and share information are set out in the Information for Investors section on page 161.

Annual General Meetings

The Company regards annual general meeting as an important event which provides an opportunity for the Board to communicate with the Shareholders directly. The Board Chairman, the chairmen of the Audit Committee, Nomination Committee and the Remuneration Committee (in their absence, their duly appointed delegates) and external auditor attend annual general meeting to answer questions from the Shareholders. Active participation by the Shareholders at annual general meeting is highly welcomed.

The last annual general meeting of the Company was held at Salon 1-3, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 29 May 2019. Notice of annual general meeting was sent to the Shareholders no less than 20 clear business days before the meeting. Separate resolutions were proposed in respect of each substantially separate issue at the meeting and all resolutions were taken by poll. Matters resolved at and poll voting results of the last annual general meeting were published on the website of the Company and the HKEXnews website.

The 2020 AGM will be held on Thursday, 28 May 2020. Notice convening the 2020 AGM will be sent together with the 2019 annual report to Shareholders.

SHAREHOLDERS' RIGHTS

Pursuant to the Bye-laws, Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may, by written requisition to the Board or the company secretary of the Company, require a special general meeting to be called by the Board for the transaction of any business specified in such written requisition; and such meeting shall be held within two months after the deposit of such written requisition. Any such requisition can be sent at the Company's Hong Kong principal place of business at 39/F., Dorset House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

If any Shareholder wishes to nominate a person (other than the retiring Directors) for election as a Director, he/she may refer to the "Procedures for Member to Nominate a Person for Election as a Director" posted on the website of the Company (www.trinitygroup.com) under "Investor Relations".

Enquiries by Shareholders can be sent to the Company for the Board's attention either by email to info@trinitygroup.com or by post to the Company's Hong Kong principal place of business as stated above. Shareholders may also make enquiries to the Board directly at general meetings of the Company.

DIVIDEND POLICY

A dividend policy has been adopted by the Board in December 2018. Details of the policy are set out in Note 16 to the consolidated financial statements on page 120 of this annual report.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change to the Bye-laws. The Bye-laws can be viewed from the website of the Company and the HKEXnews website.

SUSTAINABILITY INITIATIVES

Being a socially responsible corporation, the Group is progressively integrating sustainability initiatives throughout its business while incorporating broader social and environmental matters into its day-to-day decision-making. Details of the Group's corporate social responsibility and sustainability initiatives are set out in the Discussion and Analysis section on pages 27 to 28.

Hong Kong, 31 March 2020

EXECUTIVE DIRECTORS

SUN Weiying

Aged 48, was appointed as a Non-executive Director on 18 April 2018, and was subsequently re-designated as an Executive Director on 18 May 2018. Ms SUN is the CEO. She is responsible for the overall business and operations of the Group.

Ms SUN is the chief executive officer of Ruyi, the controlling shareholder of the Company. She has over 20 years of experience in the textile and apparel industry. Ms SUN joined the Ruyi Group in July 1993 and was promoted to her present position in the Ruyi Group in January 2017.

Ms SUN is currently a director of Renown (listed on the Tokyo Stock Exchange) and SMCP (listed on Euronext Paris), both of which are non-wholly owned subsidiaries of Ruyi.

Ms SUN is a director of Ruyi and Ruyi Brand Holding (HongKong) Company Limited, each of which has an interest in the shares of the Company that is discloseable under Part XV of the SFO.

Ms SUN was awarded the title of Outstanding Textile Entrepreneur in PRC in 2016. Ms SUN holds a Bachelor's degree in Textile Engineering from 天津紡織工學院 (Tianjin Textile Engineering College) and a Master's degree in Textile Engineering from the Donghua University. Ms SUN is a certified senior engineer.

Paul David HAOUZI

Aged 58, was appointed as an Independent Non-executive Director on 18 April 2018, and was subsequently re-designated as an Executive Director on 6 August 2018. Mr HAOUZI is the President of the Group. He holds directorships in various subsidiaries of the Company. He is responsible for the overall business and operations of the Group's brands.

Before joining the Group, Mr HAOUZI joined the French conglomerate Pinault-Printemps-Redoute (now Kering S.A.) as Executive Vice President, Asia from 1998 to 2000. He then held various general management positions within the Bluebell Group in Taiwan and Greater China from 2000 to 2012. He was the Chief Executive Officer, Asia Pacific at Giorgio Armani from 2012 to 2016. In December 2016, he became President, Greater China of the Bluebell Group, until July 2018.

Mr HAOUZI holds a Bachelor's degree in Asian Studies from the Sorbonne University and a post-graduate certification in Chinese Literature from the Beijing University and received an MBA from the HEC School of Management in Paris.

QIU Chenran

Aged 39, was appointed as an Executive Director on 18 April 2018. Ms QIU holds directorships in various subsidiaries of the Company. She is the daughter of Mr QIU Yafu, a Non-executive Director and the Board Chairman. Ms QIU is responsible for the Group's new retail business development including e-commerce, on-line and off-line operations, and related investments and acquisitions.

Ms QIU is the vice chairman of the board and the executive president of Ruyi, the controlling shareholder of the Company, responsible for the development of the brand and international investments of the Ruyi Group. Ms QIU joined the Ruyi Group in May 2007, and was promoted to her present position in the Ruyi Group in January 2017.

Ms QIU is currently a director of Renown (listed on the Tokyo Stock Exchange) and a director and the deputy chief executive officer of SMCP (listed on Euronext Paris), both of which are non-wholly owned subsidiaries of Ruyi.

Ms QIU is a director of Ruyi, Jining Ruyi Brand Investment Holding Co., Ltd. and Ruyi Brand Holding (HongKong) Company Limited, each of which has an interest in the shares of the Company that is discloseable under Part XV of the SFO.

Ms QIU received several awards in the industry sector, such as「時尚創新獎」(fashion innovation award) of 中國服裝協會 and「齊魯品牌建設名家」(brand builder award) of Shandong province.

Ms QIU holds a Bachelor's degree in Arts Design from the Arts Academy of the Soochow University in PRC and a Master's degree in International Fashion Retailing from The University of Manchester in the UK.

SU Xiao

Aged 43, was appointed as an Executive Director on 18 May 2018. She holds directorships in various subsidiaries of the Company. Ms SU is responsible for overseeing the Group's financial management, investments and acquisitions.

Ms SU is the president of Ruyi, the controlling shareholder of the Company. Since joining the Ruyi Group in 1999, Ms SU has held various positions within the Ruyi Group, including deputy director and chief accountant of the accounting department and director of the investment and development department. She was the secretary of the board and executive president of Shandong Ruyi Technology Group Co., Ltd. before she was promoted to her present position in the Ruyi Group in January 2017.

Ms SU is currently a director of SMCP (listed on Euronext Paris), and Shandong Ruyi Woolen Garment Group Co., Ltd. (listed on the Shenzhen Stock Exchange), both of which are non-wholly owned subsidiaries of Ruyi.

Ms SU is a director of Ruyi, which has an interest in the shares of the Company that is discloseable under Part XV of the SFO.

Ms SU holds a Bachelor's degree in Economics from the Shaanxi University of Technology and a Master's degree in Engineering from the Tsinghua University. She is the vice president of China Chemical Fibers Association.

Kelvin HO Cheuk Yin

Aged 46, was appointed as an Executive Director on 18 April 2018. Mr HO is the Chief Strategy Officer of the Group. He is responsible for the Group's corporate development strategies, investments and acquisitions.

Mr HO joined the Ruyi Group in December 2017 and serves as the chief strategy officer of Shandong Ruyi Technology Group Co., Ltd. and the president of Ruyi International Fashion (China) Financial Investment Holding Group Limited, responsible for the strategic development and acquisitions for the Ruyi Group. Mr HO is currently also a director of SMCP (listed on Euronext Paris), a non-wholly owned subsidiary of Ruyi, which in turn is the controlling shareholder of the Company. Mr HO has over 15 years of experience in corporate finance and mergers and acquisitions. Before joining the Ruyi Group, he worked in the investment banking teams of BNP Paribas in Hong Kong and Paris between 2004 and 2007 and worked in the investment banking team of J.P. Morgan Securities (Asia Pacific) Limited from July 2007 to December 2017.

Mr HO holds a Bachelor's degree in Economics from The University of Hong Kong and a Master's degree in Business Administration from the London Business School. Mr HO has earned the Chartered Financial Analyst designation.

NON-EXECUTIVE DIRECTORS

QIU Yafu

Aged 62, was appointed as a Non-executive Director on 18 April 2018. Mr QIU is the Board Chairman, a member of the Remuneration Committee and a member of the Nomination Committee. He is the father of Ms QIU Chenran, an Executive Director.

Mr QIU is the chairman of the board of Ruyi, the controlling shareholder of the Company, responsible for the overall management of the business and development of the Ruyi Group. Mr QIU has over 40 years of experience in the textile and apparel industry. Since joining the Ruyi Group in November 1975, Mr QIU has held various positions within the Ruyi Group, including secretary, deputy minister, assistant to factory director and deputy factory director of Jining Woolen Textile Factory, as well as deputy chairman and deputy general manager and subsequently chairman of Shandong Ruyi Wool Spinning Group Co., Ltd. He also serves concurrently as the chairman of Shandong Ruyi Technology Group Co., Ltd.

Mr QIU is currently a director and the board chairman of Renown (listed on the Tokyo Stock Exchange), SMCP (listed on Euronext Paris) and Shandong Ruyi Woolen Garment Group Co., Ltd. (listed on the Shenzhen Stock Exchange). All of these three companies are non-wholly owned subsidiaries of Ruyi.

Mr QIU is also:
- a member of the 10th, 11th, 12th and 13th National People's Congress of PRC;
- the vice president of China Textile Enterprise Association; and
- the visiting professor of Xi'an Polytechnic University.

Mr QIU is a director of Ruyi, which has an interest in the shares of the Company that is discloseable under Part XV of the SFO.

Mr QIU received 國家科學技術進步獎一等獎、全國勞動獎章 and was awarded a young and middle-aged professional with outstanding contributions in Shandong province. Mr QIU has been ranked as one of the more influential figures of the Chinese textile and apparel industry in 2010.

Mr QIU holds a Bachelor's degree in Management Engineering from the Donghua University, a Master's degree in Engineering from the Donghua University and an MBA from the Tsinghua University. Mr QIU is a researcher of engineering technology application and a senior engineer.

Sabrina FUNG Wing Yee

Aged 48, was appointed as a Non-executive Director on 6 August 2018. Ms FUNG is the Deputy Chairman of the Board. Ms FUNG was a Director from September 2007 to April 2018 and the Deputy Chairman of the Board from August 2016 to April 2018 before she rejoined the Company in August 2018.

Ms FUNG is a director and the Group Managing Director of Fung Retailing Limited, a substantial shareholder of the Company which has an interest in the shares of the Company that is discloseable under Part XV of the SFO. Ms FUNG is also the Chief Executive Officer of Asia Retail Company Limited, a business unit within the Fung group focusing on serving and growing international brands in Asia. Ms FUNG started her career at the private investment arm of the Fung group in 2000 as investment manager running the family's investments and is currently the investment director of Fung Investment Management Limited. Prior to joining the Fung group, Ms FUNG worked for Brown Brothers Harriman & Co in New York and later held the position of assistant manager at its Hong Kong office until 1999. Ms FUNG is experienced in the retail industry and also held positions in marketing and public relations for Salvatore Ferragamo Asia, merchandising and sourcing for Li & Fung (Trading) Limited and wholesale branding for Li & Fung USA.

Ms FUNG holds a Bachelor of Arts degree in Economics from the Harvard University. She is a member of the Special Task Group of the Moral Education Concern Group, the Advisory Committee of the Tanoto Center for Asian Family Business and Entrepreneurship Studies at The Hong Kong University of Science and Technology, the Hong Kong-Europe Business Council, the Hong Kong-France Business Council, the Board of Trustees of The Carnegie Hall Corporation, New York (Class of 2020), and McLaren Advisory Group of McLaren Racing Limited. She is also a member of an executive committee of the International Advisory Council of the Faculty of Business and Economics and a member of the University Court respectively at The University of Hong Kong. In addition, Ms FUNG is a member of the Harvard Global Advisory Council and the advisory panel of IBM Collaborative Innovative Program respectively. She is also the Co-Chair of Asia Council of St Paul's School in New Hampshire, the US, and previously served on its Board of Trustees. She was a member of the Mainland Business Advisory Committee of Hong Kong Trade Development Council.

WONG Yat Ming

Aged 69, was appointed as a Non-executive Director on 6 August 2018. Mr WONG was a Director from December 2006 to April 2018 and the Group Managing Director of the Company from June 2009 to May 2014 before he rejoined the Company in August 2018.

Mr WONG is a director of Fung Retailing Limited, a substantial shareholder of the Company which has an interest in the shares of the Company that is discloseable under Part XV of the SFO. Mr WONG is also the Managing Director of Heritage Foods (Hong Kong) Limited and the Chief Executive Officer of Branded Lifestyle Holdings Limited. Mr WONG joined the Fung group in 1999 as the Regional Director of Fung Distribution International Limited. Previously, he was the Chief Executive, Consumer and Healthcare of Greater China of Inchcape Marketing Service, and a director of Inchcape Pacific Limited. He has more than 30 years of experience in the distribution of consumer products including fast-moving consumer products in the Asia-Pacific Region.

Mr WONG holds a Bachelor of Arts (Hons) degree in Economics and Philosophy from The University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Eva CHENG LI Kam Fun

Aged 67, was appointed as an Independent Non-executive Director on 1 November 2011. Mrs CHENG is the chairman of the Remuneration Committee and a member of the Audit Committee.

Mrs CHENG is an executive director of Our Hong Kong Foundation, which is a non-government, non-profit institute – a think tank dedicated to independent research focused on Hong Kong's near and long-term development needs. Mrs CHENG began her career with Amway in Hong Kong in 1977 and was promoted to the rank of Corporate Executive Vice President of Amway in 2005. She had direct responsibility for all Amway markets in Greater China and Southeast Asia regions. She is best known for leading Amway's entry into China in 1991, and served concurrently as Executive Chairwoman of Amway China Co. Ltd. until her retirement in the spring of 2011. Under her leadership, Amway China overcame significant regulatory and operating challenges and grew to become a business enterprise with RMB21.9 billion in revenues in 2010. In 2007, CNBC presented Mrs CHENG with the "China Talent Management Award". In 2008 and 2009, she was twice named by Forbes magazine as one of the "World's 100 Most Powerful Women". In 2010, Fortune magazine (Chinese edition) named her as one of the "25 Most Influential Business Women in China". Mrs CHENG is the Founding Chairwoman & Honorary Chairwoman of the Amway Charity Foundation. She currently serves as independent non-executive director on other publicly listed company boards of Haier Electronics Group Co., Ltd. (listed on the Stock Exchange) in Hong Kong and Nestlé S.A. (listed on the Swiss Stock Exchange) in Switzerland. She was an independent non-executive director of Amway (Malaysia) Holdings Berhad (listed on the Malaysia Stock Exchange), Esprit Holdings Limited (listed on the Stock Exchange), The Link Management Limited (the manager of The Link Real Estate Investment Trust which is listed on the Stock Exchange) and Amcor plc (formerly known as "Amcor Limited" and a company which is listed on the New York Stock Exchange and the Australian Stock Exchange).

Mrs CHENG holds a Bachelor of Arts (Hons) degree and a Master of Business Administration degree from The University of Hong Kong. She was conferred with the Degree of Doctor of Business Administration, *honoris causa*, from The Open University of Hong Kong.

Patrick SUN

Aged 61, was appointed as an Independent Non-executive Director on 1 October 2008. Mr SUN is the chairman of the Audit Committee and a member of the Nomination Committee.

Mr SUN is currently an independent non-executive director of Sihuan Pharmaceutical Holdings Group Ltd. and Kunlun Energy Company Limited (both of which are listed on the Stock Exchange). He is also an independent non-executive director of CRRC Corporation Limited and China Railway Construction Corporation Limited (both of which are listed on the Stock Exchange and the Shanghai Stock Exchange). He is a member of the General Committee of The Chamber of Hong Kong Listed Companies and was its chairman, vice chairman and Honorary Chief Executive Officer. He was an independent non-executive director and non-executive chairman of Solomon Systech (International) Limited (2004-2015), and an independent non-executive director of China Railway Signal & Communication Corporation Limited (2015-2018) and China NT Pharma Group Company Limited (2010-2019) (all of which are listed on the Stock Exchange). Before that, he was the Senior Country Officer and Head of Investment Banking for Hong Kong of JP Morgan Chase, and group executive director and Head of Investment Banking for Greater China at Jardine Fleming Holdings Limited. He was also a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee, Deputy Convenor of the Listing Committee of the Stock Exchange and a council member of the Stock Exchange.

Mr SUN holds a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania, the US. He also completed the Stanford Executive Program of Stanford Business School, the US. Mr SUN is a fellow of the Association of Chartered Certified Accountants, the UK, and a fellow of the HKICPA.

Victor HUANG

Aged 48, was appointed as an Independent Non-executive Director on 20 December 2018. Mr HUANG is the chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee.

Mr HUANG is currently an independent non-executive director of ManpowerGroup Greater China Limited, Scholar Education Group, Topsports International Holdings Limited and China Bright Culture Group (all of which are listed on the Stock Exchange). He is also an independent non-executive director of LBX Pharmacy Chain Joint Stock Company (formerly: Laobaixing Pharmacy Chain Joint Stock Company) (listed on the Shanghai Stock Exchange) and Qingdao Haier Biomedical Co., Ltd. (listed on the Science and Technology Innovation Board of Shanghai Stock Exchange). He was a partner of PricewaterhouseCoopers and KPMG, with over 25 years of experience in finance, accounting and mergers and acquisitions.

Mr HUANG holds a degree of Bachelor of Arts in Business-Economics from The University of California, Los Angeles in the US. He is a certified accountant of the HKICPA and a Certified Independent Director recognised by the Shanghai Stock Exchange.

YANG Dajun

Aged 51, was appointed as an Independent Non-executive Director on 20 December 2018. Mr YANG is a member of the Audit Committee.

Mr YANG is the Chief Executive Officer of UI International Brand Management (Beijing) Co., Ltd. and UTA International Brand Consulting (Beijing) Co., Ltd. He has been focusing on global fashion industry for over 25 years. He is known as an expert of investment and management of fashion industry in China, especially on strategy development, operation optimisation, post merger and acquisition integration and brand management. Mr YANG (pseudonym: "楊大筠") is the author/chief editor of a number of works on retail management, including the book《模式的革命：時尚自有品牌成功贏利模式》(SPA – The revolution of business model). Mr YANG is currently a non-executive director of Jihua Group Corporation Limited (listed on the Shanghai Stock Exchange) and an independent director of SMCP (listed on Euronext Paris). SMCP is a non-wholly owned subsidiary of Ruyi, the controlling shareholder of the Company.

Mr YANG holds a Master's degree in Business Administration from the University of International Business and Economics in PRC.

ZHAO Zongren

Aged 64, was appointed as an Independent Non-executive Director on 28 October 2019. Mr ZHAO is a member of the Audit Committee.

Mr ZHAO is an executive director and the vice chairman of Sunshine Insurance Group Corporation Limited in which he has worked for more than ten years serving different senior positions. Mr ZHAO is a non-executive director of Huishang Bank Corporation Limited (listed on the Stock Exchange) and an independent non-executive director of Renown (listed on the Tokyo Stock Exchange). Renown is a non-wholly owned subsidiary of Ruyi, the controlling shareholder of the Company. Mr ZHAO held various positions in China Construction Bank from 1986 to 1999, including the office director of the Jining branch, the president of the Qufu sub-branch, the vice president of the Jining branch and the chief of the planning office and the finance planning office of the Shandong branch. He was also the associate general manager of the Shandong branch and then the general manager of the Guangxi branch of China Cinda Asset Management Corporation from 1999 to 2007.

Mr ZHAO holds a Bachelor's degree in Finance from the Wuhan University and a Master's degree in Economics from the Dongbei University of Finance and Economics. He is a senior economist.

CHIEF COMPLIANCE AND RISK MANAGEMENT OFFICER

Jason YEUNG Chi Wai

Aged 65, was appointed as the Chief Compliance and Risk Management Officer of the Company in July 2015. Mr YEUNG is the head of the corporate governance division, taking lead of the internal audit, risk management and internal controls and the company secretarial functions of the Group.

He is also the Group Chief Compliance and Risk Management Officer of Fung 1937, a substantial shareholder of the Company, and its publicly-listed companies in Hong Kong. Mr YEUNG has extensive experience in handling legal, compliance and regulatory matters, and worked previously in both the public and private sectors practising corporate, commercial and securities law. He was the Deputy Chief Executive (Personal Banking) of Bank of China (Hong Kong) Limited ("BOCHK") with responsibility for the overall performance of the personal banking businesses of BOCHK.

Mr YEUNG graduated from The University of Hong Kong with a Bachelor's degree in Social Sciences. He also graduated from The College of Law, the UK and holds a Bachelor's degree in Law and a Master's degree in Business Administration from The University of Western Ontario, Canada.

SENIOR MANAGEMENT

Agnes SHEN

Aged 65, joined the Group in 1978. She is the Chief Operating Officer of the Group mainly responsible for leading the Group's strategic and tactical development of the products for all the brands to drive profitability. Ms SHEN holds directorships in two subsidiaries of the Company.

Ms SHEN was the Director of Merchandising responsible for product development, merchandising and retail operations between 1987 and 1996. She was the Managing Director of the Cerruti 1881 brand from 2014 to 2015, and the Executive Vice President – Retail Operations from 2015 to 2016. Prior to her present role, she was Executive Vice President – Asia Retail (Hong Kong, Macau and Taiwan). Ms SHEN has extensive knowledge of the premium menswear retail industry and the scope of her experience spans all aspects of the business.

Ms SHEN holds a Bachelor of Science degree in Business Administration (Economics) from the University of San Francisco, the US.

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2019.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are set out in Note 40 to the consolidated financial statements.

Further discussion and analysis of the above activities, including a fair review and analysis of the businesses of the Group, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the year, and an indication of likely future development in the Group's businesses, can be found in the "Chairman's Statement" section on page 20, the "Chief Executive Officer's Overview" section on pages 21 and 22, the "Discussion and Analysis" section on pages 23 to 29, the notes to the consolidated financial statements on pages 77 to 158, the "Financial Summary" section on page 159 and the "Additional Information" section on page 160. These discussions and analysis form part of this Directors' report.

Geographical Analysis of Operations

An analysis of the Group's performance for the year by operating segment is set out in Note 7 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 70.

No interim dividend was paid by the Company for the six months ended 30 June 2019 (2018: Nil).

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

Reserves

Details of movements in the reserves of the Group during the year are set out in Note 27 to the consolidated financial statements. Details of movements in the reserves of the Company are set out in the consolidated statement of changes in equity on page 74 and in Note 39 to the consolidated financial statements.

Distributable Reserves

As at 31 December 2019, the Company's reserves available for distribution to Shareholders under the Companies Act 1981 of Bermuda (as amended) amounted to HK$396,039,000 (2018: HK$404,203,000).

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

Share Capital

There was no issue of new shares in the year. Details of movements in the share capital of the Company during the year are set out in Note 26 to the consolidated financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws and there are no restrictions against such rights under the laws of Bermuda (being the jurisdiction in which the Company was incorporated).

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 159.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Share Options

The 2009 Share Option Scheme was adopted on 16 October 2009 and expired on 2 November 2019. Upon expiry, no further share options were granted under the 2009 Share Option Scheme but 5,090,000 share options granted thereunder remained outstanding and exercisable up till 31 December 2019. As of 1 January 2020, there was no share option outstanding under the 2009 Share Option Scheme.

A summary of the provisions of the 2009 Share Option Scheme are set out below:

(i) Purpose

The purpose of the 2009 Share Option Scheme is to attract and retain the best quality personnel for the development of the Group's businesses; to provide additional incentives to the qualifying grantees; and to promote long-term financial success of the Group by aligning the interests of the option holders to the Shareholders.

(ii) Qualifying participants

Any employee (whether full-time or part-time), executive or non-executive director, company secretary, secondee, consultant, agent, representative, adviser, customer, contractor, business partner, business ally, business alliance, joint venture partner of or supplier of goods or services to the Group or any affiliates (the "Eligible Person"), or any trust for the benefit of an Eligible Person or his immediate family members, or any company controlled by an Eligible Person or his immediate family members.

(iii) Total number of shares available for issue

The total number of shares that may be issued upon exercise of all share options to be granted under the 2009 Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue as at 3 November 2009, being the date of commencement of dealings in the shares on the Stock Exchange. As at the date of this report, no share is available for issue under the 2009 Share Option Scheme.

(iv) Maximum entitlement of each qualifying participant

The total number of shares issued and to be issued upon exercise of share options (whether exercised or outstanding) granted in any 12-month period to each qualifying participant must not exceed 1% of the shares in issue.

(v) Option period

Such period as the Board may in its absolute discretion determine, which shall not be more than 10 years from the date of grant of the relevant share option.

(vi) Acceptance and payment on acceptance

An offer of the grant of share option shall remain open for acceptance for a period of 28 days from the date of offer (or such period as the Board may specify in writing). HK$1.00 is payable by the grantee to the Company on acceptance of the offer.

(vii) Subscription price

The subscription price shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

(viii) Life span

The 2009 Share Option Scheme had been in operation for 10 years and had expired on 2 November 2019.

Movements in share options granted under the 2009 Share Option Scheme during the year and the outstanding share options as at the beginning and end of the year were as follows:

Category of participants	Number of share options: Outstanding as at 01/01/2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31/12/2019	Subscription price per share (HK$)	Grant date	Exercisable period
Continuous contract employees	1,860,000	–	–	–	(1,860,000)	–	2.01	21/08/2014	01/01/2017 – 31/12/2018
	5,210,000	–	–	–	(1,180,000)	4,030,000[1]	0.60	24/03/2017	01/01/2018 – 31/12/2019
Other participants	560,000	–	–	–	(560,000)	–	2.01	21/08/2014	01/01/2017 – 31/12/2018
	2,180,000	–	–	–	(1,120,000)	1,060,000[1]	0.60	24/03/2017	01/01/2018 – 31/12/2019
Total	9,810,000	–	–	–	(4,720,000)	5,090,000[1]			

Note:

1. These outstanding share options had all lapsed with effect from 1 January 2020.

The share options granted under the 2009 Share Option Scheme were recognised as expenses in the consolidated financial statements in accordance with the Company's accounting policy. Further details of share options granted by the Company are set out in Note 26 to the consolidated financial statements.

At the 2020 AGM, an ordinary resolution in respect of the adoption of a new share option scheme will be proposed for Shareholders' consideration and approval.

Directors

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

Executive Directors

SUN Weiying
Paul David HAOUZI
QIU Chenran
Kelvin HO Cheuk Yin
SU Xiao

Non-executive Directors

QIU Yafu
Sabrina FUNG Wing Yee
WONG Yat Ming
Daniel LALONDE (resigned on 16 January 2020)

Independent Non-executive Directors

Eva CHENG LI Kam Fun
Michael LEE Tze Hau (resigned on 31 July 2019)
Patrick SUN
Victor HUANG
YANG Dajun
ZHAO Zongren (appointed on 28 October 2019)

In accordance with Bye-law 84, Mr QIU Yafu, Mr Paul David HAOUZI, Ms QIU Chenran and Mrs Eva CHENG LI Kam Fun shall retire by rotation at the 2020 AGM. Mr QIU Yafu, Mr Paul David HAOUZI and Ms QIU Chenran, being eligible, will offer themselves for re-election. Mrs Eva CHENG LI Kam Fun has informed the Board of her intention of not offering for re-election at the 2020 AGM in order to devote more time to her other commitments. Accordingly, Mrs Eva CHENG LI Kam Fun will retire as an Independent Non-executive Director at the conclusion of the 2020 AGM. The Board wishes to thank Mrs Eva CHENG LI Kam Fun for her contributions to the Board and the Company.

In accordance with Bye-law 83, Mr ZHAO Zongren, who was appointed by the Board on 28 October 2019, shall retire at the 2020 AGM and, being eligible, will offer himself for re-election.

The biographical details of the Directors as at the date of this report are set out in the "Directors and Senior Management" section on pages 44 to 50.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2020 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Material Interests in Transactions, Arrangements or Contracts

Save as disclosed in the "Connected Transactions" section below and in Note 38 to the consolidated financial statements, there was no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding companies, its subsidiaries, or the subsidiaries of its holding companies 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 year or at any time during the year.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the "Share Options" section above, the sub-section headed "Long Position in Shares and Underlying Shares of SMCP – an associated corporation of the Company" under the "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" section below and in Note 26 to the consolidated financial statements, at no time during the year or at the end of the year was the Company, its holding companies, its subsidiaries, or the subsidiaries of its holding companies a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Competing Businesses

During the year and up to the date of this report, Mr QIU Yafu, Ms SUN Weiying, Ms QIU Chenran and Ms SU Xiao have held shareholding interests and/or directorships in certain companies engaged in the businesses (apart from the Group's businesses) of retailing and/or wholesale and/or licensing of menswear in Greater China and/or Europe (the "Competing Businesses"). Accordingly, Mr QIU Yafu, Ms SUN Weiying, Ms QIU Chenran and Ms SU Xiao are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

Given that the Competing Businesses are managed by separate companies with management and administration distinct from the Group, it is considered that the Group is capable of carrying on its businesses independently of, and at arm's length from, the Competing Businesses.

Updates on Directors' Information

Updates on information of the Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the 2019 Interim Report and up to the date of this report are set below:

1. Mrs Eva CHENG LI Kam Fun retired as an independent non-executive director of Amcor plc (formerly known as Amcor Limited) which is listed on the New York Stock Exchange and the Australian Stock Exchange, with effect from 5 November 2019.

2. Mr Patrick SUN resigned as an independent non-executive director of China NT Pharma Group Company Limited (listed on the Stock Exchange) with effect from 31 December 2019.

3. Mr Victor HUANG was appointed as an independent non-executive director of Topsports International Holdings Limited (listed on the Stock Exchange on 10 October 2019) with effect from 20 June 2019 and as an independent non-executive director of China Bright Culture Group (listed on the Stock Exchange on 13 March 2020) with effect from 3 February 2020.

4. Mr QIU Yafu was elected as the board chairman of Renown (listed on the Tokyo Stock Exchange) on 26 March 2020.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2019, the Directors and the chief executive of the Company and their respective associates had the following interests in the shares, underlying shares, and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

(A) Long Position in Shares and Underlying Shares of the Company

	Number of shares						
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Number of underlying shares	Total	Approximate percentage of issued share capital (%)[3]
QIU Yafu	–	–	1,867,415,633[1]	–	–	1,867,415,633	51.90
Sabrina FUNG Wing Yee	3,800,000	–	–	641,657,760[2]	–	645,457,760	17.94
WONG Yat Ming	50,976,563	–	–	–	–	50,976,563	1.42

Notes:

1. Mr QIU Yafu was deemed to have interests in 1,867,415,633 shares, which were held in the following manner:
   (a) 1,846,000,000 shares were held by Ruyi Brand Holding (HongKong) Company Limited ("Ruyi Brand HK"). Ruyi Brand HK was a direct wholly-owned subsidiary of 濟寧如意品牌投資控股有限公司 (Jining Ruyi Brand Investment Holding Co., Ltd.) ("Jining Ruyi Brand") and Jining Ruyi Brand was a direct subsidiary of Ruyi;
   (b) 21,415,633 shares were held by Renown. Renown was a non-wholly owned subsidiary of Ruyi; and
   (c) Mr QIU Yafu directly held, and exercised and controlled 51% equity interests in Ruyi and therefore, Mr QIU Yafu was deemed to have interests in the same batch of 1,846,000,000 shares held by Ruyi Brand HK and the same batch of 21,415,633 shares held by Renown.
2. Ms Sabrina FUNG Wing Yee was deemed to have interests in 641,657,760 shares, which were held in the following manner:
   (a) 616,413,760 shares were held by Fung Trinity Investments Limited ("Fung Trinity Investments"), a direct wholly-owned subsidiary of Fung Retailing Limited ("Fung Retailing") which in turn was a direct wholly-owned subsidiary of Fung 1937. Fung 1937 was a direct wholly-owned subsidiary of King Lun Holdings Limited ("King Lun"). King Lun was owned as to 50% by HSBC Trustee (C.I.) Limited ("HSBC Trustee");
   (b) 25,244,000 shares were held by First Island Developments Limited ("First Island Developments"), a company wholly owned by HSBC Trustee; and
   (c) HSBC Trustee was the trustee of a trust established for the benefit of the family members of Dr Victor FUNG Kwok King. Ms Sabrina FUNG Wing Yee is the daughter of Dr Victor FUNG Kwok King and therefore, was deemed to have interests in the same batch of 616,413,760 shares held by Fung Trinity Investments and the same batch of 25,244,000 shares held by First Island Developments.
3. The approximate percentage was calculated on the basis of 3,598,322,883 shares in issue as at 31 December 2019.

(B) Long Position in Shares and Underlying Shares of SMCP – an associated corporation of the Company

SMCP is a non-wholly owned subsidiary of Ruyi and therefore an associated corporation (within the meaning of Part XV of the SFO) of the Company. As at 31 December 2019, Mr Daniel LALONDE (a former Non-executive Director who resigned on 16 January 2020) held the following interests in SMCP:

Class of shares/underlying shares of SMCP	Number of shares/ underlying shares	Approximate percentage of issued share capital (%)[3]
Common shares	119,225	0.16
Convertible to common shares:		
– from class G preferred shares[1]	572,411[1]	0.77
– from performance bonus shares[2]	271,018[2]	0.37

Notes:

1. 145,909 class G preferred shares were held by Mr Daniel LALONDE which might be converted into 572,411 common shares under certain conditions. These class G preferred shares did not have any financial rights.
2. These performance bonus shares represented unvested equity incentives granted to Mr Daniel LALONDE and, upon vesting, common shares might be issued and delivered to him but the actual number of common shares to be delivered would depend on the extent to which the relevant performance conditions were met. If the performance bonus shares were to vest in full, a maximum of 271,018 common shares might be issued and delivered to Mr Daniel LALONDE (Please also refer to Note 4 below).
3. The approximate percentage of interest in common shares was calculated on the basis of 74,114,230 common shares of SMCP in issue as at 31 December 2019.
4. Subsequent to the end of the year, Mr Daniel LALONDE further notified the Stock Exchange and the Company that he was granted additional unvested performance bonus shares in respect of a maximum of 110,040 common shares.

Save as disclosed above, as at 31 December 2019, none of the Directors and the chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2019, other than the Directors and the chief executive of the Company, the following persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity	Number of shares	Long position/ Short position/ Lending pool	Approximate percentage of issued share capital (%)[5]	Notes
Ruyi Brand HK	Beneficial owner	1,846,000,000	Long position	51.30	1(a)
Ruyi	Interest of controlled corporations	1,867,415,633	Long position	51.90	1(b)
Fung Trinity Investments	Beneficial owner	616,413,760	Long position	17.13	2
Fung Retailing	Interest of a controlled corporation	616,413,760	Long position	17.13	2
Fung 1937	Interest of controlled corporations	616,413,760	Long position	17.13	2
King Lun	Interest of controlled corporations	616,413,760	Long position	17.13	2
HSBC Trustee	Trustee	641,657,760	Long position	17.83	3
William FUNG Kwok Lun	Beneficial owner	23,570,000	Long position	0.66	4(a)
	Interest of controlled corporations	630,913,760	Long position	17.53	4(b)

Notes:

1. (a) 1,846,000,000 shares were held directly by Ruyi Brand HK. Ruyi Brand HK was a direct wholly-owned subsidiary of Jining Ruyi Brand and Jining Ruyi Brand was a direct subsidiary of Ruyi. Therefore, Ruyi and Jining Ruyi Brand were both deemed to have interests in the same batch of 1,846,000,000 shares directly held by Ruyi Brand HK.

   (b) Apart from the interests disclosed in Note 1(a) above, Ruyi was also deemed to have interests in 21,415,633 shares held directly by Renown, as Renown was a non-wholly owned subsidiary of Ruyi. Mr QIU Yafu directly held, and exercised and controlled 51% equity interests in Ruyi. Please refer to Note 1 of the "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" section above for the deemed interests of Mr QIU Yafu held through Ruyi.

2. Fung Trinity Investments was a direct wholly-owned subsidiary of Fung Retailing which in turn was a direct wholly-owned subsidiary of Fung 1937. Fung 1937 was a direct wholly-owned subsidiary of King Lun. Therefore, Fung Retailing, Fung 1937 and King Lun were all deemed to have interests in the same batch of 616,413,760 shares held directly by Fung Trinity Investments.

3. HSBC Trustee, as the trustee of a trust established for the benefit of the family members of Dr Victor FUNG Kwok King, owned 50% of the issued share capital of King Lun and was therefore deemed to have interests in the same batch of 616,413,760 shares held indirectly by King Lun. In addition, HSBC Trustee was deemed to have interests in the same batch of 25,244,000 shares held directly by its wholly-owned company, First Island Developments. Please refer to Note 2 of the "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" section for the deemed interests of Ms Sabrina FUNG Wing Yee held through HSBC Trustee.

4. (a) Dr William FUNG Kwok Lun had personal interests in 23,570,000 shares; and

   (b) Dr William FUNG Kwok Lun was deemed to have interests in 630,913,760 shares, comprising (i) 14,500,000 shares held directly by his wholly-owned company Step Dragon Enterprise Limited; and (ii) 616,413,760 shares held indirectly by King Lun (Please refer to Note 2 above). Dr William FUNG Kwok Lun owned 50% of the issued share capital of King Lun.

5. The approximate percentage was calculated on the basis of 3,598,322,883 shares in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any person, other than a Director or the chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which were recorded or required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

Senior Management

The biographical details of the senior management as at the date of this report are set out in the "Directors and Senior Management" section on pages 44 to 50.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Equity-linked Agreements

Save as disclosed in the "Share Options" section above and in Note 26 to the consolidated financial statements, at no time during the year or at the end of the year was the Company a party to any equity-linked agreements.

Major Customers and Suppliers

The aggregate revenue from sales of goods attributable to the Group's five largest customers combined and the largest customer were 33.4% and 16.2%, respectively, of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's five largest suppliers combined and the largest supplier were 69.3% and 51.3%, respectively, of the Group's total purchases for the year.

One of the five largest customers of the Group for the year was Ruyi HK which is a non-wholly owned subsidiary of Ruyi, the controlling shareholder of the Company. Mr QIU Yafu, Ms SUN Weiying and Ms QIU Chenran, Directors, are also directors of Ruyi HK. Details of the transactions with Ruyi HK for the year are set out in paragraphs (b)(1) to (b)(3) of sub-section (B) of the "Connected Transactions" section of this report.

Save as disclosed above, none of the Directors, their close associates (as defined in the Listing Rules), or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had, at any time during the year, a beneficial interest in any of the Group's five largest customers or five largest suppliers.

Connected Transactions

During the year, the Group conducted the following non-exempted connected/continuing connected transactions with connected persons:

(A) During the year, the Group conducted continuing connected transactions as set out in paragraphs (i) to (vii) below with Fung 1937 and its associates and/or Li & Fung Limited and its subsidiaries (collectively, the "Fung 1937 Group") and/or other associates of Dr William FUNG Kwok Lun. Fung 1937 is a substantial shareholder of the Company and an associate of Dr William FUNG Kwok Lun. Dr William FUNG Kwok Lun is a substantial shareholder of the Company. Accordingly, Dr William FUNG Kwok Lun and his associates, including (among others) members of the Fung 1937 Group, are connected persons of the Company.

(i) Logistics related services from the Fung 1937 Group

On 19 December 2018, the Company entered into a master agreement (the "Logistics Agreement") with Fung 1937 in relation to the provision of logistics related services in Hong Kong and Mainland China by the Fung 1937 Group to the Group for a term of one year from 1 January 2019 to 31 December 2019. The annual caps for transactions contemplated under the Logistics Agreement were fixed at HK$600,000 for Hong Kong and RMB20,000,000 for Mainland China, respectively. Details of the transactions were disclosed in the announcement dated 19 December 2018 of the Company. The Group incurred service charges of HK$70,400 and RMB8,930,000 (equivalent to approximately HK$10,150,000), respectively, for services rendered under the Logistics Agreement in Hong Kong and Mainland China for the year ended 31 December 2019.

(ii) Licence agreement with Seven Global

On 15 September 2015, a licence agreement (the "DB Licence Agreement") was entered into between Trinity International Brands Limited ("TIB"), a wholly-owned subsidiary of the Company (as licensee) and Seven Global, a subsidiary of Global Brands Group Holding Limited (which is an associate of Dr William FUNG Kwok Lun) (as licensor), which was acknowledged and agreed by Mr David BECKHAM (as the owner of the licensed property) for the grant by Seven Global to TIB of certain rights to use the licensed property relating to Mr David BECKHAM in the promotion, design, manufacture and distribution of certain products under "Kent & Curwen" brand for an initial term from 15 September 2015 to 31 December 2020. The annual caps for transactions contemplated under the DB Licence Agreement were fixed at HK$60,000,000 for each of the six years ending 31 December 2020. Since the term of the DB Licence Agreement is in excess of three years, the Company had engaged an independent financial adviser who considered that it was a normal business practice for contracts of this type to be of such duration. Details of the transactions were disclosed in the announcement dated 16 September 2015 of the Company. Royalty of US$7,250,000 (equivalent to approximately HK$56,821,000) was incurred under the DB Licence Agreement for the year ended 31 December 2019.

Subsequent to the end of the year, on 27 March 2020, a termination agreement was entered into between Seven Global and TIB pursuant to which the parties agreed to terminate the DB Licence Agreement on 31 December 2019 subject to, among other things, the payment by TIB to Seven Global of outstanding royalties incurred under the DB Licence Agreement up to (and including) 31 December 2019. Neither party demanded the other for any compensation or penalty as a result of the early termination of the DB Licence Agreement. As a result, the continuing connected transactions under the DB Licence Agreement were terminated on 31 December 2019 and no further royalty will be payable by TIB to Seven Global for the year ending 31 December 2020 under the DB Licence Agreement upon termination. Further details were disclosed in the announcement dated 27 March 2020 of the Company and set out in Note 41 to the consolidated financial statements.

(iii) Sourcing and related services from the Fung 1937 Group

On 7 June 2017, TIB, Trinity Brands UK Limited ("TBUK"), Gieves Limited and Cerruti 1881 SAS ("Cerruti 1881"), all being wholly-owned subsidiaries of the Company, entered into an agreement (the "Sourcing Agreement") with Li & Fung (Trading) Limited, a wholly-owned subsidiary of Li & Fung Limited, in respect of the provision of sourcing and related services by Li & Fung Limited and its subsidiaries to the Group for a term from 1 June 2017 to 31 December 2019. The annual caps for transactions contemplated under the Sourcing Agreement were fixed at HK$43,000,000 for each of the seven months ended 31 December 2017, the year ended 31 December 2018 and the year ended 31 December 2019. Details of the transactions were disclosed in the announcement dated 7 June 2017 of the Company. For the year ended 31 December 2019, the Group incurred commissions and fixed annual fee totalling HK$24,143,000 under the Sourcing Agreement.

(iv) Transactions with Hardy Amies London Limited ("HALL")

On 21 March 2016, TBUK entered into a business acquisition agreement (the "Business Acquisition Agreement") with, among others, HALL. Dr William FUNG Kwok Lun, a substantial shareholder of the Company, and a trust established for the benefit of the family members of Dr Victor FUNG Kwok King (the father of Ms Sabrina FUNG Wing Yee, a Director), taken together, were controlling shareholders of HALL. Pursuant to the Business Acquisition Agreement, TBUK sub-leased from HALL two properties in the UK for an initial term of three years from 1 April 2016 to 31 March 2019 for rentals subject to annual cap of GBP1,000,000 (equivalent to approximately HK$10,226,000) for each of the three years ended 31 March 2019. Details of the transactions were disclosed in the announcement dated 21 March 2016 of the Company. There was no transaction conducted nor rental incurred by the Group under the Business Acquisition Agreement for the period from 1 January 2019 to 31 March 2019.

(v) Property leasing and/or licensing arrangements with the Fung 1937 Group

On 9 November 2016, the Company entered into a master agreement (the "2016 Leasing Agreement") with Fung 1937 in respect of the leasing of properties and/or granting of licensing right to use properties by the Fung 1937 Group to the Group for a term of three years from 1 January 2017 to 31 December 2019. The annual caps for transactions contemplated under the 2016 Leasing Agreement were fixed at HK$6,500,000, HK$7,300,000 and HK$8,000,000 for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively. Details of the transactions were disclosed in the announcement dated 9 November 2016 of the Company. Rentals payable under the 2016 Leasing Agreement were determined with reference to the then prevailing market rates. The Group incurred rentals of RMB2,869,000 (equivalent to approximately HK$3,261,000) and TWD3,301,000 (equivalent to approximately HK$837,000) under the 2016 Leasing Agreement for the year ended 31 December 2019.

(vi) ***Property leasing and/or licensing arrangements in Hong Kong with the Fung 1937 Group***

On 24 July 2017, the Company entered into a master agreement (the "2017 Leasing Agreement") with Fung 1937 in respect of the leasing of properties and/or granting of licensing right to use properties in Hong Kong by the Fung 1937 Group to the Group for a term from 1 August 2017 to 31 December 2019. The annual caps for transactions contemplated under the 2017 Leasing Agreement were fixed at HK$4,300,000, HK$10,500,000 and HK$11,500,000 for the five months ended 31 December 2017, the year ended 31 December 2018 and the year ended 31 December 2019 respectively. Details of the transactions were disclosed in the announcement dated 24 July 2017 of the Company. Rentals payable under the 2017 Leasing Agreement were determined with reference to the then prevailing market rates. The Group incurred rentals of HK$2,163,000 under the 2017 Leasing Agreement for the year ended 31 December 2019.

(vii) ***Sale of off-season garments and fashion accessories to the Fung 1937 Group***

On 19 December 2018, the Company entered into a master agreement (the "Fung 1937 Group Sales Agreement") with Fung 1937 for the sale of off-season garments and fashion accessories by the Group to the Fung 1937 Group for a term from 19 December 2018 to 31 December 2020. The annual caps for transactions contemplated under the Fung 1937 Group Sales Agreement were fixed at HK$25,000,000, HK$40,000,000 and HK$40,000,000 for the period from 19 December 2018 to 31 December 2018, the year ended 31 December 2019 and the year ending 31 December 2020 respectively. Details of the transactions were disclosed in the announcement dated 19 December 2018 of the Company. The Group recorded total sales of RMB15,665,000 (equivalent to approximately HK$17,805,000) under the Fung 1937 Group Sales Agreement for the year ended 31 December 2019.

(B) During the year, the Group conducted continuing connected transactions as set out in paragraphs (a) to (d) below with the Ruyi Group. Ruyi is the controlling shareholder of the Company. Mr QIU Yafu, a Director, directly holds, and exercises and controls 51% equity interests in Ruyi. Accordingly, Mr QIU Yafu and members of the Ruyi Group are connected persons of the Company:

(a) Manufacture, distribution and sales agreement and distribution agreement with Renown

On 18 July 2007, (I) Trinity Retail (H.K.) Limited ("TRHK"), a wholly-owned subsidiary of the Company, entered into a manufacture, distribution and sales agreement (the "Renown Agreement I") with Renown (which is a non-wholly owned subsidiary of Ruyi) pursuant to which Renown granted to TRHK the exclusive right to import and purchase products bearing brand names, marks, trademarks, logos and designs of "D'URBAN" (the "D'URBAN licensed products") from third party suppliers or source the D'URBAN licensed products through Renown and to distribute, sell, manufacture and market the D'URBAN licensed products and use the related trademarks and logos in Hong Kong, Macau and Taiwan and (II) Trinity China Distributions (B.V.I.) Limited ("TCDBVI"), a wholly-owned subsidiary of the Company, entered into a distribution agreement (the "Renown Agreement II") with Renown pursuant to which Renown granted to TCDBVI the exclusive right to import and purchase the D'URBAN licensed products from third party suppliers or source the the D'URBAN licensed products through Renown and to distribute, sell, manufacture and market the D'URBAN licensed products and use the related trademarks and logos in Mainland China. The

Renown Agreement I and the Renown Agreement II (collectively, the Renown Agreements) will both be in effect up to 28 February 2027. Upon Ruyi becoming the Company's controlling shareholder on 18 April 2018, the continuing transactions under the Renown Agreements have become continuing connected transactions of the Company. Since the term of each of the Renown Agreements is in excess of three years, the Company had engaged an independent financial adviser who considered that it was a normal business practice for contracts of this type to be of such duration. The annual caps for transactions contemplated under the Renown Agreements were fixed at HK$35,000,000 and HK$50,000,000 for the two years ended 31 December 2018 and 31 December 2019 respectively; HK$60,000,000 for each of the years ending 31 December 2020 to 31 December 2026; and HK$30,000,000 for the period from 1 January 2027 to 28 February 2027. Details of the transactions were disclosed in the announcement dated 18 April 2018 of the Company. The Group incurred royalty of HK$2,631,000 and payment for purchase of goods of HK$11,055,000 (totaling HK$13,686,000) under the Renown Agreements for the year ended 31 December 2019.

(b) Licence agreements with Ruyi HK

(1) On 25 May 2018, TIB (as sub-licensor) entered into a licence agreement (the "Kent & Curwen Licence Agreement") with Ruyi HK, a non-wholly owned subsidiary of Ruyi, pursuant to which TIB granted to Ruyi HK or any of its subsidiaries (collectively, the "Ruyi HK Group") (each as a licensee), among other things, the right to distribute licensed products relating to the "Kent & Curwen" brand (the "Kent & Curwen licensed products") in Europe, North America, South America, Australia, Middle East, Russia, India and Pakistan and the right to design, manufacture, source, advertise and promote the Kent & Curwen licensed products for a term from 1 June 2018 to 31 December 2020 (for the above-mentioned territories other than North America and South America) and from 1 January 2019 to 31 December 2020 (for North America and South America). Pursuant to the Kent & Curwen Licence Agreement, if TIB granted the approval, the Kent & Curwen licensed products may include products using the licensed property relating to Mr David BECKHAM. Since the entering into of the Kent & Curwen Licence Agreement, TIB has never granted approval for products relating to the licensed property of Mr David BECKHAM. The annual caps for the transactions contemplated under the Kent & Curwen Licence Agreement were fixed at HK$34,000,000, HK$58,000,000 and HK$58,000,000 for the seven months ended 31 December 2018, the year ended 31 December 2019 and the year ending 31 December 2020 respectively. Also, a joining fee of HK$22,000,000 was payable by the Ruyi HK Group in the first contract period ended 31 December 2018. Details of the transactions were disclosed in the announcement dated 25 May 2018 of the Company. Royalty of HK$52,000,000 (which represented guaranteed minimum royalty payable by the Ruyi HK Group under the Kent & Curwen Licence Agreement for the year) was incurred and payable by the Ruyi HK Group to the Group under the Kent & Curwen Licence Agreement for the year ended 31 December 2019.

(2) On 25 May 2018, Cerruti 1881 (as licensor) entered into a licence agreement (the "Cerruti Licence Agreement") with Ruyi HK pursuant to which Cerruti 1881 granted to member(s) of the Ruyi HK Group (each as a licensee), among other things, the right to distribute licensed products relating to the "Cerruti" brand (the "Cerruti licensed products") in Europe, North America, South America, Australia, Middle East, Russia, India and Pakistan and the right to design, source and manufacture the Cerruti licensed products for a term from 1 June 2018 to 31 May 2021. The annual caps for the transactions contemplated under the Cerruti Licence Agreement were fixed at HK$10,000,000, HK$17,000,000, HK$17,000,000 and HK$8,000,000 for the seven months ended 31 December 2018, the year ended 31 December 2019, the year ending 31 December 2020 and the five months ending 31 May 2021 respectively. Also, a joining fee of HK$6,000,000 was payable by the Ruyi HK Group in the first contract period ended 31 December 2018. Details of the transactions were disclosed in the announcement dated 25 May 2018 of the Company. Royalty of HK$15,000,000 (which represented guaranteed minimum royalty payable by the Ruyi HK Group under the Cerruti Licence Agreement for the year) was incurred and payable by the Ruyi HK Group to the Group under the Cerruti Licence Agreement for the year ended 31 December 2019.

(3) On 25 May 2018, Gieves and Hawkes International (BVI) Limited ("GHBVI") and Gieves & Hawkes International Limited ("GHI") (as licensors), both being wholly-owned subsidiaries of the Company, entered into a licence agreement (the "G&H Licence Agreement") with the Ruyi HK Group pursuant to which GHBVI and GHI granted to member(s) of the Ruyi HK Group (each as a licensee), among other things, the right to distribute licensed products relating to the "Gieves & Hawkes" brand (the "G&H licensed products") in Europe, North America, South America, Australia, Middle East, Russia, India and Pakistan and the right to design, source and manufacture the G&H licensed products for a term from 1 June 2018 to 31 May 2021. The annual caps for the transactions contemplated under the G&H Licence Agreement were fixed at HK$5,000,000, HK$9,000,000, HK$9,000,000 and HK$4,000,000 for the seven months ended 31 December 2018, the year ended 31 December 2019, the year ending 31 December 2020 and the five months ending 31 May 2021 respectively. Also, a joining fee of HK$3,000,000 was payable by the Ruyi HK Group in the first contract period ended 31 December 2018. Details of the transactions were disclosed in the announcement dated 25 May 2018 of the Company. Royalty of HK$8,000,000 (which represented guaranteed minimum royalty payable by the Ruyi HK Group under the G&H Licence Agreement for the year) was incurred and payable by the Ruyi HK Group to the Group under the G&H Licence Agreement for the year ended 31 December 2019.

(c) Sale of off-season garments and fashion accessories to the Ruyi Group

On 19 December 2018, the Company entered into a master agreement (the "Ruyi Group Sales Agreement") with Ruyi for the sale of off-season garments and fashion accessories by the Group to the Ruyi Group for a term from 19 December 2018 to 31 December 2020. The annual caps for transactions contemplated under the Ruyi Group Sales Agreement were fixed at HK$55,000,000 for each of the period from 19 December 2018 to 31 December 2018, the year ended 31 December 2019 and the year ending 31 December 2020. Details of the transactions were disclosed in the announcement dated 19 December 2018 of the Company. The Group recorded total sales of RMB1,465,000 and HK$89,000 (totalling an equivalent of approximately HK$1,755,000) under the Ruyi Group Sales Agreement for the year ended 31 December 2019.

(d) Provision of management, advisory and administrative services to the Ruyi Group in respect of the "Aquascutum" brand

On 30 May 2019, the Company entered into a master services agreement (the "Aquascutum Management Agreement") with Ruyi in relation to the provision of management, advisory and administrative services in respect of the "Aquascutum" brand by the Group to the Ruyi Group for a term from 1 June 2019 to 31 December 2021. The services provided include (among other things) supply chain management, design, product development, marketing and back-office support whereas back-office support covers (among other things) finance, accounting and book-keeping services, human resources and administrative services, company secretarial services, regulatory compliance services, legal advisory services and record keeping services). The annual caps for transactions contemplated under the Aquascutum Management Agreement were fixed at HK$55,000,000, HK$56,000,000 and HK$57,000,000 for the seven months ended 31 December 2019, the year ending 31 December 2020 and the year ending 31 December 2021 respectively. Details of the transactions were disclosed in the announcement dated 30 May 2019 of the Company. The Group received management fees of HK$49,730,000 under the Aquascutum Management Agreement for the year ended 31 December 2019.

The pricing and the terms of each of the continuing connected transactions set out in sub-sections (A) and (B) above (except paragraph A(iv) where no transaction was conducted in the year) have been determined in accordance with pricing policies and guidelines as set out in the respective announcements and the total transaction value of each of such continuing connected transactions for the year ended 31 December 2019 was within the relevant annual caps. Proper internal control procedures are in place to identify, approve and record all these transactions.

The Independent Non-executive Directors have reviewed all the continuing connected transactions under sub-sections (A) and (B) (except paragraph A (iv) where no transaction was conducted in the year) above and confirmed that these transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the Company's auditor to perform certain procedures in respect of the continuing connected transactions set out in sub-sections (A) and (B) (except paragraph A (iv) where no transaction was conducted in the year) above in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by HKICPA. The auditor has, based on the procedures performed, issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions under sub-sections (A) and (B) (except paragraph A (iv) where no transaction was conducted in the year) above to the Board.

Save as disclosed above, none of the transactions disclosed as related party transactions in Note 38 to the consolidated financial statements is a connected transaction or a continuing connected transaction which is subject to the reporting and disclosure requirements under the Listing Rules. The Company has complied with the requirements governing connected transactions under the Listing Rules.

Compliance with Laws and Regulations

As far as the Company is aware, there was no material breach of or non-compliance with all applicable laws and regulations that had a significant impact on the businesses and operations of the Group during the year.

Permitted Indemnity Provision

Pursuant to the Bye-laws, the Directors shall be indemnified and secured harmless of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by execution of their duty provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The Company has also arranged directors' and officers' liability insurance to provide appropriate cover for the directors of the Company and its subsidiaries. The insurance coverage is reviewed on an annual basis.

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 of more than 25% of the Company's issued shares as required under the Listing Rules throughout the year and as at the date of this report.

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the 2020 AGM.

On behalf of the Board
QIU Yafu
Chairman

Hong Kong, 31 March 2020

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF TRINITY LIMITED

(Incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Trinity Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 158, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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
- Recoverability of deferred tax assets arising from tax losses

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of intangible assets	
Refer to Note 18 to the consolidated financial statements As at 31 December 2019, the Group had goodwill of HK$1,272 million, acquired trademarks and licenses of HK$1,764 million (collectively "intangible assets"). Management supported the recoverable amount of the goodwill and each acquired trademarks and licenses based on discounted cash flows calculations ("calculations"). Management has concluded that no impairment is required in respect of the goodwill, trademarks and licences during the year. This conclusion was based on the assessments that required significant management judgement including future revenue growth rate, terminal growth rate, operating margin, royalty rate and discount rates applied.	Our procedures in relation to management's impairment assessment included: – Assessing the methodology of the assessments based on the discounted cash flows calculations; – Evaluating the process by which management's future cash flow forecasts were prepared; – Comparing historical actual results to those budgeted to assess the quality of management's forecasting; – Reconciling input data to the approved business plan; – Evaluating the key assumptions used in the calculations, comprising future revenue growth rates, terminal growth rate, operating margin, royalty rate and discount rates based on external industry outlook reports and economic growth forecasts from a number of sources and the future business direction and business plan of management; and – Assessing management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, either individually or in aggregate, would result in impairment of intangible assets.

Key Audit Matter	How our audit addressed the Key Audit Matter
	For the impairment assessment of goodwill, one of management's key assumptions is a gradual turnaround of the business performance in Greater China over the next 5 years. We noted that the revenue growth rate was the most sensitive assumption to drive the future profitability of the business in Greater China. We compared management's revenue growth assumptions against external retail industry outlook reports and the Group's historical performance. Given the latest calculations involve a high degree of judgement, relatively small changes in these assumptions would result further impairment in the Group's goodwill balance. We have assessed the relevant disclosures of the limited headroom in the financial statements and considered them as adequate. We found that the assumptions made by the management in relation to the calculations to be supportable based on available evidence.
Recoverability of deferred tax assets arising from tax losses *Refer to Note 22 to the consolidated financial statements* The Group recognised HK$207 million deferred tax assets arising from tax losses as at 31 December 2019, to the extent management expects that it is probable that future taxable profits will be available against which those tax losses can be utilised. The recognition of these deferred tax assets involves management judgement as to whether there will be sufficient taxable profits in future periods to support such recognition. Management has performed assessment on the recoverability of these deferred tax assets and considers that the realisation of these tax losses is probable as at year end.	Our procedures in relation to recoverability assessment of the deferred tax assets arising from tax losses included: – Evaluating the process by which management's assessment was prepared and the underlying assumptions as to whether there will be sufficient taxable profits in future periods to support the recognition of deferred tax assets; – Comparing historical actual results to those budgeted to assess the quality of management's forecasting; and – Assessing whether it is probable the tax losses could be carried forward and utilised before their expiry dates. We found that the Group's judgements and assumptions used in the recognition of deferred tax assets to be supportable by available evidence.

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 the Audit Committee 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.

The Audit Committee is 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, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 the 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 judgement 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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, 31 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	7(a)	**1,962,226**	1,723,138
Cost of sales		**(654,165)**	(527,807)
Gross profit		**1,308,061**	1,195,331
Other income	9	**72,418**	25,358
Selling, marketing and distribution expenses		**(822,959)**	(1,017,450)
General and administrative expenses		**(346,628)**	(444,485)
Net impairment losses on financial assets		**(49,556)**	(6,856)
Core operating profit/(loss)		**161,336**	(248,102)
Other gains – net	10	**–**	64,900
Restructuring costs	8	**(3,383)**	(59,945)
Operating profit/(loss)	8	**157,953**	(243,147)
Net finance costs	11	**(32,959)**	(20,734)
Profit/(loss) before income tax		**124,994**	(263,881)
Income tax	12	**(74,641)**	(920)
Profit/(loss) for the year attributable to Shareholders of the Company		**50,353**	(264,801)
Basic earnings/(loss) per share attributable to Shareholders of the Company during the year (expressed in HK cents per share)	13(a)	**1.4 cents**	(8.7) cents
Diluted earnings/(loss) per share attributable to Shareholders of the Company during the year (expressed in HK cents per share)	13(b)	**1.4 cents**	(8.7) cents

The notes on pages 77 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 **HK$'000**	2018 HK$'000
Profit/(loss) for the year	**50,353**	(264,801)
Other comprehensive (expenses)/income		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	**(3,910)**	1,283
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(43,271)**	(87,838)
Other comprehensive expense for the year, net of tax	**(47,181)**	(86,555)
Total comprehensive income/(expenses) for the year	**3,172**	(351,356)
Total comprehensive income/(expenses) attributable to:		
– Shareholders of the Company	**3,172**	(351,356)

The notes on pages 77 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**67,126**	97,169
Intangible assets	18	**3,042,984**	3,150,348
Convertible promissory note and loan receivables	19	**–**	–
Right-of-use assets	20	**357,108**	–
Deposits, prepayments and other receivables	21	**47,551**	41,820
Deferred income tax assets	22	**234,280**	217,431
		3,749,049	3,506,768
Current assets			
Inventories	23	**606,482**	645,624
Trade receivables	24	**543,000**	166,194
Deposits, prepayments and other receivables	21	**121,527**	84,581
Amounts due from related parties	38(b)	**114,361**	214,713
Current income tax recoverables		**2,063**	3,125
Cash and cash equivalents (excluding bank overdrafts)	25	**833,733**	1,338,056
		2,221,166	2,452,293
Total assets		**5,970,215**	5,959,061
EQUITY			
Capital and reserves attributable to the Company's Shareholders			
Share capital	26	**359,832**	359,832
Share premium	26	**4,410,347**	4,410,347
Reserves	27	**(768,420)**	(752,575)
Total equity		**4,001,759**	4,017,604

The notes on pages 77 to 158 are an integral part of these consolidated financial statements.

	Note	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Provision for long service payments	28	**550**	625
Retirement benefit obligations	29	**13,992**	15,509
Lease liabilities	30	**245,863**	–
Other payables and accruals	31	**8,346**	62,019
Contingent purchase consideration payable for acquisition	33	**–**	–
Deferred income tax liabilities	22	**309,664**	293,716
		578,415	371,869
Current liabilities			
Trade payables	32	**205,781**	66,129
Other payables and accruals	31	**377,617**	317,425
Lease liabilities	30	**139,576**	–
Amounts due to related parties	38(b)	**36,609**	64,529
Current income tax liabilities		**61,993**	11,246
Borrowings	34	**568,465**	1,110,259
		1,390,041	1,569,588
Total liabilities		**1,968,456**	1,941,457
Total equity and liabilities		**5,970,215**	5,959,061

Approved by the Board of Directors on 31 March 2020

QIU Yafu
Director

Paul David HAOUZI
Director

The notes on pages 77 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

		Attributable to Shareholders of the Company				
	Note	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Other reserves HK$'000	Total HK$'000
Balance at 1 January 2019		**359,832**	**4,410,347**	**(443,332)**	**(309,243)**	**4,017,604**
Impact of changes in accounting policy	4	–	–	**(19,017)**	–	**(19,017)**
Balance at 1 January 2019 (restated)		**359,832**	**4,410,347**	**(462,349)**	**(309,243)**	**3,998,587**
Comprehensive income						
Profit for the year		–	–	**50,353**	–	**50,353**
Other comprehensive expenses						
Remeasurements of post employment benefit obligations	27	–	–	**(3,910)**	–	**(3,910)**
Exchange differences on translation of foreign operations	27	–	–	–	**(43,271)**	**(43,271)**
Other comprehensive expenses for the year, net of tax		–	–	**(3,910)**	**(43,271)**	**(47,181)**
Total comprehensive income/ (expenses)		–	–	**46,443**	**(43,271)**	**3,172**
Transactions with owners						
Employee share option scheme – transfer to accumulated losses	27	–	–	**1,541**	**(1,541)**	–
Transfer from accumulated losses	27	–	–	**(18,334)**	**18,334**	–
Total transactions with owners		–	–	**(16,793)**	**16,793**	–
Balance at 31 December 2019		**359,832**	**4,410,347**	**(432,699)**	**(335,721)**	**4,001,759**

The notes on pages 77 to 158 are an integral part of these consolidated financial statements.

	Note	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Other reserves HK$'000	Total HK$'000
		Attributable to Shareholders of the Company				
Balance at 1 January 2018		174,653	2,376,850	(183,858)	(217,361)	2,150,284
Comprehensive expense						
Loss for the year		–	–	(264,801)	–	(264,801)
Other comprehensive income/ (expenses)						
Remeasurements of post employment benefit obligations	27	–	–	1,283	–	1,283
Exchange differences on translation of foreign operations	27	–	–	–	(87,838)	(87,838)
Other comprehensive income/ (expenses) for the year, net of tax		–	–	1,283	(87,838)	(86,555)
Total comprehensive expenses		–	–	(263,518)	(87,838)	(351,356)
Transactions with owners						
Issue of shares	26	184,600	2,030,600	–	–	2,215,200
Employee share option scheme						
– exercise of share options	26	579	2,897	790	(790)	3,476
– transfer to accumulated losses	27	–	–	4,965	(4,965)	–
Transfer from accumulated losses	27	–	–	(1,711)	1,711	–
Total transactions with owners		185,179	2,033,497	4,044	(4,044)	2,218,676
Balance at 31 December 2018		359,832	4,410,347	(443,332)	(309,243)	4,017,604

The notes on pages 77 to 158 are an integral part of these consolidated financial statements.

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	35(a)	**304,812**	(610,738)
Interest paid on bank borrowings and overdrafts		**(42,854)**	(37,222)
Income tax paid		**(10,332)**	(13,927)
Net cash generated from/(used in) operating activities		**251,626**	(661,887)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(30,153)**	(53,627)
Payments for intangible assets		**(46)**	(2,525)
Increase in loan receivables		**–**	(2,918)
Proceeds from disposal of property, plant and equipment		**2,584**	145
Interest income received		**25,359**	19,044
Net cash used in investing activities		**(2,256)**	(39,881)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**–**	2,146,676
Proceeds from borrowings		**259,594**	679,635
Repayment of borrowings		**(729,095)**	(1,147,988)
Payment of lease liabilities		**(193,347)**	–
Net cash (used in)/generated from financing activities		**(662,848)**	1,678,323
Net (decrease)/increase in cash and cash equivalents		**(413,478)**	976,555
Cash and cash equivalents at beginning of the year		**1,264,331**	338,183
Effect on foreign exchange rates changes		**(17,120)**	(50,407)
Cash and cash equivalents at end of the year	25	**833,733**	1,264,331

The notes on pages 77 to 158 are an integral part of these consolidated financial statements.

1 General information

The Company is an investment holding company and was incorporated in Bermuda as an exempted company with limited liability under Companies Act 1981 of Bermuda. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Group is principally engaged in the retailing and wholesale of premium menswear in Greater China and Europe, as well as licensing its fully owned brands globally. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at 39/F, Dorset House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

Its immediate holding company is Ruyi Brand Holding (HongKong) Company Limited, a private company incorporated in Hong Kong, and its ultimate holding company is Beijing Ruyi Fashion Investment Holding Company Limited, a non-listed company incorporated in the People's Republic of China.

The consolidated financial statements are presented in thousand of units of HK$, unless otherwise stated.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all HKFRSs, HKASs and Interpretations) issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance Cap 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities including derivative financial instruments and contingent purchase consideration payable for acquisition, which are carried at fair values.

Going concern

As at 31 December 2019, the Group had bank borrowings of HK$568,465,000 included under current liabilities on the consolidated statement of financial position, of which bank loan amounting to HK$268,154,000 were due for immediate repayment, while remaining balance of HK$300,311,000 were all short term invoice and other bank facilities which are rolled over on 1 to 3 months basis and repayable on demand. The Group had cash reserves in the form of unpledged cash and cash equivalents amounting to HK$833,733,000 as at 31 December 2019.

COVID-19 outbreak that led to a series of severe administrative control and precautionary measures taken by governments and authorities in Greater China has disrupted the operations of the Group's businesses in Mainland China and in Hong Kong after 31 December 2019. The retail shops of the Group's business in the Mainland China were closed for an extended period after Chinese New Year and were only able to gradually resume normal operations in March 2020. The Group's business in Hong Kong has also been negatively impacted by a material decline in customer demand. The duration and intensity of the COVID-19 outbreak and related containment measures remained uncertain. If the present situation in respect of the COVID-19 outbreak continues and the restrictions and control measures are prolonged, the Group's operational performance and cash flows may be adversely affected.

2 Basis of preparation *(Continued)*

Going concern *(Continued)*

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from 31 December 2019. Certain plans and measures have been taken to mitigate the liquidity pressures and to improve its financial position which include, but are not limited to, the following:

(i) Management is actively negotiating with the Group's existing banks for renewal of and extension of existing bank facilities, as well as discussions with various parties (including but not limited to banks and financial institutions) to secure additional sources of financing for the Group. If necessary, the Group could utilise its cash reserves as at 31 December 2019 to settle the outstanding bank borrowings;

(ii) On 30 March 2020, the Company has entered into a loan agreement with a subsidiary of Ruyi, to provide a loan of HK$200,000,000 with an interest rate of HIBOR plus 2.75% ("loan") and to be used by the Group to repay one of the Group's bank loans that will be due of the same amount. The loan is available for at least the next twelve months from 31 December 2019;

(iii) On the same date, a subsidiary of Ruyi has committed and confirmed to provide a financial facility of not less than HK$100,000,000 and has also confirmed its intention to provide further financial support to the Group as and when necessary, to enable the Group to carry on its business without any significant curtailment of operations in the next twelve months from 31 December 2019;

(iv) The Group has agreed settlement plans to collect outstanding trade receivables as at 31 December 2019 from its wholesale customers and related parties of HK$559,000,000, and has collected substantial overdue balances subsequent to the year end and up to the date of this report; and

(v) The Group will continue its efforts to recover from the impact of COVID-19, and expedite sales of its existing inventories, expand its wholesale business with identification of new wholesale partners and continue to explore new business opportunities, while maintaining more stringent cost control measure and containment of discretionary capital expenditures.

Notwithstanding the above, whether management is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions, and consequently be able to generate adequate financing and operating cash flows to continue as a going concern would depend upon, among other things: (i) the successful receipt of outstanding wholesales receivables on a timely basis, (ii) continuous financial support from Ruyi and its subsidiaries as mentioned in point (ii) and (iii) above, as and when is necessary, and (iii) successful implementation of business plan for its business to mitigate the negative impact of COVID-19 and improve operation results.

The directors of the Company are satisfied, after due consideration of the basis of the plans and measures as described above as well as the reasonable possible downside changes to the cash flow assumptions, that the Group will have sufficient working capital to meet its financial obligations as and when they fall due at least in the next twelve months from 31 December 2019. Accordingly, the directors of the Company consider it appropriate to prepare the consolidated financial statements of the Group on a going concern basis.

3 Summary of principal 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.

The preparation of the consolidated 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 6.

The Group's management assesses the performance of the operating businesses based on a measure of operating profit/(loss), referred to as core operating profit/(loss). This measurement basis includes profit/(loss) of the retail, wholesale and licensing businesses before net finance costs, income tax, gain on remeasurement of contingent purchase consideration payable for acquisition and material gains or losses which are of capital nature or non-operational related.

(a) Adoption of new standards, amendments and interpretations to existing standards effective in 2019

The Group has adopted the following new standards, amendments and interpretations to existing standards which are mandatory for accounting periods beginning on or after 1 January 2019 and relevant to the Group:

HKFRS 9 (2014) (Amendment)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKAS 19 (2011) (Amendment)	Plan Amendment, Curtailment or Settlement
HKAS 28 (2011) (Amendment)	Investments in Associates and Joint Ventures
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements Project	Annual Improvements 2015-2017 Cycle

The adoption of such new standards, amendments and interpretations to existing standards does not have material impact on the condensed consolidated financial statements as at and for the year ended 31 December 2019 except the following standards:

HKFRS 16	Leases

The impact of the adoption of this standard and the new accounting policies are disclosed in Note 4 below.

3 Summary of principal accounting policies *(Continued)*

(b) New standards and amendments to existing standards that have been issued but are not yet effective

The following new standards and amendments to existing standards have been issued but are not yet effective and have not been early adopted by the Group:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material (effective for annual periods beginning on or after 1 January 2020)
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting (effective for annual periods beginning on or after 1 January 2020)
HKFRS 3 (Amendment)	Definition of a Business (effective for annual periods beginning on or after 1 January 2020)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined)
HKFRS 17	Insurance Contracts (effective for annual periods beginning on or after 1 January 2021)
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020)

All these new standards and amendments to existing standards are effective in the financial year of 2020 or years after 2020. The Group is in the process of making and assessment of the impact of these new standards and amendments and would not expect material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3.1 Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities, all intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

3 Summary of principal accounting policies *(Continued)*

3.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) 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.

Except for acquisition of entities or business under common control using merger accounting as explained in Note 3.1 of this section, the Group applies acquisition method to account for business combinations. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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 interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date 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 profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, 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 consolidated income statement (Note 3.6(i)).

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3.7). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss.

3 Summary of principal accounting policies *(Continued)*

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's senior executive management (chief operating decision makers). The Group's senior executive management are responsible for allocating resources and assessing performance of the operating segments.

3.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated 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 dollars, which is the Company's functional and the Group's presentation currency.

(ii) 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 remeasured. 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 consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within 'General and administrative expenses'.

(iii) 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:

(1) 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;

(2) 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

(3) all resulting exchange 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. Exchange differences arising are recognised in other comprehensive income.

3 Summary of principal accounting policies *(Continued)*

3.4 Foreign currency translation *(Continued)*

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs less accumulated impairment losses to their residual values over their estimated useful lives, as follows:

– Leasehold improvements, furniture and fixtures	2-10 years
– Computers, equipment and air-conditioners	3-10 years
– Plant and machinery	3-10 years
– Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.7).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within 'Selling, marketing and distribution expenses' relating to store and 'General and administrative expenses' relating to office and warehouse in the consolidated income statement.

3 Summary of principal accounting policies *(Continued)*

3.6 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of 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.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Acquired trademarks and licences that have an indefinite useful life are carried at historical cost less accumulated impairment, if any, and are tested for impairment annually and when there is an indication of impairment.

Acquired licences represent the right to use certain licensed properties in the promotion, design, manufacture and distribution of certain products under the licensed brand or brand owned by the Group. Acquired licenses are capitalised based on the present value of guaranteed royalty payments to be made subsequent to the inception of the licence contracts. Acquired licenses are amortised based on expected usage from the date of first commercial usage over the remaining licence period.

(iii) Computer software and website development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are (i) directly attributable to the design, development and testing of identifiable and unique software products controlled by the Group and (ii) incurred for website development mainly included the costs of acquiring website database, website application and infrastructure are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product or website so that it will be available for use;
- Management intends to complete the software product or website and use or sell it;
- The Group has an ability to use or sell the software product or website;

3 Summary of principal accounting policies *(Continued)*

3.6 Intangible assets *(Continued)*

(iii) Computer software and website development costs *(Continued)*

- It can be demonstrated how the software product or website will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product or website are available; and
- The expenditure attributable to the software product or website during its development can be reliably measured.

Development costs incurred for software product mainly include the employee costs.

Expenditure on research activities or other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software and website development costs recognised as assets are carried at cost less accumulated amortisation and impairment loss. Amortisation is calculated using the straight-line method over their estimated useful lives of not more than 7 years.

3.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or assets not ready to use are not subject to amortisation and depreciation and are tested annually for impairment. Assets that are subject to amortisation and depreciation 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 (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries 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.

3.8 Inventories

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

3 Summary of principal accounting policies *(Continued)*

3.9 Financial assets

(i) 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 ("OCI") 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 OCI. 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 ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on 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 the risks and rewards of ownership.

(iii) 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 ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3 Summary of principal accounting policies *(Continued)*

3.9 Financial assets *(Continued)*

(iii) Measurement *(Continued)*

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. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: 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 profit or loss and presented in 'Other gains-net' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Other gains-net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'Other gains-net' and impairment expenses are presented as separate line item in the consolidated income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within 'Other gains-net' in the period in which it arises.

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 OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in 'Other gains-net' in the statement of profit or loss as applicable.

3 Summary of principal accounting policies *(Continued)*

3.9 Financial assets *(Continued)*

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 5.1(b) and Note 24 for further details.

3.10 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

3.11 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, net of tax, from the proceeds.

3.12 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

3 Summary of principal accounting policies *(Continued)*

3.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated 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. In this case, 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 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.

Borrowings are removed from the consolidated 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 profit or loss as other income or finance costs.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.14 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 “Financial Instruments” and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 “Revenue from Contracts with Customers“.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3.15 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated 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.

3 Summary of principal accounting policies *(Continued)*

3.15 Current and deferred income tax *(Continued)*

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of 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. Current income tax recoverables which could not be offset against current income tax liabilities of another entity were presented under current assets.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, 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 income tax is 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 income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income 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 income 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 balances on a net basis.

3 Summary of principal accounting policies *(Continued)*

3.16 Employee benefits

(i) 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 reporting period.

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

(ii) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

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. For defined contribution plans, 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 expense 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.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

3 Summary of principal accounting policies *(Continued)*

3.16 Employee benefits *(Continued)*

(ii) Pension obligations *(Continued)*

The current service cost of the defined benefit plan, recognised in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the consolidated income statement. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

In respect of the employees of the Group in Hong Kong, the Group's net obligation in respect of long service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit as calculated using the projected unit credit method is discounted to determine the present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group.

(iii) 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 earlier 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 present value.

(iv) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's Shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3 Summary of principal accounting policies *(Continued)*

3.16 Employee benefits *(Continued)*

(v) Share-based compensation

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instrument of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed over the vesting period 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; and

– including the impact of any non-vesting conditions.

Non-market performance and service 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 entity 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 of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity (employee share-based compensation reserve). The amounts recognised in the employee share-based compensation reserve are transferred to the retained earnings when the options are exercised or options expire.

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.

(b) Share-based payment transactions among Group entities

The grant by Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

3 Summary of principal accounting policies *(Continued)*

3.17 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 passage of time is recognised as interest expense.

3.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns and discounts and after eliminating sales within the Group.

Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group recognises revenue 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.

3 Summary of principal accounting policies *(Continued)*

3.18 Revenue recognition *(Continued)*

(i) Sales of goods – retail

The Group operates a chain of retail stores selling menswear and accessories. Sales of goods are recognised at a point in time when a Group entity sells and transfers a product to the customer. Retail sales are usually in cash or by credit card. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(ii) Sale of goods – customer loyalty programme (deferred revenue)

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. A contract liability for the award points is recognised at the time of sale. Revenue is recognised when the points are redeemed or when they expire 24 months after the initial sale.

(iii) Royalty income from licensing

Royalty income is recognised based on sales made by the licensees and terms of the contract on an accruals basis.

(iv) Sales of goods – wholesale

Sales of goods are recognised at a point in time when a Group entity has delivered products to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Revenue is adjusted for the value of expected returns. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler 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.

(v) E-commerce revenue

Revenue from the sale of goods on the e-commerce is recognised at a point in time when the inventory have been delivered to the customer. Transactions are settled by credit or payment card.

For the sales of goods, customers have a right to return the products within a given period. Accumulated experience is used to estimate the return to the extent that it is highly probable that a significant reversal will not occur, using the expected value method, to be included in the transaction price.

A refund liability for the expected return to customers is recognised as adjustment to revenue in trade and other payables. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognises an asset and a corresponding adjustment to cost of sales.

(vi) Interest income

Interest income is recognised on a time-proportion basis 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 loans and receivables is recognised using the original effective interest rate.

3 Summary of principal accounting policies *(Continued)*

3.18 Revenue recognition *(Continued)*

(vii) Administration and management fee, consultancy fee, joining fee and commission income

Administration and management fee, consultancy fee, joining fee and commission income is recognised when services are rendered.

3.19 Leases

As explained in Note 3(a) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 4.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

3 Summary of principal accounting policies *(Continued)*

3.19 Leases *(Continued)*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3.20 Dividend distribution

Dividend distribution to the Company's Shareholders is 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 the Board of Directors, where appropriate.

3.21 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 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 notes to the consolidated 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.

3.22 Royalty expense

Royalty expense is recognised on an accrual basis when they are due on the sale of goods in the ordinary course of business.

3.23 Subsidy income

Subsidy income is financial assistance provided by local municipal government in the Mainland China in the form of a transfer of resources to an enterprise to encourage business development in the local municipality and is recognised at its fair value where there is a reasonable assurance that the grants will be received and the Group has complied with all attached conditions.

3.24 Core operating profit/(loss)

Core operating profit/(loss) is the result generated from the Group's retail, wholesale and licensing businesses before net finance costs, income tax, gain on remeasurement of contingent purchase consideration payable for acquisition and material gains or losses which are of capital nature or non-operational related.

4 Change in accounting policy

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the prior years, 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 condensed consolidated statement of financial position on 1 January 2019.

Adjustments recognised on adoption of HKFRS 16

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lease's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.1% in Greater China and 4.7% for leases in Europe respectively. Lease liabilities are classified as non-current liabilities unless payments are within 12 months from the balance sheet date.

Right-of-use assets are recognised at the commencement date of the lease, that is the date the underlying assets are available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets includes amount of the initial measurement of lease liabilities recognised, lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred, and restoration costs.

Right-of-use assets are depreciated using the straight-line method over the shorter of their estimated useful lives and the lease terms.

The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

As a result, the total of the obligations under the operating lease commitments of HK$566 million disclosed at 31 December 2018, adjusted by the effect of discounting and exclusion of short-term leases, amounted to non-current lease liabilities of HK$383 million which were then recognised on 1 January 2019.

Measurement of lease liabilities as at 1 January 2019

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	566,450
Discounted operating lease commitments using the lessee's incremental borrowing at 1 January 2019	513,580
Less:	
Short-term leases not recognised as liabilities	(67,138)
Operating lease commitments not yet commenced	(63,721)
	382,721

4 Change in accounting policy *(Continued)*

Adjustments recognised on adoption of HKFRS 16 *(Continued)*

The change in accounting policy affected the following items in the opening condensed consolidated statement of financial position on 1 January 2019:

	As at 1 January 2019		
Consolidated statement of financial position (extract)	**As previously stated** HK$'000	**Effects of the adoption** HK$'000	**As restated** HK$'000
Property, plant and equipment	97,169	(3,456)	93,713
Right-of-use assets	–	351,097	351,097
Deposits, prepayments and other receivables	126,401	13,498	139,899
Lease liabilities	–	382,721	382,721
Other payables and accruals	379,444	(2,565)	376,879
Accumulated losses	(443,332)	(19,017)	(462,349)

(i) Impact on earnings per share

Earnings per share decreased by 0.3 HK cents per share for 31 December 2019 as a result of the adoption of HKFRS 16.

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, 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,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- reliance on previous assessments on whether leases are onerous.

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 HKAS 17 and HK(IFRIC)-Int 4 determining whether an arrangement contains a lease.

5 Financial risk management and financial instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Finance Department of the Group based on policies approved by the Board of Directors. The Finance Department identifies and evaluates financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk arising from various currencies, primarily with respect to RMB, EUR, GBP, JPY and TWD. Foreign exchange risk arises from future commercial transactions or recognised assets or liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

Management has adopted a policy to require Group companies to manage their foreign exchange risk against their functional currency. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts.

At 31 December 2019, if RMB had strengthened by 5% against the HK dollar with all other variables held constant, profit for the year would have been HK$8,613,000 lower (2018: loss for the year would have been HK$1,183,000 higher), mainly as a result of foreign exchange losses or gains on translation of RMB denominated payables and bank balances recorded in the books of the Group's entities in Hong Kong.

At 31 December 2019, if EUR had strengthened by 5% against the HK dollar with all other variables held constant, profit for the year would have been HK$4,526,000 lower (2018: loss for the year would have been HK$2,760,000 higher), mainly as a result of foreign exchange losses or gains on translation of EUR denominated payables and bank balances recorded in the books of the Group's entities in Hong Kong.

At 31 December 2019, if GBP had weakened by 5% against the HK dollar with all other variables held constant, profit for the year would have been HK$8,660,000 lower (2018: loss for the year would have been HK$4,611,000 higher), mainly as a result of foreign exchange losses or gains on translation of GBP denominated receivables and bank balances recorded in the books of the Group's entities in Hong Kong.

5 Financial risk management and financial instruments *(Continued)*

5.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

The Group's interest rate risk arises from interest-bearing bank borrowings and bank overdrafts. Bank borrowings and bank overdrafts issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by deposits held at variable rates. During the year, the Group's borrowings at variable rates were mainly denominated in HKD, RMB, TWD, EUR and GBP.

If interest rate had increased/decreased by 10 basis points and all other variables were held constant, the Group's net profit would have decreased/increased by HK$836,000 (2018: net loss would have increased/decreased by HK$ 1,331,000) for the year ended 31 December 2019.

During the year, the Group has not used any financial instruments to hedge its exposure to interest rate risk as the Directors consider there was no significant interest rate risk.

(b) Credit risk

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables, cash and cash equivalents and amounts due from related parties. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all receivables in trade nature, including the amount due from related parties.

To measure the expected credit losses, trade receivables 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 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For receivables balances relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

5 Financial risk management and financial instruments *(Continued)*

5.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Other financial assets at amortised cost

The impairment loss of other financial assets carried at amortised cost is measured based on the 12 months expected credit loss. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group.

As at 31 December 2018 and 2019, management considered the credit risk of other receivables and deposit is low as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these other receivables and deposit were immaterial under 12 months expected losses method. Therefore, the loss allowance provision for these balances was close to zero and no provision was recognised. Assessment of loss allowance for the loan receivables are disclosed in Note 19.

Rental deposits are placed with reputable landlords with no history of material default. Management does not expect any losses from the non-performance by these counterparties.

In respect of cash and cash equivalents, the Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The Finance Department maintains flexibility in funding by monitoring availability of committed credit lines.

Management maintains rolling forecasts of the Group to maintain liquidity risk. Taking into account of the existing borrowing facilities and the cash and cash equivalents balance, Management considers that the Group's financial position remains healthy.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining periods at the end of the reporting period to the contractual maturity dates.

5 Financial risk management and financial instruments *(Continued)*

5.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 31 December 2019	Repayment period Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
Trade payables	**205,781**	–	–	–
Other payables and accruals	**272,850**	**8,346**	–	–
Amounts due to related parties	**36,609**	–	–	–
Borrowings	**569,179**	–	–	–
Lease liabilities	**139,576**	**84,395**	**85,352**	**76,116**
	1,223,995	**92,741**	**85,352**	**76,116**

As at 31 December 2018	Repayment period Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
Trade payables	66,129	–	–	–
Other payables and accruals	219,875	62,125	–	–
Amounts due to related parties	64,529	–	–	–
Borrowings	1,126,571	–	–	–
	1,477,104	62,125	–	–

5.2 Fair value estimation

(a) Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts of the Group's financial assets (loan receivables, trade receivables, other receivables and amounts due from related parties) and financial liabilities (trade payables, other payables and accruals, amounts due to related parties, lease liabilities and borrowings) approximate their fair values.

5 Financial risk management and financial instruments *(Continued)*

5.2 Fair value estimation *(Continued)*

(b) Financial instrument carried at fair value

The Group's financial instrument comprised of contingent purchase consideration payable for acquisition and is classified as Level 3 financial instrument.

The valuation technique used by the Group to determine its value is discounted cash flow analysis. The Group's acquisition of Gieves & Hawkes group involved post-acquisition performance-based contingent purchase consideration which was recognised at fair value at the acquisition date as part of the total consideration for the acquired business. The fair value measurement requires significant estimation of post-acquisition performance of the acquired business and significant judgement in relation to the time value of money. All outstanding contingent purchase consideration will be re-measured at fair value reflecting the impact of any events or factors which occur after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement. The determination of outstanding contingent purchase consideration payable involves significant judgement and estimation of the future performance of the acquired business. For the year ended 31 December 2019, if future revenue growth per year is 1% higher than the estimation made by management at the end of the year, the Group's profit or loss attributable to shareholders of the Company would worse off and the contingent purchase consideration payable would increase by the same amount of HK$4,782,000 (2018: worse off/increase by HK$521,000). On the other hand, if future revenue growth per year is 1% lower than the estimation made by management at the end of the year, there would be no impact to both the Group's profit or loss attributable to shareholders of the Company and contingent purchase payable for the year ended 31 December 2019 (2018: no impact).

During the year, no movement in balance of Level 3 financial instrument carried at fair value.

The Group performs the valuations of financial assets and liabilities based on policies approved by the Board. The main Level 3 inputs used by the Group include the discount rate for contingent purchase consideration payable for acquisition and estimated post acquisition performance of the acquired business. The discount rate is estimated based on the expected cost of borrowings with similar maturity. The estimated post acquisition performance of the acquired business was determined with reference to senior management's best estimate.

5.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst seeking to maximise benefits to Shareholders and other stakeholders. The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and Shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to Shareholders, return capital to Shareholders or issue new shares.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (Note 34) less cash and cash equivalents (Note 25). Total capital is calculated as total equity, as shown in the consolidated statement of financial position, plus net debt.

As at 31 December 2019 and 2018, the Group's total cash and cash equivalents is larger than total borrowings, therefore, the Group is in net cash position and gearing ratio is not available.

6 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 discussed below.

(a) Estimated impairment of intangibles - goodwill and trademarks

The Group tests annually or whenever there is an indicator of impairment whether goodwill and trademarks have suffered any impairment in accordance with the accounting policy stated in Note 3.6. The recoverable amounts of CGUs are determined based on discounted cash flows calculations. These calculations require the use of estimates (Note 18).

(b) Useful life of trademarks

A portion of the Group's licences are classified as indefinite useful life intangible assets in accordance with HKAS 38 "Intangible Assets". This conclusion is supported by the fact that these licences are capable of being renewed indefinitely at insignificant cost, perpetual in duration, relate to well-known and long established menswear brands, and based on past and future financial performance of the Group and they are expected to generate positive cash flows indefinitely.

It is possible that this conclusion could change significantly as a result of changes in the premium menswear industry or competitors' actions in response to severe industry cycles. Under HKAS 38, the Group re-evaluates the useful life of intangibles each year to determine whether events and circumstances continue to support the view of indefinite useful life for these assets.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling the product. It could change significantly as a result of changes in consumer taste and competitor actions in response to severe industry cycles. Management reassesses these estimates at the end of each reporting period.

6 Critical accounting estimates and judgements *(Continued)*

(d) Estimated impairment of trade and other receivables

Expected credit losses ("ECLs") are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

(e) Income tax

The Group is subject to withholding and income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for withholding and income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 financial period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different. Management has performed an assessment on the recoverability of these deferred tax assets and consider that the realisation of these tax losses probable and no impairment provision is required as at year end.

6 Critical accounting estimates and judgements *(Continued)*

(f) Determination of the 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).

For leases of warehouses, retail stores and office, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

7 Segment information

The Group is principally engaged in the retailing and wholesale of premium menswear in Greater China and Europe, as well as licensing its fully owned brands globally. The performance of the Group's retail stores is subject to seasonal fluctuations and certain holiday seasons.

Management has determined the operating segments based on reports reviewed by senior executive management of the Group that are used to make strategic decisions. Management considers the business from both geographic and business lines perspectives. Geographically, management considers the business performance in the Mainland China, Hong Kong & Macau, Taiwan, Europe and others. Management also assesses the performance of the individual business line, namely retail, wholesale and licensing. Management assesses the performance of operating segments based on a measure of segmental earnings before net finance costs and income tax ("Segmental contributions") for the year. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders.

Segment asset consists only of inventories.

7 Segment information *(Continued)*

(a) Segment results

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

	Asia						Europe			
	HK & Macau		Mainland China		Taiwan	Others				
	Retail HK$'000	Wholesale HK$'000	Retail HK$'000	Wholesale HK$'000	Retail HK$'000	Licensing HK$'000	Retail HK$'000	Wholesale HK$'000	Licensing HK$'000	Total HK$'000
Total segment revenue										
– Recognised at a point in time	380,610	300,314	587,284	467,381	114,638	–	120,738	17,364	–	1,988,329
– Recognised over time	–	–	–	–	–	52,000	–	–	134,542	186,542
	380,610	300,314	587,284	467,381	114,638	52,000	120,738	17,364	134,542	2,174,871
Inter-segment revenue	–	(167,889)	–	–	–	–	–	–	(44,756)	(212,645)
Revenue from external customers	380,610	132,425	587,284	467,381	114,638	52,000	120,738	17,364	89,786	1,962,226
– Recognised at a point in time	380,610	132,425	587,284	467,381	114,638	–	120,738	17,364	–	1,820,440
– Recognised over time	–	–	–	–	–	52,000	–	–	89,786	141,786
Gross profit	274,678	77,241	419,430	249,265	77,734	52,000	61,899	6,028	89,786	1,308,061
Segmental contributions	(1,045)	77,241	38,257	249,265	5,985	52,000	(8,738)	979	76,752	490,696
Segmental contributions includes:										
Depreciation	(10,409)	–	(25,711)	–	(7,602)	–	(4,622)	(646)	–	(48,990)
Segment asset	161,665	–	340,981	–	60,619	–	43,217	–	–	606,482

7 Segment information *(Continued)*

(a) Segment results (Continued)

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

	Asia						Europe			
	HK & Macau		Mainland China		Taiwan	Others				
	Retail HK$'000	Wholesale HK$'000	Retail HK$'000	Wholesale HK$'000	Retail HK$'000	Licensing HK$'000	Retail HK$'000	Wholesale HK$'000	Licensing HK$'000	Total HK$'000
Total segment revenue										
– Recognised at a point in time	520,607	332,493	689,960	58,137	130,264	–	135,526	23,602	–	1,890,589
– Recognised over time	–	–	–	–	–	52,000	–	–	150,007	202,007
	520,607	332,493	689,960	58,137	130,264	52,000	135,526	23,602	150,007	2,092,596
Inter-segment revenue	–	(332,487)	–	–	–	–	–	–	(36,971)	(369,458)
Revenue from external customers	520,607	6	689,960	58,137	130,264	52,000	135,526	23,602	113,036	1,723,138
– Recognised at a point in time	520,607	6	689,960	58,137	130,264	–	135,526	23,602	–	1,558,102
– Recognised over time	–	–	–	–	–	52,000	–	–	113,036	165,036
Gross profit	372,057	–	480,109	24,245	86,547	52,000	68,571	(1,234)	113,036	1,195,331
Segmental contributions	16,423	–	21,891	23,997	3,674	52,000	(17,825)	(15,771)	103,916	188,305
Segmental contributions includes:										
Depreciation	(14,056)	–	(33,749)	–	(8,342)	–	(7,996)	(601)	(145)	(64,889)
Additional provision for impairment of property, plant and equipment	(3,532)	–	–	–	–	–	(5,640)	–	–	(9,172)
Segment asset	201,682	–	316,664	–	68,898	–	58,380	–	–	645,624

7 Segment information *(Continued)*

(b) A reconciliation of segmental contributions to the Group's profit/(loss) before income tax is as follows:

	2019 **HK$'000**	2018 HK$'000
Segmental contributions for reportable segments	**490,696**	188,305
Add:		
Other income (Note 9)	**72,418**	25,358
Less:		
Net finance costs (Note 11)	**(32,959)**	(20,734)
Other gains – net (Note 10)	**–**	64,900
Employee benefit expenses	**(179,134)**	(171,178)
Rental and other operating expenses	**(28,237)**	(25,280)
Depreciation and amortisation	**(57,425)**	(62,329)
Advertising and promotion expenses	**(43,337)**	(70,940)
Legal and professional fees	**(13,652)**	(18,721)
Product design, supply chain and related management expenses	**(14,726)**	(19,831)
Restructuring costs	**(3,383)**	(59,945)
Other unallocated expenses	**(65,267)**	(93,486)
Total Group's profit/(loss) before income tax	**124,994**	(263,881)

7 Segment information *(Continued)*

(c) Geographic information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, right-of-use assets, deposits, prepayments and other receivables ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered or the licensing services were provided.

The geographical analysis of revenue from external customers is as follows:

	2019 **HK$'000**	2018 HK$'000
Hong Kong & Macau	**461,258**	598,376
Mainland China	**1,055,913**	751,245
Australia	**133,496**	889
Taiwan	**114,638**	130,264
UK	**146,951**	159,900
Other countries	**49,970**	82,464
Total	**1,962,226**	1,723,138

Revenues from the individual countries included in Other countries are not material.

The geographical analysis of specified non-current assets is as follows:

	2019 **HK$'000**	2018 HK$'000
Hong Kong & Macau	**900,340**	848,287
Mainland China	**844,960**	791,100
Taiwan	**81,042**	88,233
UK	**894,911**	772,477
France	**673,263**	669,702
Singapore	**120,253**	119,538
Total	**3,514,769**	3,289,337

8 Operating profit/(loss)

Operating profit/(loss) is arrived at after charging/(crediting) the following:

	2019 HK$'000	2018 HK$'000
Cost of inventories (Note 23)	**660,418**	523,665
(Reversal of)/additional provision for impairment and write off of inventories (Note 23) & (note (a))	**(6,253)**	4,142
Employee benefit expenses (Note 14)	**439,536**	550,698
Operating lease rental expenses		
– short term lease payment	**81,926**	–
– minimum lease payment	**–**	326,588
– contingent rents	**86,091**	112,046
Depreciation		
– property, plant and equipment (Note 17)	**51,928**	73,123
– right-of-use assets (Note 20)	**183,691**	–
Advertising and promotion expenses	**43,337**	89,485
Amortisation of intangible assets (Note 18)	**53,200**	54,095
Provision for impairment of trade receivables – net (Note 24)	**49,556**	6,856
Provision for impairment of loan receivables	**–**	2,918
Provision for impairment of property, plant and equipment (Note 17)	**–**	9,172
Net loss/(gain) on disposal of		
– property, plant and equipment	**2,613**	2,848
– right-of-use assets	**(3,458)**	–
Contingent royalty expenses	**2,631**	4,339
Product design, supply chain and related management expenses	**14,726**	19,831
Restructuring costs (note (b))	**3,383**	59,945
Fair value losses on forward foreign exchange contracts	**–**	890
Net foreign exchange (gains)/losses	**(5,966)**	22,591

Notes:

(a) (Reversal of)/additional provision for impairment of inventories arose due to an increase/decrease in the estimated net realisable value of inventories after reassessment of the utilisation of available distribution channels and expected sales pattern.

(b) For the year ended 31 December 2019, restructuring costs related to Europe operation included employee benefit expenses of HK$3,383,000.

For the year ended 31 December 2018, restructuring costs mainly relating to Greater China and Europe operations included employee benefit expenses and other costs of HK$36,269,000 and HK$23,676,000 respectively.

8 Operating profit/(loss) *(Continued)*

The remuneration to the auditors for audit and non-audit services is as follows:

	2019 HK$'000	2018 HK$'000
Audit services	**5,783**	5,840
Non-audit services		
– taxation services	**1,115**	1,189
– other services	**411**	385
	7,309	7,414

Note: HK$5,228,000 (2018: HK$5,351,000) of the audit services fees and HK$1,355,000 (2018: HK$1,413,000) of non-audit services fees are payable to the Company's auditor.

9 Other income

	2019 HK$'000	2018 HK$'000
Subsidy income	**4,660**	6,398
Rental income	**–**	2,849
Management fee income from related parties (Note 38(a))	**49,730**	1,186
Commission income	**512**	7,572
Compensation income	**8,451**	–
Others	**9,065**	7,353
	72,418	25,358

10 Other gains – net

	2019 HK$'000	2018 HK$'000
Provision for impairment of loan receivables and remeasurement loss on derivative	**–**	(2,918)
Gain on remeasurement of contingent purchase consideration payable for acquisition	**–**	70,370
Others	**–**	(2,552)
	–	64,900

11 Net finance costs

	2019 HK$'000	2018 HK$'000
Finance costs		
– Interest expenses on bank borrowings and overdrafts	**(39,512)**	(37,507)
– Notional interest expenses on lease liabilities	**(19,256)**	–
– Others	**(148)**	(2,271)
	(58,916)	(39,778)
Finance income		
– Interest income on deposits from banks and financial institutions	**25,957**	19,044
	25,957	19,044
Net finance costs	**(32,959)**	(20,734)

12 Income tax

Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit. Taxation on Mainland China and overseas profits have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

	2019 HK$'000	2018 HK$'000
Current income tax		
– Hong Kong profits tax	–	–
– Mainland China corporate income tax	**61,224**	6,007
– Overseas taxation	**8,297**	7,568
– Under/(over) provision in prior years	**1,926**	(806)
Deferred income tax (Note 22)	**3,194**	(11,849)
	74,641	920

12 Income tax *(Continued)*

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	2019 HK$'000	2018 HK$'000
Profit/(loss) before income tax	**124,994**	(263,881)
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	**41,393**	(44,719)
Withholding tax on distributable profits, royalty income and interest income	**15,867**	386
Income not subject to tax	**(1,402)**	(13,492)
Under/(over) provision in prior years	**1,926**	(809)
(Recognition of the previously unrecognised tax losses)/effect of unrecognised tax losses	**(24,359)**	33,768
Expenses not deductible for tax purposes	**41,216**	25,786
Income tax	**74,641**	920

The weighted average applicable tax rate for the year was 33.1% (2018: 16.9%). The increase is caused by a change in the mix of profitability of the Group's subsidiaries in the respective countries.

The subsidiaries incorporated in the Mainland China are subject to income tax rate at 25% (2018: 25%).

13 Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing profit/(loss) attributable to Shareholders of the Company by weighted average number of ordinary shares in issue during the year.

	2019	2018
Weighted average number of ordinary shares in issue	**3,598,322,883**	3,055,310,000
Profit/(loss) attributable to Shareholders of the Company (HK$'000)	**50,353**	(264,801)
Basic earnings/(loss) per share (HK cents per share)	**1.4 cents**	(8.7) cents

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company has share options as dilutive potential ordinary shares. For the dilutive effect of share options, the calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

13 Earnings/(loss) per share *(Continued)*

(b) Diluted *(Continued)*

	2019	2018
Weighted average number of ordinary shares in issue	**3,598,322,883**	3,055,310,000
Adjustment for share options	**–**	511,000
Weighted average number of ordinary shares for diluted earnings/(loss) per share	**3,598,322,883**	3,055,821,000
Profit/(loss) attributable to Shareholders of the Company (HK$'000)	**50,353**	(264,801)
Diluted earnings/(loss) per share (HK cents per share)	**1.4 cents**	(8.7) cents

No adjustment had been made to the basic earnings per share for the year ended 31 December 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share.

14 Employee benefit expenses

The aggregate amounts of staff costs including directors' emoluments are as follows:

	2019 HK$'000	2018 HK$'000
Wages, salaries and bonus including restructuring costs HK$3,383,000 (2018: HK$36,269,000)	**371,744**	465,856
(Reversal of)/additional provision for long service payment (Note 28)	**(361)**	856
Pension costs – defined benefit plans	**382**	556
Pension costs – defined contribution plans	**8,174**	8,632
Social security and benefits	**59,597**	74,798
Total	**439,536**	550,698

There were no forfeited contributions during the year (2018: nil).

14 Employee benefit expenses *(Continued)*

(a) The emoluments of senior management including directors of the Group fall within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
– HK$1,500,001 to HK$2,000,000	–	3
– HK$2,000,001 to HK$2,500,000	–	1
– HK$2,500,001 to HK$3,000,000	**3**	–
– HK$3,000,001 to HK$3,500,000	**1**	2
– HK$4,500,001 to HK$5,000,000	**2**	–
	6	6

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 include two directors (2018: nil) whose emoluments are reflected in the analysis shown in Note 15. The emoluments payable to the remaining three highest paid individuals (2018: five) during the year are as follows:

	2019 HK$'000	2018 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**9,973**	15,641
Bonuses	–	362
Employer's contribution to pension scheme	**641**	2,215
Others	**3,761**	324
	14,375	18,542

During the year, no amount was paid or payable by the Group to the Directors as set out in Note 15(a) and any of the five highest paid individuals as an inducement to join or upon joining the Group (2018: nil).

The emoluments of the highest paid individuals of the Group fall within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
– HK$3,000,001 to HK$3,500,000	–	1
– HK$3,500,001 to HK$4,000,000	**1**	1
– HK$4,000,001 to HK$4,500,000	**1**	3
– HK$6,500,001 to HK$7,000,000	**1**	–
	3	5

15 Benefits and interests of Directors

(a) The remuneration of each director is set out below:

(i) For the year ended 31 December 2019:

	Fees HK$'000	Salary HK$'000 or equivalent	Bonuses HK$'000 or equivalent	Other Benefits* HK$'000 or equivalent	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors						
SUN Weiying	200	4,622	–	44	18	4,884
Paul David HAOUZI	200	4,622	–	58	18	4,898
QIU Chenran	200	2,400	–	67	18	2,685
SU Xiao	200	2,400	–	41	18	2,659
Kelvin HO Cheuk Yin	200	2,400	–	67	18	2,685
Non-executive Directors						
QIU Yafu	340	–	–	–	–	340
Sabrina FUNG Wing Yee	200	–	–	–	–	200
WONG Yat Ming	200	–	–	–	–	200
Daniel LALONDE	200	–	–	–	–	200
Independent Non-executive Directors						
Michael LEE Tze Hau[1]	289	–	–	–	–	289
Patrick SUN	440	–	–	–	–	440
Eva CHENG LI Kam Fun	430	–	–	–	–	430
Victor HUANG	385	–	–	–	–	385
YANG Dajun	320	–	–	–	–	320
ZHAO Zongren[2]	57	–	–	–	–	57
	3,861	16,444	–	277	90	20,672

15 Benefits and interests of Directors *(Continued)*

(a) The remuneration of each director is set out below: (Continued)

(ii) For the year ended 31 December 2018:

	Fees HK$'000	Salary HK$'000 or equivalent	Bonuses HK$'000 or equivalent	Other Benefits* HK$'000 or equivalent	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors						
SUN Weiying	145	2,870	–	27	12	3,054
Paul David HAOUZI	172	1,864	–	24	8	2,068
QIU Chenran	141	1,490	–	43	12	1,686
SU Xiao	125	1,490	–	25	12	1,652
Kelvin HO Cheuk Yin	141	1,490	–	43	12	1,686
Jeremy Paul Egerton HOBBINS	75	1,725	–	374	–	2,174
Srinivasan PARTHASARATHY	59	1,296	–	193	8	1,556
Non-executive Directors						
QIU Yafu	204	–	–	–	–	204
Sabrina FUNG Wing Yee	140	–	–	–	–	140
WONG Yat Ming	140	–	–	–	–	140
Daniel LALONDE	141	–	–	–	–	141
Victor FUNG Kwok King	138	–	–	–	–	138
William FUNG Kwok Lun	74	–	–	–	–	74
Terence FUNG Yue Ming	89	–	–	–	–	89
Jean-Marc LOUBIER	89	–	–	–	–	89
Minoru KITABATAKE	25	–	–	–	–	25
Independent Non-executive Directors						
Michael LEE Tze Hau	430	–	–	–	–	430
Patrick SUN	390	–	–	–	–	390
Eva CHENG LI Kam Fun	371	–	–	–	–	371
Victor HUANG	10	–	–	–	–	10
YANG Dajun	10	–	–	–	–	10
Cassian CHEUNG Ka Sing	127	–	–	–	–	127
	3,236	12,225	–	729	64	16,254

Notes:

1. Mr. Michael LEE Tze Hau resigned as Independent Non-executive Director with effect from 31 July 2019.
2. Mr. ZHAO Zongren has been appointed as Independent Non-executive Director with effect from 28 October 2019.

* Other benefits include insurance premium and housing allowance.

15 Benefits and interests of Directors *(Continued)*

(b) Directors' material interests in transactions, arrangements or contracts

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, except as disclosed under Connected Transactions section of the Directors' Report on pages 58 to 63 and Note 38 "Related party transactions" to the consolidated financial statements.

16 Dividends

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2019 (2018: nil).

The dividend policy is that the Company income and its ability to pay dividends are dependent upon, among other things, the dividends received from its subsidiaries, which in turn, would depend on such subsidiaries' distributable profits, operating results, financial condition, capital expenditure and investment plans and other relevant factors. Further, the Company's ability to pay dividends is also subject to the compliance with the Bermuda laws and the Company's Bye-laws.

17 Property, plant and equipment

	Leasehold improvements, furniture and fixtures HK$'000	Computers, equipment and air-conditioners HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2019				
Cost	402,493	69,142	2,240	473,875
Accumulated depreciation and impairment	(309,372)	(65,094)	(2,240)	(376,706)
Net book amount	93,121	4,048	–	97,169
Year ended 31 December 2019				
Opening net book amount	93,121	4,048	–	97,169
Adjustment for change in accounting policy (Note 4)	(3,456)	–	–	(3,456)
Opening net book amount (restated)	89,665	4,048	–	93,713
Exchange differences	(312)	5	–	(307)
Additions	29,691	1,154	–	30,845
Disposals	(5,114)	(83)	–	(5,197)
Depreciation (Note 8)	(49,047)	(2,881)	–	(51,928)
Closing net book amount	64,883	2,243	–	67,126
At 31 December 2019				
Cost	337,032	68,531	–	405,563
Accumulated depreciation and impairment	(272,149)	(66,288)	–	(338,437)
Net book amount	64,883	2,243	–	67,126

17 Property, plant and equipment *(Continued)*

	Leasehold improvements, furniture and fixtures HK$'000	Computers, equipment and air-conditioners HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2018					
Cost	451,540	72,166	2	2,240	525,948
Accumulated depreciation and impairment	(329,460)	(64,123)	(2)	(2,070)	(395,655)
Net book amount	122,080	8,043	–	170	130,293
Year ended 31 December 2018					
Opening net book amount	122,080	8,043	–	170	130,293
Exchange differences	(3,933)	(366)	–	–	(4,299)
Additions	54,602	1,861	–	–	56,463
Disposals	(2,194)	(799)	–	–	(2,993)
Impairment provision (Note 8)	(8,962)	(210)	–	–	(9,172)
Depreciation (Note 8)	(68,472)	(4,481)	–	(170)	(73,123)
Closing net book amount	93,121	4,048	–	–	97,169
At 31 December 2018					
Cost	402,493	69,142	–	2,240	473,875
Accumulated depreciation and impairment	(309,372)	(65,094)	–	(2,240)	(376,706)
Net book amount	93,121	4,048	–	–	97,169

The table below shows the amount of depreciation expenses included in 'Selling, marketing and distribution expenses' and 'General and administrative expenses':

	2019 HK$'000	2018 HK$'000
Selling, marketing and distribution expenses	**47,292**	65,166
General and administrative expenses	**4,636**	7,957
Total	**51,928**	73,123

Note:

For the purpose of impairment test, the recoverable amount of CGUs is determined based on value in use calculations. The key assumptions for value in use calculation reference to key parameters such as annual gross sales revenue, gross margin ratios and contributions margin etc are based on management's best estimates and reflect specific risks relating to the relevant businesses. During the year ended 31 December 2019, no impairment loss was recognised for retail shops (2018: HK$9,172,000).

18 Intangible assets

	Trademarks and licences (with indefinite useful lives) (note (a)) HK$'000	Licences (with definite useful lives) (note (b)) HK$'000	Goodwill HK$'000	Internally generated software development costs HK$'000	Website development costs HK$'000	Others HK$'000	Total HK$'000
At 1 January 2019							
Cost	1,767,193	230,340	1,271,751	7,796	5,025	776	3,282,881
Accumulated amortisation	–	(127,968)	–	(2,945)	(1,298)	(322)	(132,533)
Net book amount	1,767,193	102,372	1,271,751	4,851	3,727	454	3,150,348
Year ended 31 December 2019							
Opening net book amount	1,767,193	102,372	1,271,751	4,851	3,727	454	3,150,348
Exchange difference	(3,016)	–	–	–	–	(9)	(3,025)
Additions	–	–	–	–	–	46	46
Disposal	–	(51,185)	–	–	–	–	(51,185)
Amortisation (Note 8)	–	(51,187)	–	(1,273)	(718)	(22)	(53,200)
Closing net book amount	1,764,177	–	1,271,751	3,578	3,009	469	3,042,984
At 31 December 2019							
Cost	1,764,177	179,155	1,271,751	7,796	5,025	813	3,228,717
Accumulated amortisation	–	(179,155)	–	(4,218)	(2,016)	(344)	(185,733)
Net book amount	1,764,177	–	1,271,751	3,578	3,009	469	3,042,984

18 Intangible assets *(Continued)*

	Trademarks and licences (with indefinite useful lives) (note (a)) HK$'000	Licences (with definite useful lives) (note (b)) HK$'000	Goodwill HK$'000	Internally generated software development costs HK$'000	Website development costs HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018							
Cost	1,775,636	254,902	1,271,751	6,846	3,733	514	3,313,382
Accumulated amortisation	–	(84,166)	–	(1,793)	(711)	(3)	(86,673)
Net book amount	1,775,636	170,736	1,271,751	5,053	3,022	511	3,226,709
Year ended 31 December 2018							
Opening net book amount	1,775,636	170,736	1,271,751	5,053	3,022	511	3,226,709
Exchange difference	(8,443)	(33)	–	–	–	(21)	(8,497)
Additions	–	–	–	950	1,292	283	2,525
Disposal	–	(16,294)	–	–	–	–	(16,294)
Amortisation (Note 8)	–	(52,037)	–	(1,152)	(587)	(319)	(54,095)
Closing net book amount	1,767,193	102,372	1,271,751	4,851	3,727	454	3,150,348
At 31 December 2018							
Cost	1,767,193	230,340	1,271,751	7,796	5,025	776	3,282,881
Accumulated amortisation	–	(127,968)	–	(2,945)	(1,298)	(322)	(132,533)
Net book amount	1,767,193	102,372	1,271,751	4,851	3,727	454	3,150,348

Notes:

(a) Indefinite life trademarks mainly represent the Group's rights and titles in respect of the worldwide Kent & Curwen trademark, the worldwide Cerruti trademark and the worldwide Gieves & Hawkes trademark acquired through business combinations in prior years.

(b) Definite life licences represent (i) the right to use certain licensed property relating to Mr David BECKHAM in the promotion, design, manufacture and distribution of certain products under Kent & Curwen brand for the period from 15 September 2015 to 31 December 2020 and (ii) the right to advertise, promote, design, manufacture, distribute menswear products under "HARDY AMIES" brand for the period from 1 April 2016 to 31 December 2021. The above license agreements were terminated on 27 March 2020 and 15 March 2018 respectively.

An amortisation charge of HK$51,187,000 from definite useful life licenses (2018: HK$52,037,000) is included in 'Selling, marketing and distribution expenses' and amortisation charge of HK$2,013,000 (2018: HK$2,058,000) is included in 'General and administrative expenses'.

18 Intangible assets *(Continued)*

Impairment tests for goodwill, trademarks and licences with indefinite useful lives

Goodwill is allocated to the Group's operating segments which comprise a group of CGUs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

All of the Group's goodwill is allocated to the relevant operating segments. An analysis of goodwill allocated to each operating segment as at 31 December 2019 and 31 December 2018 is presented below.

	HK$'000
Goodwill	
Mainland China	724,898
Hong Kong and Macau	470,548
Taiwan	76,305
Total	1,271,751

Impairment tests for goodwill

In accordance with HKAS 36 "Impairment of Assets", the Group completed its annual impairment tests for goodwill allocated to the Group's various CGUs identified according to the operating segment by comparing their recoverable amount to their carrying amount as at the end of the reporting period. The recoverable amount of a CGU is determined based on higher of value in use and fair value less costs of disposal calculation. These calculations use cash flow projections based on financial budget covering a five-year period. Cash flows beyond the five-year period are extrapolated in perpetuity using a stable growth rate of 3.0% (2018: 3.0%). The discount rate used is approximately 12.2% (post-tax) (2018: 12.2%) and reflects market assessments of the time value and the specific risks relating to the industry. The Group's estimated CAGRs of sales over five years for the Mainland China, Hong Kong and Macau and Taiwan business are shown below. Significant Judgement is required to determine these key assumptions and a downward deviation of these assumptions will affect the cash flow projections negatively and may result in an impairment to goodwill. Given the market will continue to remain volatile in the medium term, management remains confident of the long term potential of the Group.

The key assumptions used in value in use calculations are as follows:

	Terminal growth rate (note)		**Discount rate**		**CAGRs of sales**	
	2019 **HK$'000**	2018 HK$'000	**2019** **HK$'000**	2018 HK$'000	**2019** **HK$'000**	2018 HK$'000
Hong Kong and Macau	**3.0%**	3.0%	**12.2%**	12.2%	**10.2%**	11.6%
Mainland China	**3.0%**	3.0%	**12.2%**	12.2%	**11.6%**	18.3%
Taiwan	**3.0%**	3.0%	**12.2%**	12.2%	**12.3%**	15.1%

Note: Terminal growth rate beyond five-year budget period

18 Intangible assets *(Continued)*

Impairment tests for goodwill *(Continued)*

The estimated recoverable amounts of the Mainland China and Hong Kong and Macau business approximate their carrying values (headroom of approximately HK$44 million and HK$20 million respectively), consequently a small change in key assumptions would, in isolation, eliminate the headroom by which recoverable amounts of the Mainland China and the Hong Kong and Macau businesses exceed their carrying amounts and cause an impairment loss to be recognised. If the forecast CAGRs of sales in the financial budget covering the five-year period used in the calculation had been lower by 0.5%, the recoverable amounts of the Mainland China and Hong Kong and Macau businesses would decrease by HK$63 million and HK$46 million respectively with potential risk of impairment. If the post-tax discount rate used in the calculation had been higher by 0.2%, the recoverable amounts of the Mainland China and Hong Kong and Macau businesses would decrease by HK$67 million and HK$28 million respectively.

Trademarks and licences with indefinite useful lives

The trademarks and licences acquired are deemed to have indefinite useful lives because they relate to well known and long established menswear brands that do not have any term of expiry or their renewal would be probable and would not involve significant costs, taking into account the history of renewals and the relationship with the contracting parties. Management has performed an annual impairment test of the carrying amount of each trademark as a corporate asset based on relief-from-royalty method. This valuation uses cash flow projections based on financial estimates covering a five-year period, expected royalty rates deriving from respective trademarks and a post-tax discount rate of 12.2% (2018: 12.2%). The cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% (2018: 3.0%). Management has considered the above assumptions and valuation and has also taken into account the business expansion plan going forward and concluded that no impairment is required.

19 Convertible promissory note and loan receivables

	2019 **HK$'000**	2018 HK$'000
Non-current assets		
Convertible promissory note and conversion right	–	–
Current assets		
Loan receivable	**61,371**	61,371
Less: provision for impairment of loan receivable	**(61,371)**	(61,371)
	–	–

The convertible promissory note and loan receivables consist of a convertible promissory note purchase agreement, loan agreement with British Heritage Brands, Inc. and the conversion right embedded in convertible promissory note. Full provision of impairment was recognised for the outstanding loan receivable and the fair value of the convertible promissory note and conversion right was nil as at 31 December 2019 and 2018.

20 Right-of-use assets

	31 December 2019 HK$'000
Recognition upon initial application of HKFRS 16 at 1 January 2019 (Note 4)	**351,097**
Exchange differences	**947**
Additions	**228,823**
Disposals	**(37,076)**
Depreciation (Note 8)	**(183,691)**
Remeasurement	**(2,992)**
Closing net book amount	**357,108**

Depreciation expenses of HK$169 million has been charged to 'Selling, marketing and distribution expenses' and HK$15 million in 'General and administrative expenses'.

The Group leases various retail stores, warehouses and office. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 20 years, but may have extension options. Except for lease covenants mainly related to the maintenance and use of the leased assets that are commonly found in lease arrangements, there are no other covenants or restrictions imposed by the lease agreements.

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation. During the year ended 31 December 2019, total cash outflow for leases of HK$193 million was included in net cash used in financing activities.

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occur.

21 Deposits, prepayments and other receivables

	2019 HK$'000	2018 HK$'000
Non-current assets		
Rental deposits	**30,594**	38,445
Prepayments	**5,234**	3,375
Sublease receivables	**11,723**	–
	47,551	41,820
Current assets		
Rental deposits	**43,257**	38,105
Prepayments	**15,155**	11,445
Other receivables	**63,115**	35,031
	121,527	84,581
Total	**169,078**	126,401

The carrying amounts of deposits, prepayments and other receivables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HKD	**54,035**	50,600
RMB	**59,565**	40,790
GBP	**26,337**	10,960
EUR	**22,615**	14,524
MOP	**5,337**	8,010
TWD	**1,189**	1,513
SGD	**–**	4
	169,078	126,401

As at 31 December 2019 and 2018, the carrying amounts of the Group's deposits, prepayments and other receivables approximated their fair values.

22 Deferred income tax

Deferred income 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 income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2019 HK$'000	2018 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**211,769**	187,058
– Deferred income tax assets to be recovered within 12 months	**22,511**	30,373
	234,280	217,431
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(300,346)**	(290,705)
– Deferred income tax liabilities to be settled within 12 months	**(9,318)**	(3,011)
	(309,664)	(293,716)

The gross movements in the net deferred income tax assets and (liabilities) balance are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**(76,285)**	(87,654)
(Charged)/credited to consolidated income statement (Note 12)	**(3,194)**	11,849
Exchange differences	**4,095**	(480)
At 31 December	**(75,384)**	(76,285)

Deferred income tax assets are recognised for deductible temporary differences and tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$140,171,000 (2018: HK$164,530,000) in respect of losses amounting to HK$792,326,000 (2018: HK$920,797,000) that can be carried forward against future taxable income. These tax losses have no expiry dates except for the tax losses of HK$36,813,000 (2018: HK$28,320,000) which will expire at various dates up to 2029 (2018: 2028).

22 Deferred income tax *(Continued)*

The movements of deferred income tax liabilities during the year are as follows:

	Intangible assets-trademarks HK$'000	Accelerated tax depreciation allowances HK$'000	Undistributed profits of subsidiaries HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	262,071	30,593	3,833	2	296,499
Charged/(credited) to the consolidated income statement	–	1,755	(2,527)	–	(772)
Exchange differences	(2,051)	129	(89)	–	(2,011)
At 31 December 2018	260,020	32,477	1,217	2	293,716
Charged to the consolidated income statement	**–**	**4,646**	**12,372**	**–**	**17,018**
Exchange differences	**(1,245)**	**155**	**20**	**–**	**(1,070)**
At 31 December 2019	**258,775**	**37,278**	**13,609**	**2**	**309,664**

As at 31 December 2019, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised totalled approximately HK$13.5 million (2018: HK$23.5 million), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

The movements of deferred income tax assets during the year are as follows:

	Impairment of assets HK$'000	Decelerated tax depreciation allowances HK$'000	Provisions and accruals HK$'000	Unrealised profit in inventories HK$'000	Unutilised tax loss HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	2,219	4,283	10,548	17,929	171,394	2,472	208,845
(Charged)/credited to the consolidated income statement	–	(1,722)	(435)	(2,354)	16,406	(818)	11,077
Exchange differences	–	–	(1,275)	–	(1,257)	41	(2,491)
At 31 December 2018	2,219	2,561	8,838	15,575	186,543	1,695	217,431
(Charged)/credited to the consolidated income statement	**(1,527)**	**(302)**	**(460)**	**(3,841)**	**18,628**	**1,326**	**13,824**
Exchange differences	**500**	**–**	**(193)**	**–**	**2,281**	**437**	**3,025**
At 31 December 2019	**1,192**	**2,259**	**8,185**	**11,734**	**207,452**	**3,458**	**234,280**

23 Inventories

	2019 HK$'000	2018 HK$'000
Raw materials	**691**	2,345
Work-in-progress	**3,939**	4,588
Finished goods	**601,852**	638,691
Total	**606,482**	645,624

The cost of inventories, write off of inventories and impairment of inventories recognised as expense and included in cost of sales amounted to HK$660,418,000 (2018: HK$523,665,000), HK$698,000 (2018: HK$387,000) and reversal of provision of HK$6,951,000 (2018: additional provision of HK$3,755,000) respectively (Note 8).

24 Trade receivables

	2019 HK$'000	2018 HK$'000
Trade receivables	**612,729**	186,197
Less: provision for impairment of trade receivables	**(69,729)**	(20,003)
Trade receivables – net	**543,000**	166,194

Majority of the Group's revenue are retail sales, wholesale sales and licensing income. Retail sales are mainly made in cash or by credit card. Retail sales through department stores are generally collectible within 30 days to 60 days from the invoice date. Wholesale sales are generally collectible within 30 days to 90 days from the invoice date. Licensing income is generally collectible within 120 days from the invoice date. The ageing analysis by invoice date of trade receivables of the Group is as follows:

	2019 HK$'000	2018 HK$'000
1-30 days	**428,248**	103,873
31-60 days	**28,771**	30,469
61-90 days	**2,633**	6,668
Over 90 days	**153,077**	45,187
	612,729	186,197

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

24 Trade receivables *(Continued)*

Movements in the provision for impairment of trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**20,003**	8,876
Impact of changes in accounting policy	**–**	3,091
At 1 January (restated)	**20,003**	11,967
Additional provision	**50,689**	9,476
Unused amounts reversed as collected	**(1,133)**	(2,620)
Exchange differences	**170**	1,180
At 31 December	**69,729**	20,003

Trade receivables of HK$69,729,000 (2018: HK$20,003,000) as at 31 December 2019 were impaired. The ageing of these receivables is as follows:

	2019 HK$'000	2018 HK$'000
Up to 3 months	**17,558**	2,024
4 to 12 months	**24,751**	8,391
Over 12 months	**27,420**	9,588
	69,729	20,003

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The fair value of the Group's trade receivables are approximately the same as their carrying amounts.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
RMB	**460,709**	103,892
EUR	**5,701**	24,186
TWD	**21,803**	19,724
GBP	**20,617**	16,205
HKD	**13,079**	10,992
MOP	**6,567**	7,438
USD	**82,259**	2,417
Others	**1,994**	1,343
	612,729	186,197

25 Cash and cash equivalents

	2019 **HK$'000**	2018 HK$'000
Cash at bank and on hand	**833,733**	198,306
Short-term bank deposits	–	1,139,750
Cash and cash equivalents (excluding bank overdrafts)	**833,733**	1,338,056

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	2019 **HK$'000**	2018 HK$'000
Cash and cash equivalents	**833,733**	1,338,056
Bank overdrafts (Note 34)	–	(73,725)
Cash and cash equivalents – net	**833,733**	1,264,331
Maximum exposure to credit risk	**833,053**	1,337,309

The maximum exposure to credit risk refers to the cash balances held at financial institutions, and excludes cash on hand held at the retail stores and offices of the Group.

As at 31 December 2019, cash and bank balances amounting to HK$791,869,000 (2018: HK$1,253,325,000) were deposited in bank accounts in the Mainland China and Taiwan where exchange control applies.

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2019 **HK$'000**	2018 HK$'000
RMB	**785,177**	1,235,415
HKD	**21,108**	47,870
GBP	**6,646**	24,278
TWD	**10,071**	22,041
MOP	**2,185**	2,741
SGD	**614**	1,600
EUR	**7,837**	1,523
USD	**91**	556
Others	**4**	2,032
	833,733	1,338,056

26 Share capital, share premium and share options

	Number of authorised shares of HK$0.10 each (Thousands)	Number of issued and fully paid shares of HK$0.10 each (Thousands)	Amount		
			Ordinary shares of HK$0.10 each HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2018	**4,000,000**	**1,746,529**	**174,653**	**2,376,850**	**2,551,503**
Increase in authorised share capital (note a)	1,000,000	–	–	–	–
Subscription of new shares (note a)	–	1,846,000	184,600	2,030,600	2,215,200
Exercise of share options (note b)	–	5,794	579	2,897	3,476
At 31 December 2018 and 31 December 2019	**5,000,000**	**3,598,323**	**359,832**	**4,410,347**	**4,770,179**

Notes:

(a) On 8 November 2017, the Company entered into a subscription agreement with Ruyi and Fung Trinity Investments Limited, pursuant to which the Company has conditionally agreed to allot and issue to Ruyi, and Ruyi has conditionally agreed to subscribe for 1,846,000,000 ordinary shares of the Company at the subscription price of HK$1.20 per share (the "Subscription"). The Subscription has been approved by the Shareholders at the special general meeting held on 17 January 2018 and completed on 18 April 2018 (the "Completion Date").

By the ordinary resolution passed by the Shareholders at the special general meeting held on 17 January 2018, approval was obtained to increase the authorised share capital of the Company from HK$400,000,000 divided into 4,000,000,000 ordinary shares of HK$0.10 each to HK$500,000,000 divided into 5,000,000,000 ordinary shares of HK$0.10 each by the creation of additional 1,000,000,000 ordinary shares of HK$0.10 each. Such increase in authorised share capital became effective on the Completion Date.

(b) During the year, there was no ordinary shares issued at an exercise price of HK$0.60 per share to the share option holders pursuant to the share option scheme (2018: 5,794,000).

2009 Share Option Scheme

Pursuant to the 2009 Share Option Scheme, the Board may, at its discretion, grant options to any qualifying participants (including but not limited to any employee, whether full-time or part-time employee, executive or non-executive directors, of the Company or any affiliates as defined in the 2009 Share Option Scheme) which entitles the holders of options to subscribe for shares in the Company. The total number of shares that may be issued upon exercise of all options to be granted under the 2009 Share Option Scheme and any other schemes must not in aggregate exceed 10% of the shares in issue as at 3 November 2009, being the listing date. The 2009 Share Option Scheme expired on 2 November 2019. Upon expiry, no further options can be granted under the 2009 Share Option Scheme but the provisions of the 2009 Share Option Scheme remained valid for options granted but yet to be exercised.

26 Share capital, share premium and share options *(Continued)*

Share Option Scheme *(Continued)*

Movements in the number of such share options granted, and their related weighted average exercise prices during the year are as follows:

	Number of options	Weighted average exercise price HK$
At 1 January 2018	26,820,000	1.27
Lapsed	(6,410,000)	2.01
Exercised	(5,794,000)	0.60
Forfeited	(4,806,000)	1.77
At 31 December 2018 and 1 January 2019	**9,810,000**	**0.95**
Lapsed	**(2,420,000)**	**2.01**
Forfeited	**(2,300,000)**	**0.60**
At 31 December 2019	**5,090,000**	**0.60**

On 1 January 2019, 2,420,000 share options lapsed upon the expiry of the exercisable period ended 31 December 2018. During the year, 2,300,000 share options forfeited and therefore, the total number of lapsed/forfeited share options was 4,720,000 at 31 December 2019. At the end of the year, there were 5,090,000 (31 December 2018: 9,810,000) outstanding share options and all were exercisable (31 December 2018: all) up to 31 December 2019. The Company has no legal or constructive obligation to settle the share options in cash.

The outstanding share options as at 31 December 2019 were granted under the 2009 Share Option Scheme.

26 Share capital, share premium and share options *(Continued)*

Share Option Scheme *(Continued)*

Share options outstanding at the end of the year have the following exercisable periods and exercise prices:

Exercisable periods	Exercise price	**2019**	2018
1 January 2017 to 31 December 2018	HK$2.01	–	2,420,000
1 January 2018 to 31 December 2019	HK$0.60	**5,090,000**	7,390,000
At 31 December		**5,090,000**	9,810,000

No share options were exercised during the year ended 31 December 2019 (2018: 5,794,000).

The share options outstanding at 31 December 2019 will expire on 1 January 2020 (2018 weighted average remaining contractual life: 0.76 year).

The fair value of share options granted was determined using the Black-Scholes valuation model based on the following assumptions:

	Share options granted on 21 August 2014	Share options granted on 24 March 2017
Average fair value (HK$)	0.44	0.14
Closing share price on date of grant (HK$)	2.01	0.60
Exercise price (HK$)	2.01	0.60
Expected volatility	44.02%	51.86%
Expected option life	1.5-3.3 years	1.77 years
Risk free interest rate	0.11% to 0.86%	1.0%
Expected dividend yield	3.5%	4.69%

Expected volatility was determined based on the historical price volatility of shares of the Company. Changes in the subjective input assumptions may materially affect their fair value estimates.

27 Reserves

	Accumulated losses HK$'000	Merger reserves HK$'000 (note (a))	Other reserve HK$'000 (note (b))	Statutory reserves HK$'000 (note (c))	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2019	(443,332)	(217,064)	(37,623)	15,493	(72,231)	2,182	(752,575)
Impact of changes in accounting policy (Note 4)	(19,017)	–	–	–	–	–	(19,017)
Balance at 1 January 2019 (restated)	(462,349)	(217,064)	(37,623)	15,493	(72,231)	2,182	(771,592)
Comprehensive income							
Profit for the year	50,353	–	–	–	–	–	50,353
Other comprehensive expenses							
Remeasurements of post employment benefit obligations	(3,910)	–	–	–	–	–	(3,910)
Exchange differences on translation of foreign operations	–	–	–	–	(43,271)	–	(43,271)
Other comprehensive expenses for the year, net of tax	(3,910)	–	–	–	(43,271)	–	(47,181)
Total comprehensive income/ (expenses)	46,443	–	–	–	(43,271)	–	3,172
Transactions with owners							
Employee share option scheme – transfer to accumulated losses	1,541	–	–	–	–	(1,541)	–
Transfer from accumulated losses	(18,334)	–	–	18,334	–	–	–
Total transactions with owners	(16,793)	–	–	18,334	–	(1,541)	–
Balance at 31 December 2019	(432,699)	(217,064)	(37,623)	33,827	(115,502)	641	(768.420)

27 Reserves *(Continued)*

	Accumulated losses HK$'000	Merger reserves HK$'000 (note (a))	Other reserve HK$'000 (note (b))	Statutory reserves HK$'000 (note (c))	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2018	(166,463)	(217,064)	(37,623)	13,782	15,704	7,937	(383,727)
Impact of changes in accounting policies	(17,395)	–	–	–	(97)	–	(17,492)
Balance at 1 January 2018 (restated)	(183,858)	(217,064)	(37,623)	13,782	15,607	7,937	(401,219)
Comprehensive expense							
Loss for the year	(264,801)	–	–	–	–	–	(264,801)
Other comprehensive income/ (expenses)							
Remeasurements of post employment benefit obligations	1,283	–	–	–	–	–	1,283
Exchange differences on translation of foreign operations	–	–	–	–	(87,838)	–	(87,838)
Other comprehensive income/ (expenses) for the year, net of tax	1,283	–	–	–	(87,838)	–	(86,555)
Total comprehensive expenses	(263,518)	–	–	–	(87,838)	–	(351,356)
Transactions with owners							
Employee share option scheme							
– exercise of share options	790	–	–	–	–	(790)	–
– transfer to accumulated losses	4,965	–	–	–	–	(4,965)	–
Transfer from accumulated losses	(1,711)	–	–	1,711	–	–	–
Total transactions with owners	4,044	–	–	1,711	–	(5,755)	–
Balance at 31 December 2018	(443,332)	(217,064)	(37,623)	15,493	(72,231)	2,182	(752,575)

Notes:

(a) Merger reserves mainly represent the differences between the sum of the nominal value and share premium of the subsidiaries acquired under common control and the nominal value of shares of the Company issued in exchange on the purchase considerations.

(b) Other reserve resulted from the remaining acquisition of non-controlling interest.

(c) In accordance with the relevant rules and regulations in the Mainland China, Macau and France, the Group's subsidiaries registered in the respective countries are required to appropriate a certain percentage of the statutory profit after tax to the statutory general reserve fund until such reserve fund reaches certain percentage of the respective registered capital. Subject to certain restrictions set out in the relevant regulations in respective countries and in the subsidiaries' articles of association, the statutory general reserve fund may be used either to offset losses, or for capitalisation issue by way of paid-up capital. The fund cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

28 Provision for long service payments

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's defined contribution retirement scheme that is attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The liability recognised in the consolidated statement of financial position is the present value of unfunded obligations and its movements are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**625**	768
(Credited)/charged to the consolidated income statement – as shown below	**(361)**	856
Receipts/(payments) made during the year	**286**	(976)
Actuarial gains recognised in other comprehensive expenses	–	(23)
At 31 December	**550**	625

The amounts recognised in the consolidated income statement are as follows:

	2019 HK$'000	2018 HK$'000
Current service cost	**(386)**	825
Interest cost	**25**	31
Total, included in employee benefit expenses (included in 'General and administrative expenses')	**(361)**	856

The total credit of HK$361,000 (2018: charge of HK$856,000) was included in 'General and administrative expenses'.

The principal assumptions used as at 31 December are as follows:

	2019	2018
Discount rate	**1.6%**	2.5%
Future salary growth rate	**3.0%**	2.0%
Inflation rate	**2.4%**	2.3%

29 Retirement benefit obligations

	2019 HK$'000	2018 HK$'000
Statement of financial position obligations for:		
– Pension benefits	**13,992**	15,509

	2019 HK$'000	2018 HK$'000
Income statement charge for:		
– Pension benefits (included in 'General and administrative expenses')	**382**	556
Remeasurements for:		
– Pension benefits (included in 'Other comprehensive income/(expenses)')	**3,910**	(1,260)

The Group operates defined benefit pension plans in Taiwan and the UK respectively. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. (i) Taiwan: The latest independent actuarial valuation of the plan was prepared by Mercer (Taiwan) Limited, which is a member of the American Academy of Actuaries, based on the projected unit credit method as at 31 December 2019. (ii) UK: The latest independent actuarial valuation of the plan was prepared by Barnett Waddingham LLP, which is a member of the Institute and Faculty of Actuaries, based on the projected unit credit method as at 31 December 2019.

All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The majority of benefit payments are from trustee administered funds. Plan assets held in trusts are governed by local regulations and practice in each country. For the Taiwan and UK plans, responsibility for governance of the plans – including investment decisions and contribution schedules – lies mainly on the board of trustees.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2019 HK$'000	2018 HK$'000
Present value of funded obligations	**119,632**	109,898
Fair value of plan assets	**(105,640)**	(94,389)
Liability in the consolidated statement of financial position	**13,992**	15,509

29 Retirement benefit obligations *(Continued)*

The movement in the net defined benefit obligation over the year is as follows:

	Present value of obligation HK$'000	Fair value of plan assets HK$'000	Total HK$'000
At 1 January 2019	**109,898**	**(94,389)**	**15,509**
Current service cost	111	–	111
Interest expense/(income)	2,780	(2,509)	271
	2,891	(2,509)	382
Remeasurements:			
– Gain on plan assets, excluding interest income	–	(8,974)	(8,974)
– Losses from change in financial assumptions	13,080	–	13,080
– Gain from change in demographic assumptions	(2,625)	–	(2,625)
– Experience losses	2,429	–	2,429
	12,884	(8,974)	3,910
Contributions:			
– Employers	(3,257)	(2,897)	(6,154)
Payments from plans:			
– Benefit payments	(5,846)	5,846	–
Exchange differences	3,062	(2,717)	345
At 31 December 2019	**119,632**	**(105,640)**	**13,992**

29 Retirement benefit obligations *(Continued)*

The movement in the net defined benefit obligation over the year is as follows: *(Continued)*

	Present value of obligation HK$'000	Fair value of plan assets HK$'000	Total HK$'000
At 1 January 2018	127,796	(103,036)	24,760
Current service cost	171	–	171
Interest expense/(income)	2,847	(2,462)	385
	3,018	(2,462)	556
Remeasurements:			
– Loss on plan assets, excluding interest income	–	4,278	4,278
– Gains from change in financial assumptions	(5,529)	–	(5,529)
– Gains from change in demographic assumptions	(703)	–	(703)
– Experience losses	694	–	694
	(5,538)	4,278	(1,260)
Contributions:			
– Employers	(2,200)	(5,578)	(7,778)
Payments from plans:			
– Benefit payments	(5,732)	5,732	–
Exchange differences	(7,446)	6,677	(769)
At 31 December 2018	109,898	(94,389)	15,509

The defined benefit obligation and plan assets are composed by country as follows:

	2019			2018		
	Taiwan HK$'000	**UK HK$'000**	**Total HK$'000**	Taiwan HK$'000	UK HK$'000	Total HK$'000
Present value of obligation	**10,563**	**109,069**	**119,632**	13,582	96,316	109,898
Fair value of plan assets	**(5,546)**	**(100,094)**	**(105,640)**	(6,319)	(88,070)	(94,389)
Total	**5,017**	**8,975**	**13,992**	7,263	8,246	15,509

29 Retirement benefit obligations *(Continued)*

The significant actuarial assumptions were as follows:

	2019		2018	
	Taiwan	**UK**	Taiwan	UK
Discount rate	**0.80%**	**2.00%**	1.00%	2.80%
Future salary growth rate and/or inflation	**2.55%**	**2.40%**	2.25%	2.40%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. For Taiwan plans, pensioners are entitled to receive a lump sum amount upon retiring at age 65 or retiring at an earlier age when certain criteria are met. As such, assumptions translating into an average life expectancy in years for a pensioner retiring at age 65 are not applicable for Taiwan plans. For UK plan, these assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2019		2018	
	Taiwan	**UK**	Taiwan	UK
Retiring at the end of the year:				
– Male	**N/A**	**22**	N/A	22
– Female	**N/A**	**23**	N/A	24
Retiring 20 years after the end of year:				
– Male	**N/A**	**23**	N/A	23
– Female	**N/A**	**25**	N/A	25

The sensitivity of the retirement benefit obligations in Taiwan and UK plans to changes in the weighted principal assumption is:

		Impact on retirement benefit obligations			
		Increase in Assumption		Decrease in assumption	
	Change in assumption	**2019**	2018	**2019**	2018
(i) Taiwan plans:					
– Discount rate	0.50%	**Decrease by 12.88%**	Decrease by 10.51%	**Increase by 13.95%**	Increase by 11.39%
– Future salary growth rate	0.50%	**Increase by 13.68%**	Increase by 11.19%	**Decrease by 12.76%**	Decrease by 10.43%
(ii) UK plan:					
– Discount rate	0.10%	**Decrease by 21.52%**	Decrease by 21.50%	**Increase by 21.52%**	Increase by 21.50%
– Inflation	0.10%	**Increase by 16.99%**	Increase by 16.54%	**Decrease by 16.99%**	Decrease by 16.54%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the consolidated statement of financial position.

29 Retirement benefit obligations *(Continued)*

Plan assets are comprised as follows:

	2019		2018	
	Un-quoted HK$'000	**%**	Un-quoted HK$'000	%
Equities	**19,288**	**18%**	16,682	18%
Bonds and Gilts	**34,246**	**33%**	31,168	33%
Diversified Growth Fund	**52,014**	**49%**	46,171	49%
Cash	**92**	**0%**	368	0%
Total	**105,640**	**100%**	94,389	100%

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: It is legally required that the pension funds need to be deposited at the Bank of Taiwan. The plan assets are operated by the Taiwan government with minimum guaranteed return and individual company has no discretion on investment strategy.

The UK plan holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

Interest rate risk: The UK plan's liabilities are assessed using market yield on high quality corporate bonds to discount the liabilities. As the plan holds assets such as equities the value of the assets and liabilities may not move in the same way.

Investments are held as cash and fund in Taiwan. Investments are held as equities, bonds and gilts, diversified growth fund, property and cash in UK.

Funding levels are monitored on an annual basis and the current agreed contribution rate is 2% of pensionable salaries in Taiwan. The Group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly. For UK plan, it closed the defined benefit scheme to new entrants and introduced a defined contribution scheme for all employees joining after May 2001.

Expected contributions to post-employment benefit plans for the year ended 31 December 2019 are HK$ 1,402,000 (2018: HK$1,293,000).

The weighted average duration of the defined benefit obligation are 13.8 years (2018: 11.8 years) for Taiwan plans and 19.0 years (2018: 19.0 years) for UK plan respectively.

29 Retirement benefit obligations *(Continued)*

Expected maturity analysis of undiscounted pension benefits for Taiwan plans in the future 10 years:

At 31 December 2019	**Less than a year HK$'000**	**Between 1-2 years HK$'000**	**Between 2-5 years HK$'000**	**Between 5-10 years HK$'000**	**Total HK$'000**
Pension benefits	**185**	**99**	**354**	**2,210**	**2,848**

At 31 December 2018	Less than a year HK$'000	Between 1-2 years HK$'000	Between 2-5 years HK$'000	Between 5-10 years HK$'000	Total HK$'000
Pension benefits	900	129	949	3,197	5,175

30 Lease liabilities

	2019 HK$'000
Analysed for reporting purposes as:	
Current liabilities	**139,576**
Non-current liabilities	**245,863**
	385,439

Recognition upon initial application of HKFRS 16 at 1 January 2019	**382,721**
Exchange differences	**1,634**
Additions	**221,446**
Interest expenses	**19,256**
Payments	**(193,347)**
Disposals	**(40,534)**
Remeasurement	**(5,737)**
Closing net book amount	**385,439**

30 Lease liabilities *(Continued)*

The lease liabilities were measured at the present value of the remaining lease payments.

	2019 **HK$'000**
No later than 1 year	**145,831**
Later than 1 year but no later than 2 years	**84,395**
Later than 2 year but no later than 5 years	**79,096**
Later than 5 years	**76,117**
	385,439

31 Other payables and accruals

	2019 **HK$'000**	2018 HK$'000
Non-current		
Royalties payables (note (i))	–	56,098
Reinstatement provisions	**8,346**	5,921
	8,346	62,019
Current		
Royalties payables (note (i))	**83,711**	56,292
Value-added-tax payable	**26,121**	13,946
Sales deposits received	**20,298**	22,270
Lease incentive	**11,002**	9,802
Contract liabilities and other payables (note (ii))	**55,119**	37,392
Accrued expenses (note (iii))	**181,366**	177,723
	377,617	317,425
Total	**385,963**	379,444

Notes:

(i) The royalties payable represents the present value of minimum guaranteed royalties which were capitalised as definite life licences as disclosed in Note 18. The Group terminated the licence agreement on 27 March 2020 as disclosed in Note 41.

(ii) Revenue recognised in 2019 that was included in the contract liability balance at the beginning of the year amounted to HK$22,790,000 (2018: HK$18,726,000).

(iii) Accrued expenses include employee benefits cost amounted to HK$47,343,000 as at 31 December 2019 (2018: HK$51,531,000).

As at 31 December 2019 and 2018, the carrying amounts of the Group's other payables and accruals approximated their fair values.

32 Trade payables

	2019 HK$'000	2018 HK$'000
Trade payables	**205,781**	66,129

As at 31 December 2019 and 2018, the carrying amounts of the Group's trade payables approximated their fair values.

The credit period granted by creditors generally ranges from 30 days to 90 days. Ageing analysis by invoice date of trade payables is as follows:

	2019 HK$'000	2018 HK$'000
1-30 days	**23,011**	29,543
31-60 days	**13,089**	21,393
61-90 days	**25,495**	5,000
Over 90 days	**144,186**	10,193
	205,781	66,129

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
EUR	**64,854**	37,132
HKD	**32,108**	7,810
GBP	**3,506**	2,262
RMB	**550**	213
JPY	**255**	16
USD	**104,508**	18,696
	205,781	66,129

33 Contingent purchase consideration payable for acquisition

	2019 HK$'000	2018 HK$'000
Total contingent purchase consideration payable for acquisition (note)	**–**	–
Less: current portion of contingent purchase consideration payable for acquisition	**–**	–
Non-current portion of contingent purchase consideration payable for acquisition	**–**	–

Note: Balances represent management's best estimation of the fair values of contingent purchase consideration payable for the acquisition of Gieves & Hawkes trademark entities. Final amount of consideration settlement would be determined based on future performance of the acquired business.

34 Borrowings

	2019 HK$'000	2018 HK$'000
Current		
Bank overdrafts (Note 25)	–	73,725
Bank borrowings	**568,465**	1,036,534
Total borrowings	**568,465**	1,110,259

(a) The Group's bank borrowings are repayable as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	**568,465**	1,036,534

(b) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HKD	**477,655**	937,433
EUR	**54,331**	24,222
GBP	**11,232**	64,776
TWD	–	3,834
RMB	–	78,563
USD	**25,247**	1,431
	568,465	1,110,259

(c) The Group's current borrowings are subject to floating interest rates and the contractual repricing dates at the end of the reporting periods are within 6 months. The effective interest rates at the end of reporting period were as follows:

	2019	2018
HKD	**8.88%**	2.89%
EUR	**2.12%**	1.30%
GBP	**3.73%**	1.62%
USD	**3.87%**	3.36%
RMB	**N/A**	4.87%
TWD	**N/A**	1.95%

(d) The fair values of borrowings approximated their carrying amounts.

(e) As at 31 December 2019, the Group has unutilised banking facilities amounted to HK$50.1 million (2018: HK$123.6 million).

35 Cash generated from/(used in) operations

(a) Reconciliation of profit/(loss) before income tax to cash generated from/(used in) operations

	2019 **HK$'000**	2018 HK$'000
Profit/(loss) before income tax	**124,994**	(263,881)
Adjustments for:		
– Provision for impairment of loan receivables and remeasurement loss on derivative (Note 10)	**–**	2,918
– Gain on remeasurement of contingent purchase consideration payable for acquisition (Note 10)	**–**	(70,370)
– Interest income (Note 11)	**(25,957)**	(19,044)
– Interest expense (Note 11)	**58,916**	39,778
– Depreciation of property, plant and equipment (Note 17)	**51,928**	73,123
– Depreciation of right-of-use assets (Note 20)	**183,691**	–
– Amortisation of intangible assets (Note 18)	**53,200**	54,095
– Disposal of intangible assets (Note 18)	**51,185**	16,294
– Written off of royalty payables	**(56,455)**	(20,708)
– Provision for impairment of property, plant and equipment (Note 17)	**–**	9,172
– Net loss on disposal of property, plant and equipment (Note 8)	**2,613**	2,848
– Additional provision for impairment of trade receivables – net (Note 24)	**49,556**	6,856
– Net contributions to long service payment provision and retirement benefit obligation	**(4,294)**	(6,792)
– Remeasurement of right-of-use assets and lease liabilities	**(2,745)**	–
– Gain on disposal of right-of-use assets – net (Note 8)	**(3,458)**	–
– Foreign exchange gains	**(15,544)**	(2,580)
Changes in working capital		
– Inventories	**33,238**	(47,568)
– Trade and other receivables	**(467,541)**	(67,157)
– Trade and other payables	**202,163**	(145,893)
– Derivative financial instruments	**–**	890
– Balances with related parties	**69,322**	(172,719)
Cash generated from/(used in) operations	**304,812**	(610,738)

35 Cash generated from/(used in) operations *(Continued)*

(a) Reconciliation of profit/(loss) before income tax to cash generated from/(used in) operations *(Continued)*

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

	2019 HK$'000	2018 HK$'000
Net book amount (Note 17)	**5,197**	2,993
Net loss on disposal of property, plant and equipment (Note 8)	**(2,613)**	(2,848)
Proceeds from disposal of property, plant and equipment	**2,584**	145

(b) The reconciliation of liabilities arising from financing activities is as follows:

	2019 HK$'000	2018 HK$'000
Bank borrowings		
As at 1 January	**1,036,534**	1,507,562
Proceeds from borrowings	**259,594**	679,635
Repayment of borrowings	**(729,095)**	(1,147,988)
Amortisation of front end fee	**1,368**	1,554
Exchange differences	**64**	(4,229)
As at 31 December	**568,465**	1,036,534
Bank overdrafts	**–**	73,725
As at 31 December	**568,465**	1,110,259

	2019 HK$'000	2018 HK$'000
Lease liabilities		
Recognised on adoption of HKFRS 16 as at 1 January	**382,721**	–
Acquisition of leases	**221,446**	–
Repayment of lease liabilities	**(193,347)**	–
Non-cash movements	**(27,015)**	–
Exchange differences	**1,634**	–
As at 31 December	**385,439**	–

36 Contingent liabilities

Save as disclosed elsewhere in this report, the Group had no significant contingent liabilities as at 31 December 2019 and 2018.

37 Commitments

(a) Commitments under operating leases – group company as lessee

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The remaining lease terms are between 1 and 20 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. Certain contingent rent payments are determined based on turnover of respective stores.

The Group has recognised right-of-use assets for these leases, except for short term leases, see Note 4 and Note 20 for further information.

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2019 **HK$'000**	2018 HK$'000
No later than 1 year	**3,985**	246,024
Later than 1 year but no later than 5 years	–	242,178
Later than 5 years	–	78,248
	3,985	566,450

(b) Commitments under operating leases – group company as lessor

The Group had future aggregate lease receivables under non-cancellable operating leases as follows:

	2019 **HK$'000**	2018 HK$'000
No later than 1 year	–	2,687
Later than 1 year but no later than 5 years	–	10,749
Later than 5 years	–	2,195
	–	15,631

37 Commitments *(Continued)*

(c) Capital commitments

	2019 HK$'000	2018 HK$'000
Contracted but not provided for:		
Within 1 year	**192**	941

38 Related party transactions

(a) Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Transactions with related parties were determined on basis agreed by both parties and were conducted in the normal course of business.

Majority of the Group's related parties are companies associated with or controlled by Ruyi and companies controlled by Fung 1937. As defined in the Listing Rules, Ruyi and Fung 1937 are the substantial shareholders of the Company. Companies which Fung 1937 does not have control but with significant influence on ceased to be related parties to the Group in accordance with HKAS 24 (Revised) Related Party Disclosures.

The Group's connected transactions as defined in Chapter 14A of the Listing Rules are disclosed in the Connected Transactions section of the Directors' Report on pages 58 to 63. Other than the related party transactions disclosed elsewhere, significant related party transactions of the Group during the year were as follows:

38 Related party transactions *(Continued)*

(a) Significant related party transactions (Continued)

	Note	2019 HK$'000	2018 HK$'000
(i) Transactions with Ruyi Group			
Royalty income		**75,000**	44,000
Joining income		–	31,000
Purchase of goods		**13,357**	14,023
Royalty expenses			
– contingent royalty expenses		**2,631**	2,666
Sales of garments and fashion accessories		**1,755**	54,954
Service fee income from provision for management, advisory and administrative services		**49,730**	–
Reimbursement of operating cost	(iii)	**9,439**	9,062
(ii) Transactions with Fung 1937 and its subsidiaries			
Purchase of goods	(iii)	–	7
Transactions relating to sourcing activities	(i)	–	432,542
Cost reimbursements for sourcing related activities	(iii)	–	1,300
Sales of garments and fashion accessories		**17,805**	5,296
Management fee income for provision of accounting, information system and human resources services	(iii)	–	1,186
Service fee expense for provision of corporate compliance services, legal services, e-commerce and other administrative expenses	(iii)	**4,307**	9,792
Service charges for provision of logistics related services		–	10,942
Transfer of fixed assets		–	547
Rentals for property leasing and/or licensing		**5,430**	16,753
Rental deposits paid for property leasing and/or licensing	(iii)	–	208
Royalty expenses – amortisation of licences (Note 18)	(ii)	–	52,037
(iii) Transactions with other related parties			
Consultancy and advisory service fee paid to directors of subsidiaries of the Company	(iii)	**1,671**	1,701

38 Related party transactions *(Continued)*

(a) Significant related party transactions *(Continued)*

(i) The amounts stated which were made on normal commercial terms and conditions mutually agreed between the Group and the related companies as buying agent, include the sourcing service fee and the underlying purchases value.

	2019 **HK$'000**	2018 HK$'000
Sourcing service fee to related companies	–	43,000
FOB value of the underlying purchases	–	389,542
	–	432,542

(ii) For the year ended 31 December 2018, total royalty expense of HK$52,037,000 was amortised relating to the license rights of Kent & Curwen and Hardy Amies trademarks.

(iii) Included in these transactions, certain amounts are exempt from the reporting and disclosure requirements under the Listing Rules.

(b) Year-end balance with related parties

	2019 **HK$'000**	2018 HK$'000
Due from		
Ruyi Group	**113,319**	211,616
Fung 1937 and its subsidiaries	**1,042**	3,097
	114,361	214,713
Due to		
Ruyi Group	**34,098**	17,252
Fung 1937 and its subsidiaries	**2,511**	47,277
	36,609	64,529

Balances with related parties are trade in nature, current, unsecured, interest free and repayable on demand.

(c) The compensation paid or payable to key management personnel of the Group, including amounts paid to certain directors and certain of the highest paid employees as disclosed in Notes 14 and 15, is as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, bonuses and other short-term employee benefits	**20,760**	18,666
Pension costs – defined contribution plans	**315**	552
Total	**21,075**	19,218

(d) Save as disclosed above and directors' remuneration and individuals with highest emoluments as set out in Note 14 and Note 15 to the consolidated financial statements, the Group has no other material related party transactions during the year.

39 Statement of financial position and reserves movement of the Company

(a) Statement of financial position of the Company

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**2,163,370**	2,163,370
Current assets			
Prepayments and other receivable		**4,255**	3,817
Amounts due from subsidiaries		**3,329,964**	3,455,182
Cash and cash equivalents		**–**	153
		3,334,219	3,459,152
Total assets		**5,497,589**	5,622,522
EQUITY			
Capital and reserves attributable to the Company's Shareholders			
Share capital	26	**359,832**	359,832
Share premium	26	**4,410,347**	4,410,347
Reserves		**396,039**	404,203
Total equity		**5,166,218**	5,174,382
LIABILITIES			
Non-current liabilities			
Contingent purchase consideration payable for acquisition		**–**	–
Current liabilities			
Other payables and accruals		**5,767**	5,541
Amounts due to subsidiaries		**325,604**	442,599
		331,371	448,140
Total liabilities		**331,371**	448,140
Total equity and liabilities		**5,497,589**	5,622,522

Approved by the Board of Directors on 31 March 2020

QIU Yafu
Director

Paul David HAOUZI
Director

39 Statement of financial position and reserves movement of the Company *(Continued)*

(b) Reserves movement of the Company

	Retained earnings HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2019	**402,021**	**2,182**	**404,203**
Loss for the year	**(8,164)**	**–**	**(8,164)**
Employee share option scheme			
– transfer to retained earnings	**1,541**	**(1,541)**	**–**
Balance at 31 December 2019	**395,398**	**641**	**396,039**
Balance at 1 January 2018	345,164	7,937	353,101
Profit for the year	51,102	–	51,102
Employee share option scheme			
– transfer to retained earnings	5,755	(5,755)	–
Balance at 31 December 2018	402,021	2,182	404,203

40 Details of subsidiaries

As at 31 December 2019, the Company has direct and indirect interest in the following subsidiaries:

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Particulars of issued share capital/ paid-in capital	Interest held directly	Interest held indirectly
Trinity International Brands Holdings Limited	8 December 2006	British Virgin Islands	Investment holding	USD1	100%	–
Trinity Brands Limited	12 May 2006	British Virgin Islands	Investment holding	USD1	100%	–
Trinity Services Holdings Limited	8 December 2006	British Virgin Islands	Investment holding	USD1	100%	–
Marvinbond Limited	8 June 1993	British Virgin Islands	Investment holding	USD1	100%	–
Cerruti 1881 SAS	23 March 1967	France	Trading of garments & licensing	EUR11,485,166	–	100%
Cerruti Investment Pte. Ltd.	28 January 2011	Singapore	Holding of trademarks	SGD300,000	–	100%
Champion Distributions Limited	6 August 1997	Hong Kong	Investment holding & licensing	HK$1,000,000	–	100%
逸貿服飾銷售(上海)有限公司 (Champion Fashion Distributions (Shanghai) Ltd) (note)	27 June 2005	PRC	Inactive	RMB3,000,000	–	100%
卓誼(澳門)有限公司 (COL (Macau) Limited)	14 March 2007	Macau	Trading of garments	MOP100,000	–	100%
Concord Distributions Limited	25 June 1997	Hong Kong	Investment holding	HK$1,000,000	–	100%
永盈服飾銷售(上海)有限公司 (Concord Fashion Distributions (Shanghai) Ltd) (note)	18 May 2005	PRC	Inactive	RMB3,000,000	–	100%
利永(澳門)有限公司 (DBN (Macau) Limited)	16 August 2012	Macau	Inactive	MOP25,000	–	100%
Gieves and Hawkes International (BVI) Limited	23 January 2001	British Virgin Islands	Investment holding & holding of trademarks & licensing	USD1	–	100%
Gieves Limited	6 October 1971	England and Wales	Wholesaling, retailing & tailoring businesses and e-commerce operator	GBP10,100	–	100%
Gieves & Hawkes International Limited	15 March 1984	England and Wales	Trademark licensing	GBP250,000	–	100%
Gieves & Hawkes Limited	18 October 1979	England and Wales	Investment holding	GBP5,111,097	–	100%
Golden Palace Global Inc.	4 July 2000	British Virgin Islands	Investment holding	USD2	–	100%
Golden Palace Global (H.K.) Limited	30 July 2003	Hong Kong	Investment holding	HK$1,000,000	–	100%
永圖貿易(上海)有限公司 (Golden Palace Global Trading (Shanghai) Co., Ltd.) (note)	29 December 2000	PRC	Inactive	USD200,000	–	100%
LiFung Trinity Management (Singapore) Pte. Ltd.	21 March 2007	Singapore	Holding of trademarks	SGD300,000	–	100%

40 Details of subsidiaries *(Continued)*

As at 31 December 2019, the Company has direct and indirect interest in the following subsidiaries: *(Continued)*

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Particulars of issued share capital/ paid-in capital	Interest held directly	Interest held indirectly
Million Venture Inc.	28 August 2000	British Virgin Islands	Investment holding	USD2	–	100%
Million Venture (H.K.) Limited	30 July 2003	Hong Kong	Investment holding	HK$1,000,000	–	100%
逸倫貿易(上海)有限公司 (Million Venture Trading (Shanghai) Co., Ltd.) (note)	29 December 2000	PRC	Inactive	USD200,000	–	100%
Toga Investments France SARL	20 July 2006	France	Investment holding	EUR27,004,728	–	100%
Trinity Brands UK Limited	17 March 2016	England and Wales	Wholesaling, retailing & tailoring businesses and e-commerce operator	GBP1,000,000	–	100%
Trinity China Distributions (B.V.I.) Limited	23 July 2003	British Virgin Islands	Investment holding	HK$5,001,000	–	100%
Trinity China Distributions (H.K.) Limited	28 July 2003	Hong Kong	Investment holding & trading of garments	HK$5,000,000	–	100%
利永(上海)時裝商貿有限公司 (Trinity China Distributions (Shanghai) Limited) (note)	27 October 2006	PRC	Inactive	RMB3,000,000	–	100%
利宜貿易(上海)有限公司 (Trinity China Distributions Trading (Shanghai) Limited) (note)	29 December 2000	PRC	Inactive	USD200,000	–	100%
利邦(上海)服裝貿易有限公司 (Trinity Distributions & Retails (Shanghai) Limited) (note)	27 October 2006	PRC	Trading of garments	RMB160,000,000	–	100%
Trinity Fashions Limited	21 December 2006	Hong Kong	Investment holding	HK$5,000,000	–	100%
Trinity International Brands Limited	18 May 2006	Hong Kong	Investment holding, trading of garments and wholesaling	HK$5,000,000	–	100%
Trinity (Business Wear) Limited	2 February 1973	Hong Kong	Inactive	HK$3,900,000	–	100%
Trinity (Management Services) Limited	6 April 2006	Hong Kong	Provision of management services	HK$1	–	100%
Trinity Luxury Brands Holdings Limited	11 October 1999	British Virgin Islands	Investment holding	USD1	–	100%
Trinity Retail Limited	24 July 1979	Hong Kong	Trading of garments	HK$500,000	–	100%
Trinity Retail (H.K.) Limited	8 December 1978	Hong Kong	Trading of garments & licensing	HK$25,000,000	–	100%
Trubest Limited	25 June 1997	Hong Kong	Trading of garments	HK$200,000	–	100%
利邦品牌管理(山東)有限公司 (Trinity Brand Management (Shandong) Co. Ltd) (note)	14 May 2018	PRC	Wholesaling of garments	RMB 600,000,000	–	100%

Note: These companies are foreign-owned enterprises registered in the PRC and the English names are only transliteration or translation of the Chinese names.

41 Events after the reporting period

Termination of licensing agreement with Seven Global

On 15 September 2015, the Group entered into a licence agreement with Seven Global for a term starting from 15 September 2015 and ending on 31 December 2020 (the "Licence Agreement"). Under the terms of the Licence Agreement, Seven Global granted to the Group, among other things, certain rights to use the trademarks "BECKHAM" and "DAVID BECKHAM" and Mr David BECKHAM's image, name, voice and likeness in the promotion, design, manufacture and distribution of certain products under the "Kent & Curwen" brand.

On 27 March 2020, the Group terminated the Licence Agreement without any compensation or penalty and a payment schedule for the outstanding royalty payments of US$10,750,000 as incurred under the Licence Agreement up to 31 December 2019 was agreed between both parties.

Business risk arising from COVID-19

Following the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across Greater China and Europe, including extension of the Chinese New Year holidays nationwide, postponement of work resumption after the Chinese New Year holidays in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing.

At this point in time the Group cannot determine the duration of the COVID-19 outbreak and therefore the Group is not yet able to quantify the full financial impact. In the case of a prolonged COVID-19 crisis, the Group expects local retail business to be greatly impacted and this may potentially affect the Group's business performance in the first half of 2020. Management has taken relevant actions to minimise the unfavourable impact to the Group. The Group will pay close attention to the development and evaluate its impact on the financial position and operating results.

The COVID-19 outbreak is a non-adjusting event after the financial year end and does not result in any adjustments to the consolidated financial statements for the year ended 31 December 2019.

Financial Summary

The following table summarises the consolidated results, assets and liabilities of the Group for the five years ended 31 December:

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Consolidated results					
Revenue	1,914,053	1,776,962	1,701,334	1,723,138	**1,962,226**
Core operating profit/(loss) (note)	(273,444)	(406,485)	(440,993)	(248,102)	**161,336**
Profit/(loss) before income tax	(128,964)	(440,910)	(607,458)	(263,881)	**124,994**
Income tax	40,446	(566)	(890)	(920)	**(74,641)**
Profit/(loss) for the year	(88,518)	(441,476)	(608,348)	(264,801)	**50,353**
Attributable to:					
Shareholders of the Company	(88,518)	(441,476)	(608,348)	(264,801)	**50,353**
Assets					
Non-current assets	3,911,719	3,790,130	3,612,469	3,506,768	**3,749,049**
Current assets	1,121,142	1,272,656	1,216,568	2,452,293	**2,221,166**
Total assets	5,032,861	5,062,786	4,829,037	5,959,061	**5,970,215**
Equity and liabilities					
Total equity	3,190,598	2,700,960	2,167,776	4,017,604	**4,001,759**
Liabilities					
Non-current liabilities	882,060	1,254,321	930,695	371,869	**578,415**
Current liabilities	960,203	1,107,505	1,730,566	1,569,588	**1,390,041**
Total liabilities	1,842,263	2,361,826	2,661,261	1,941,457	**1,968,456**
Total equity and liabilities	5,032,861	5,062,786	4,829,037	5,959,061	**5,970,215**

Note:

Core operating profit/(loss) includes profit/(loss) of the retail, wholesale and licensing businesses before net finance costs, income tax, gain on remeasurement of contingent purchase consideration payable for acquisition and material gains or losses which are of capital nature or non-operational related and share of results of associated companies.

Additional Information

Sales summary

For the year ended 31 December 2019

	Change in Total Sales HK$	Change in Same Store Sales HK$
Retail		
Mainland China	**-14.9%**	**-5.3%**
Hong Kong & Macau	**-26.9%**	**-25.5%**
Taiwan	**-11.9%**	**-14.4%**
Rest of the World	**-10.9%**	**-7.1%**
Retail Subtotal	**-18.5%**	**-13.8%**
Wholesale and Licensing	**+207.7%**	
Group Total	**+13.9%**	

Headcount summary

As at 31 December 2019 and 2018

	Greater China		Europe		Total	
	2019	2018	**2019**	2018	**2019**	2018
Retail staff	**1,053**	1,210	**45**	57	**1,098**	1,267
Office staff	**400**	444	**101**	85	**501**	529
Total	**1,453**	1,654	**146**	142	**1,599**	1,796

Information for Investors

Listing Information

Listing	**Hong Kong Stock Exchange**
Stock Code	**891**

Share Information

Board lot size of shares	**2,000**
Shares in issue as at 31 December 2019	**3,598,322,883**
Market capitalisation as at 31 December 2019	**HK$831 million**

Financial Calendar

Announcement of 2019 Interim Results	**22 August 2019**
Announcement of 2019 Annual Results	**31 March 2020**
Closure of Register of Members	**25 May 2020 to 28 May 2020 (both days inclusive)**
Record Date for the 2020 AGM	**28 May 2020**
2020 AGM	**28 May 2020**

Closure of Register of Members for the 2020 AGM

In order to determine the eligibility to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2020 AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 22 May 2020.

Enquiries Contact

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Glossary

2009 Share Option Scheme	the old share option scheme of the Company adopted by Shareholders on 16 October 2009 and expired on 2 November 2019
2019 Interim Report	the interim report for the six months ended 30 June 2019 of the Company
2020 AGM	the upcoming annual general meeting of the Company scheduled to be held on 28 May 2020
associate(s)	has the meaning ascribed to this term under the Listing Rules
Audit Committee	the audit committee of the Board
Board	the board of directors of the Company
Board Chairman	chairman of the Board
Board Committees	the committees established by the Board comprising, currently, the Audit Committee, the Nomination Committee and the Remuneration Committee
Board Practices	the document containing, among others, the practices, authority and responsibilities of the Board adopted on 12 November 2015 (as amended from time to time)
Bye-laws	the bye-laws of the Company (as amended from time to time)
CAGRs	compound annual growth rates
CEO	Chief Executive Officer of the Group
CGU(s)	cash generating unit(s)
Company or **Trinity**	Trinity Limited
connected person	has the meaning ascribed to this term under the Listing Rules
controlling shareholder	has the meaning ascribed to this term under the Listing Rules
Corporate Governance Code	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
Director(s)	director(s) of the Company
EUR	Euros, the lawful currency of European Union
Executive Director(s)	executive director(s) of the Company
Fung 1937	Fung Holdings (1937) Limited, a substantial shareholder of the Company
GBP	Great Britain Pounds, the lawful currency of the UK
Greater China	Mainland China, Hong Kong, Macau and Taiwan
Group or **Trinity Group**	the Company and its subsidiaries

Guiding Principles on Dealings	the Guiding Principles on Dealings in Securities and Equity Derivatives adopted by the Company to govern dealings in the securities of the Company by Directors and relevant employees of the Group
HKAS(s)	Hong Kong Accounting Standard(s)
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSAs	Hong Kong Standards on Auditing
HK$ or **HKD**	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of PRC
Hong Kong Stock Exchange or **Stock Exchange**	The Stock Exchange of Hong Kong Limited
Independent Non-executive Director(s)	independent non-executive director(s) of the Company
JPY	Japanese Yen, the lawful currency of Japan
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Macau	Macau Special Administrative Region of PRC
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
MOP	Macao Patacas, the lawful currency of Macau
Nomination Committee	the nomination committee of the Board
Non-executive Director(s)	non-executive director(s) of the Company
PRC	The People's Republic of China
Remuneration Committee	the remuneration committee of the Board
Renown	Renown Incorporated, a non-wholly owned subsidiary of Ruyi listed on the Tokyo Stock Exchange, and an associate of the Company
RMB	Renminbi, the lawful currency of PRC
Ruyi	北京如意時尚投資控股有限公司(Beijing Ruyi Fashion Investment Holding Company Limited), the controlling shareholder of the Company
Ruyi Group	Ruyi and its subsidiaries and associates (excluding the Group)
Ruyi HK	Forever Winner International Development Limited, a non-wholly owned subsidiary of Ruyi and an associate of the Company

Seven Global	Seven Global LLP. an associate of the Company
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SGD	Singapore dollars, the lawful currency of Singapore
share(s)	share(s) of the Company (unless the context requires otherwise)
Shareholders	holder(s) of share(s) of the Company
SMCP	SMCP S.A., a non-wholly owned subsidiary of Ruyi listed on Euronext Paris, and an associate of the Company
substantial shareholder	has the meaning ascribed to this term under the Listing Rules
TWD	Taiwan dollars, the lawful currency of Taiwan
UK	United Kingdom
US$ or **USD**	United States dollars, the lawful currency of the US
US	United States of America

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