MAINLAND HEADWEAR HOLDINGS LIMITED
飛達帽業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1100)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board"/"Directors") of Mainland Headwear Holdings Limited (the "Company") is pleased to announce the financial results of the Company and its subsidiaries (collectively the "Group"/"Mainland Headwear") for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December t2019

	Note	**2019** **HK$'000**	2018 *HK$'000* (Restated) *(Note 1(a))*
Revenue	2	**1,146,834**	885,933
Cost of sales		**(800,622)**	(619,642)
Gross profit		**346,212**	266,291
Other income		**10,842**	11,300
Other gains — net	3	**7,678**	949
Selling and distribution costs		**(120,248)**	(77,236)
Administration expenses		**(163,745)**	(117,016)
Net impairment losses on financial assets		**(2,743)**	(1,126)
Profit from operations		**77,996**	83,162
Finance income	4	**1,860**	1,444
Finance costs	4	**(8,883)**	(251)
Finance (costs)/income − net		**(7,023)**	1,193
Profit before income tax	5	**70,973**	84,355
Income tax expense	6	**(9,302)**	(3,390)
Profit from continuing operations		**61,671**	80,965
Discontinued operations			
Profit/(loss) from discontinued operations (attributable to owners of the Company)	13	**1,172**	(13,619)
Profit for the year		**62,843**	67,346

* *For identification purpose only*

	Note	**2019** **_HK$'000_**	2018 *HK$'000* (Restated) *(Note 1(a))*
Profit attributable to:			
Owners of the Company		**58,213**	62,513
Non-controlling interests		**4,630**	4,833
		62,843	67,346

		2019	2018 (Restated) *(Note 1(a))*
Earnings per share for the profit attributable to owners of the Company	7		
From continuing and discontinued operations			
Basic (HK cents per share)		**14.36**	15.42
Diluted (HK cents per share)		**14.35**	15.27
From continuing operations			
Basic (HK cents per share)		**14.07**	18.78
Diluted (HK cents per share)		**14.06**	18.60

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019** **HK$'000**	2018 *HK$'000* (Restated) *(Note 1(a))*
Profit for the year		**62,843**	67,346
Other comprehensive loss, net of tax			
Items that has been or may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(724)**	(9,550)
Release of exchange reserve upon disposal of a subsidiary	13	**(2,173)**	—
Total comprehensive income for the year, net of tax		**59,946**	57,796
Total comprehensive income attributable to:			
Owners of the Company		**55,363**	53,658
Non-controlling interests		**4,583**	4,138
Total comprehensive income for the year		**59,946**	57,796
Attributable to:			
Continuing operations		**59,172**	71,699
Discontinued operations		**774**	(13,903)
		59,946	57,796

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**425,480**	376,838
Right-of-use assets		**23,861**	—
Investment properties		**42,375**	41,061
Goodwill		**22,511**	33,798
Other intangible assets		**27,538**	11,980
Deferred income tax assets		**2,404**	2,189
Financial assets at fair value through profit or loss		**7,513**	21,746
Other financial assets at amortised cost	9	**821**	81
		552,503	487,693
Current assets			
Inventories		**275,402**	208,656
Other current assets	10	**10,637**	29,174
Other financial assets at amortised cost	9	**26,102**	17,662
Trade receivables	9	**319,553**	215,401
Financial assets at fair value through profit or loss		**31,348**	11,078
Tax recoverable		—	823
Short-term bank deposits		—	3,852
Cash and cash equivalents		**112,549**	97,254
		775,591	583,900
Total assets		**1,328,094**	1,071,593
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**40,532**	40,532
Other reserves		**221,523**	226,938
Retained earnings		**480,128**	437,856
		742,183	705,326
Non-controlling interests		**13,751**	9,168
Total equity		**755,934**	714,494

	Note	2019 *HK$'000*	2018 *HK$'000*
LIABILITIES			
Non-current liabilities			
Other payables	11	**13,096**	2,572
Borrowings		**—**	609
Lease liabilities		**15,584**	—
Deferred income tax liabilities		**4,221**	3,892
		32,901	7,073
Current liabilities			
Trade and other payables	11	**244,717**	183,787
Amount due to a non-controlling interest		**537**	713
Borrowings		**272,919**	149,412
Lease liabilities		**8,899**	—
Current income tax liabilities		**12,187**	16,114
		539,259	350,026
Total liabilities		**572,160**	357,099
Total equity and liabilities		**1,328,094**	1,071,593
Net current assets		**236,332**	233,874
Total assets less current liabilities		**788,835**	721,567

Notes

1. 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.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss ("FVPL") and investment properties, which are measured at fair values.

During year ended 31 December 2019, the Group disposed its entire issued share capital of Shanghai CYF Company Limited ("Shanghai CYF") to an independent third party, at a total consideration of RMB11,045,000 (equivalent to approximately HK$12,401,000), (the "Disposal").

Shanghai CYF is engaged in the retail business of selling Sanrio products in the People's Republic of China (the "PRC"). In addition to the Disposal, the Group also closed all its headwear stores operated under the Hatworld brand ("Hatworld") in Hong Kong during the current year. Accordingly, the financial results of the Shanghai CYF and Hatworld are presented in the consolidated statement of profit or loss for the year ended 31 December 2019, as discontinued operations of the Group in accordance with HKFRS 5 "Non-current Assets Held for Sales and Discontinued Operation" issued by the Hong Kong Institute of Certified Public Accountants. Comparative figures for the year ended 31 December 2018 have also been restated to conform with the presentation for the current year (note 13).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group had changed its accounting policies as a result of adopting HKFRS 16 Leases ("HKFRS 16").

The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standards on 1 January 2019.

The impact of the adoption of the HKFRS 16 is disclosed below. The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

Accounting policy applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of 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. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis and stated at initially recognised amount less depreciation and impairment losses.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

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

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

— the amount of the initial measurement of lease liability

— prepayment, and

— any initial direct costs

Impact of adoption

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

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

— applying a single discount rate to a portfolio of lease with reasonably similar characteristics; and

— accounting for operating lease with a remaining lease term of less than 12 months as at 1 January 2019 as short-term lease.

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

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 ("HKAS 17"). 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 (date of initial application of HKFRS 16). The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.8%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. 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 at 1 January 2019, the date of initial application, the adoption of HKFRS 16 does not have significant impact to the Group in relation to a lease previously classified as finance lease under HKAS 17.

On adoption of HKFRS 16, the Group did not need to make any adjustments to the accounting for investment properties held as lessor as a result of adopting the new leasing standard.

The reconciliation between the operating lease commitments as disclosed by applying HKAS 17 as at 31 December 2018 and the lease liabilities recognised in the opening of the consolidated balance sheet as at 1 January 2019 (date of initial application of HKFRS 16) is as follows:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	16,350
Discounted using the lessee's incremental borrowing rate at the date of initial application	14,818
Add:	
Finance lease liability recognised as at 31 December 2018 reclassified from borrowings	792
Less:	
Short-term leases recognised on a straight-line basis as expense	(1,148)
Lease liabilities recognised as at 1 January 2019	14,462
Of which are:	
— Non-current lease liabilities	10,237
— Current lease liabilities	4,225
	14,462

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy increased right-of-use assets in the opening of the consolidated balance sheet on 1 January 2019 by HK$14,527,000, including reclassification of property, plant and equipment held under finance lease of HK$857,000 to right-of-use assets and lease liabilities of HK$14,462,000 including finance lease liability of HK$792,000. The recognised right-of-use assets of HK$14,527,000 are related to properties and a motor vehicle. The Group did not need to make any adjustments to the accounting for the assets held as lessor as a result of adopting HKFRS 16.

(ii) Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision maker. The executive directors have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

The executive directors assess the performance of the operating segments based on reportable segment profit/(loss), excluding fair value gains/(loss) and interest income on financial assets at FVPL, gain on disposal of a financial asset of FVPL, fair value gains on investment properties, share-based payment expense, finance income and costs and income tax expense.

The executive directors consider the business from a business perspective whereby management assesses the performance of business operations by segment as follows:

Continuing operations:

(i) Manufacturing Business: The Group manufactures headwear products for sale to its Trading Business and Retail Business as well as to external customers. The principal manufacturing facilities are located in Bangladesh and Shenzhen, the PRC. Customers are mainly located in the United States of America (the "USA") and Europe.

(ii) Trading Business: The trading and distribution of headwear, apparel, small leather goods, bags and accessories of the Group is operating through Drew Pearson International (Europe) Ltd., ("DPI Europe") which focuses on the Europe market, and H3 Sportgear LLC ("H3"), San Diego Hat Company ("SDHC") and Aquarius Ltd ("AQ") which focus on the USA market.

Discontinued operations (note 13):

Retail Business: The Group operates headwear stores in Hong Kong and the Sanrio stores in the PRC.

	Continuing operations (Restated) *(note 1(a))*						Discontinued operations (Restated) *(note 1(a))*	
	Manufacturing		Trading		Total		Retail	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**670,327**	672,790	**476,507**	213,143	**1,146,834**	885,933	**32,399**	55,560
Inter-segment revenue	**72,834**	56,144	**—**	—	**72,834**	56,144	**—**	—
Reportable segment revenue	**743,161**	728,934	**476,507**	213,143	**1,219,668**	942,077	**32,399**	55,560
Reportable segment profit/(loss)	**104,951**	108,673	**(21,986)**	(19,218)	**82,965**	89,455	**(1,661)**	(13,677)
Gain on disposal of a subsidiary *(note 13)*					**—**	—	**2,857**	—
Financial assets at fair value through profit or loss *(note 3)*								
— fair value gains/(losses)					**806**	(1,375)	**—**	—
— interest income					**643**	830	**—**	—
Gain on disposal of a financial asset at fair value through profit or loss					**5,312**	—	**—**	—
Fair value gains on investment properties					**1,314**	290	**—**	—
Share-based payment expense					**(1,760)**	(3,050)	**—**	—
Unallocated corporate income					**9,944**	10,155	**—**	—
Unallocated corporate expenses					**(21,228)**	(13,143)	**—**	—
Profit/(loss) from operations					**77,996**	83,162	**1,196**	(13,677)
Finance income					**1,860**	1,444	**—**	83
Finance costs					**(8,883)**	(251)	**(25)**	(25)
Income tax (expense)/credit					**(9,302)**	(3,390)	**1**	—
Profit/(loss) for the year					**61,671**	80,965	**1,172**	(13,619)
Depreciation of property, plant and equipment	**16,765**	17,521	**9,664**	5,433	**26,429**	22,954	**778**	1,263
Depreciation of right-of-use assets	**11,128**	—	**3,206**	—	**14,334**	—	**398**	—
Amortisation of other intangible assets	**—**	—	**12,675**	7,464	**12,675**	7,464	**—**	—
Impairment of goodwill *(note 5)*	**—**	—	**(11,310)**	—	**(11,310)**	—	**—**	—

	Manufacturing		Trading		Retail		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**579,949**	501,729	**540,119**	371,842	**—**	20,019	**1,120,068**	893,590
Investment properties							**42,375**	41,061
Deferred income tax assets							**2,404**	2,189
Financial assets at fair value through profit or loss							**38,861**	32,824
Tax recoverable							**—**	823
Short-term bank deposits							**—**	3,852
Cash and cash equivalents							**112,549**	97,254
Other corporate assets							**11,837**	—
Total assets							**1,328,094**	1,071,593
Reportable segment liabilities	**192,305**	144,724	**76,998**	18,519	**—**	21,255	**269,303**	184,498
Deferred income tax liabilities							**4,221**	3,892
Current income tax liabilities							**12,187**	16,114
Borrowings							**272,919**	150,021
Other corporate liabilities							**13,530**	2,574
Total liabilities							**572,160**	357,099
Capital expenditure incurred during the year	**91,969**	63,412	**39,811**	80,177	**—**	313	**131,780**	143,902

Segment assets exclude investment properties, deferred income tax assets, financial assets at FVPL, tax recoverable, short-term bank deposits and cash and cash equivalents. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarters.

Capital expenditure incurred during the year comprises additions to property, plant and equipment, intangible assets and right-of-use assets, including additions resulting from acquisition through business combinations.

(i) Revenue from external customers

The Group's revenue from external customers is divided into the following geographical areas based on the location at which the goods were delivered:

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
		(Note 1(a))
Continuing operations:		
USA	**962,842**	685,307
Europe	**87,345**	101,762
PRC	**16,469**	15,545
Hong Kong	**15,841**	12,376
Others	**64,337**	70,943
	1,146,834	885,933
Discontinued operations:		
PRC	**31,711**	47,718
Hong Kong	**688**	7,842
	32,399	55,560
Total	**1,179,233**	941,493

During the year ended 31 December 2019, revenue derived from the Group's largest customer (who is a group of affiliated companies of a shareholder) amounted to HK$427,138,000 or 37.2% of the Group's revenue from continuing operations (2018: HK$447,405,000 or 50.5%). These revenues were attributable to the Manufacturing Business.

(ii) Non-current assets

The geographical location of the non-current assets is based on the location of operations and physical location of the asset:

	2019	2018
	HK$'000	*HK$'000*
USA	**248,413**	260,007
Bangladesh	**202,287**	143,146
PRC	**49,229**	37,592
Europe	**7,164**	7,603
Hong Kong	**7,955**	3,430
	515,048	451,778
Other intangible assets	**27,538**	11,980
Deferred income tax assets	**2,404**	2,189
Financial assets at fair value through profit or loss	**7,513**	21,746
	552,503	487,693

3. OTHER GAINS — NET

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
		(Note 1(a))
Financial assets at fair value through profit or loss		
— fair value gain/(loss)	**806**	(1,375)
— interest income of unlisted convertible bonds in Hong Kong	**643**	830
Gain on disposal of a financial asset at fair value through profit or loss	**5,312**	—
Net foreign exchange (loss)/gain	**(397)**	1,204
Fair value gains on investment properties	**1,314**	290
	7,678	949

4. FINANCE (COSTS)/INCOME — NET

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
		(Note 1(a))
Interest on bank loans, overdrafts and other borrowings	**(9,325)**	(3,699)
Interest on lease liabilities	**(1,094)**	—
Interest accretion on licence fee payables	**(697)**	(220)
	(11,116)	(3,919)
Amount capitalised	**2,233**	3,668
Interest costs	**(8,883)**	(251)
Interest income	**1,860**	1,444
Finance (costs)/income — net	**(7,023)**	1,193

5. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging:

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
		(Note 1(a))
Depreciation of property, plant and equipment	**26,429**	22,954
Depreciation of right-of-use assets	**14,334**	—
Amortisation of other intangible assets	**12,675**	7,464
Net impairment losses on trade receivables	**2,743**	1,126
Net provision for inventories	**597**	3,752
Impairment of goodwill *(note)*	**11,310**	—

Note: SDHC is mainly engaged in the trading of headwear and related accessories in the USA. Its customers are mainly retailers, whose operation was significantly challenged by the macro environment during the year ended 31 December 2019. In addition, SDHC mainly sources its products from China, the increased tariff on import products arising from China-USA trade war added another cost burden to its operation. Despite SDHC placed a significant amount of effort on marketing and advertising activities, its actual results fell short of expectation, and SDHC suffered from an operational loss during the year ended 31 December 2019. In view of the loss suffered by SDHC, the uncertainties over the future profitability of its business model as well as the Group's resources to place on this operation, the management considers an impairment indicator existed as at 31 December 2019. A full impairment of HK$11,310,000 was made during the year ended 31 December 2019. For the purpose of goodwill impairment assessment, the Group revised its cash flow forecasts of this CGU. The management has assessed the recoverable amount of SDHC as at 31 December 2019 based on the value in use. The recoverable amount is lower than the carrying amount of this CGU and this shortfall leads to full impairment of goodwill of approximately HK$11,310,000 for the year ended 31 December 2019. The impairment of goodwill has been included in administration expenses in the consolidated statement of profit or loss.

6. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current year		
— Hong Kong profits tax	**1,440**	700
— Overseas tax	**9,990**	7,828
	11,430	8,528
Over-provision in prior years		
— Hong Kong profits tax	**(1,973)**	(2,240)
— Overseas tax	**(1,308)**	(2,406)
	(3,281)	(4,646)
Deferred income tax	**1,152**	(492)
	9,301	3,390
Income tax expense/(credit) is attributable to:		
Profit from continuing operations	**9,302**	3,390
Loss from discontinued operations	**(1)**	–
	9,301	3,390

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

Unimas Sportswear Ltd. (“Unimas”), a subsidiary of the Group, operates in Bangladesh. Pursuant to the sixth schedule of the Income Tax Ordinance, Unimas is entitled to a reduction of the corporate income tax from 35% to 17.5% for income from its export business for the year ended 31 December 2019 (2018: same).

7. EARNINGS PER SHARE

(a) Basic

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

	2019	2018 (Restated) *(Note 1(a))*
Profit attributable to owners of the Company *(HK$'000)*		
— Continuing and discontinued operations	**58,213**	62,513
— Continuing operations	**57,041**	76,132
Weighted average number of ordinary shares in issue	**405,323,284**	405,297,942
Basic earnings per share *(HK cents)*		
— Continuing and discontinued operations	**14.36**	15.42
— Continuing operations	**14.07**	18.78

(b) Diluted

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

	2019	2018 (Restated) *(Note 1(a))*
Profit attributable to owners of the Company *(HK$'000)*		
— Continuing and discontinued operations	**58,213**	62,513
— Continuing operations	**57,041**	76,132
Weighted average number of ordinary shares in issue	**405,323,284**	405,297,942
Adjustment for share options	**356,469**	4,090,282
Weighted average number of ordinary shares for diluted earnings per share	**405,679,753**	409,388,224
Diluted earnings per share *(HK$ cents)*		
— Continuing and discontinued operations	**14.35**	15.27
— Continuing operations	**14.06**	18.60

8. DIVIDENDS

A final dividend in respect of the year ended 31 December 2019 of 3 HK cents per share, amounting to a total dividend of HK$12,160,000, is to be proposed at the upcoming annual general meeting. These financial statements do not reflect this dividend payable. The amount of proposed final dividend for 2019 was based on 405,323,284 (2018: 405,323,284) shares in issue as at 31 December 2019.

	2019 *HK$'000*	2018 *HK$'000*
Interim dividend of 2 HK cents (2018: 2 HK cents) per share	**8,106**	8,106
Proposed final dividend of 3 HK cents (2018: 3 HK cents) per share	**12,160**	12,160
	20,266	20,266

9. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS AT AMORTISED COST

	2019 *HK$'000*	2018 *HK$'000*
Trade receivables	**324,841**	217,946
Less: provision for impairment losses	**(5,288)**	(2,545)
Trade receivables, net	**319,553**	215,401
Other financial assets at amortised cost	**26,923**	17,743
	346,476	233,144
Less: non-current portion of other financial assets at amortised cost	**(821)**	(81)
Current portion	**345,655**	233,063

The carrying amounts approximate their fair values

(a) The majority of the Group's sales are with credit terms of 30–180 days. The ageing analysis of trade receivables based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**109,326**	74,305
31–60 days	**82,083**	58,945
61–90 days	**59,834**	38,412
91–120 days	**31,525**	19,842
Over 121 days	**42,073**	26,442
	324,841	217,946

(b) Impairment and risk exposure

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit loss which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit loss, trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance, the remaining trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

During the year ended 31 December 2019, based on management's assessment, the Group recorded impairment loss for trade receivables of HK$2,743,000 (2018: HK$1,126,000) in the consolidated statement of profit or loss. Trade receivables of HK$3,074,000, which are still subject to enforcement activity, were determined as uncollectible and were written off against trade receivables during the year ended 31 December 2018. There is no trade receivable written off during the year ended 31 December 2019.

The movement in provision for impairment loss of trade receivables during the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**2,545**	4,515
Net provision for impairment loss for the year *(Note 5)*	**2,743**	1,126
Uncollectible amounts written off	**—**	(3,074)
Exchange difference	**—**	(22)
At 31 December	**5,288**	2,545

The Group does not hold any collateral over the impaired receivables.

10. OTHER CURRENT ASSETS

	2019	2018
	HK$'000	*HK$'000*
Prepayments	**7,702**	24,083
Others	**2,935**	5,091
	10,637	29,174

11. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**126,146**	77,276
Bill payables	**1,534**	11,867
Accrued charges and other payables	**130,133**	97,216
	257,813	186,359
Less: other non-current payables	**(13,096)**	(2,572)
Current portion	**244,717**	183,787

The ageing analysis of the Group's trade payables based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**65,867**	38,432
31–60 days	**35,568**	21,336
61–90 days	**17,884**	12,429
Over 90 days	**6,827**	5,079
	126,146	77,276

12. BUSINESS COMBINATION

Pursuant to an agreement signed between Mainland Aquarius Investments Ltd ("Mainland Aquarius"), a wholly-owned subsidiary of the Company, and the sole shareholder of AQ, Mainland Aquarius acquired the entire issued share capital of AQ at a cash consideration ranging from US$7,000,000 (equivalent to HK$54,460,000) to US$9,000,000 (equivalent to HK$70,020,000), depending on the profitability of AQ for the year ended 30 April 2019. The consideration was eventually determined to be US$8,751,000 (equivalent to approximately HK$68,086,000)

Upon completion of the acquisition on 30 May 2019, AQ became a wholly-owned subsidiary of the Group. Acquisition-related costs of HK$4,069,000 have been charged to administration expenses in the consolidated statement of profit or loss and in operating cash flows in the consolidated cash flow statement for the year ended 31 December 2019.

The goodwill is attributable to a number of factors, among others, to the synergies in sales and cost saving opportunities expected to arise after the Group's acquisition of this subsidiary. None of the goodwill recognised is expected to be deductible for income tax purposes.

The provisional fair values of assets acquired and liabilities assumed, the consideration paid and the carrying value of non-controlling interest at the acquisition date are summarised in the table below:

	HK$'000
Consideration	
Total cash consideration	68,086
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	940
Right-of-use assets	4,431
Intangible assets — customer relationships	47
Intangible assets — licensing rights	24,328
Deferred income tax assets	1,041
Inventories	49,316
Other current assets	1,756
Other financial assets at amortised cost	2,388
Trade receivables	72,208
Cash and cash equivalents	181
Trade and other payables	(54,996)
Borrowings	(28,397)
Current income tax liabilities	(749)
Lease liabilities	(4,431)
Total identifiable net assets	68,063
Goodwill	23
Acquisition-related costs included in administration expenses in the consolidated statement of profit or loss for the year	4,069

The fair value of the acquired identifiable assets was provisional pending receipt of the final valuation of those assets. Deferred income tax liabilities of HK$10,000 have been provided in relation to the fair value adjustments of intangible assets arising from the acquisition.

13. DISCONTINUED OPERATIONS

During the year ended 31 December 2019, the Company disposed its the entire issued share capital of Shanghai CYF to an independent third party, at a total cash consideration of RMB11,045,000 (equivalent to approximately HK$12,401,000). A gain on disposal of approximately HK$2,857,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2019. Apart from the Disposal, the Group also closed all its Hatworld headwear stores in Hong Kong. This, together with the Disposal, were reclassified as discontinued operations of the Group during the year ended 31 December 2019 and 2018.

	2019	2018
	HK$'000	*HK$'000*
Results of the discontinued operations:		
Revenue	**32,399**	55,560
Cost of sales	**(12,126)**	(30,327)
Gross profit	**20,273**	25,233
Other income	**121**	687
Other losses	**—**	(95)
Selling and distribution expenses	**(14,733)**	(28,504)
Administration expenses	**(7,322)**	(10,998)
Operating loss	**(1,661)**	(13,677)
Finance income	**—**	83
Finance costs	**(25)**	(25)
Loss from discontinued operations	**(1,686)**	(13,619)
Income tax credit	**1**	—
	(1,685)	(13,619)
Gain on disposal of Shanghai CYF	**2,857**	—
Profit/(loss) for the year	**1,172**	(13,619)
Exchange difference arising on translation of discontinued operations	**(398)**	(284)
Other comprehensive income/(loss) from discontinued operations	**774**	(13,903)
Total comprehensive income/(loss) from discontinued operations attributable to owners of the Company	**774**	(13,903)

Earnings/(losses) per share of the discontinued operation:

(a) Basic

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

	2019	2018 (Restated) *(Note 1(a))*
Profit/(loss) attributable to owners of the Company *(HK$'000)* — Discontinued operations	**1,172**	(13,619)
Weighted average number of ordinary shares in issue	**405,323,284**	405,297,942
Basic earnings/(losses) per share *(HK cents)* — Discontinued operations	**0.29**	(3.36)

(b) Diluted

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

	2019
Profit attributable to owners of the Company *(HK$'000)*	
— Discontinued operations	**1,172**
Weighted average number of ordinary shares in issue	**405,323,284**
Adjustment for share options	**356,469**
Weighted average number of ordinary shares for diluted earnings per share	**405,679,753**
Diluted earnings per share *(HK$ cents)*	
— Discontinued operations	**0.29**

The diluted losses per share for the discontinued operations for the year ended 31 December 2018 is the same as the basic per share as the exercise of share options would have anti-dilutive effect to the losses per share.

BUSINESS REVIEW

Overview

The past financial year has been a turbulent period for the global economy as well as markets owing to the protracted China-US trade dispute and negotiations. Challenges, however, always come with opportunities, which only those who are well-prepared can fully realise. The stable top-line growth of its Manufacturing Business clearly testifies to its foresight in establishing its production stronghold in Bangladesh as early as 2013, by grasping the opportunities arising from the "Belt and Road" strategic initiative. The Group's Bangladesh factory has become a major competitive advantage and has satisfied the keen demand from its US customers for orders from production bases outside China.

We are pleased that Phase II of the Bangladesh factory building has been substantially completed in late 2019, which enable the Group to have more space to house more automated machinery, which in turn boosting our production efficiency during the year. As a result, the Group was able to increase production capacity by 12% year-on-year to approximately 4.5 million pieces of headwear products per month.

As for the Trading Business, the investments made in the previous years, together with the acquisition of Aquarius Ltd. ("AQ"), have also yielded fruit. Facing the weak retail market sentiment in the US, the Group's subsidiary H3 Sportgear LLC ("H3") still managed to achieve sustained revenue growth, thanks to the stronger team effort, a testimony to the success of the business consolidation strategy. As for the e-commerce business, we made our initial foray last year, as online consumption has emerged as a prevailing market trend, and the business has witnessed remarkable growth. This segment was further bolstered by the addition of AQ, a leading accessories supplier in the USA that the Group has newly acquired in mid-2019, widening the business spectrum from headwear to the accessories segment.

Yet another decision that has proven to be correct was that the management had elected to completely exit the retail market, even before that sector went from bad to worse due to the recent COVID-19 outbreak. With the cessation of all retail operations on both sides of the border, the Group has been able to focus its resources on the Manufacturing and Trading segments.

FINANCIAL REVIEW

In spite of the aforementioned challenges during the year, the Group was able to record a marked revenue growth of 29.4% for continuing operations, achieving a turnover of HK$1,146,834,000 (2018: HK$885,933,000). The upturn was clear evidence that the Group's primary income source, the Manufacturing Business, continued to deliver a stable revenue stream, and the expanding Trading Business generated encouraging growth. Gross profit from continuing operations was increased by 30.0% to HK$346,212,000 (2018: HK$266,291,000) owing to the outstanding performance of the Trading Business.

Correspondingly, gross profit margin for continuing operations improved, reaching 30.2% (2018: 30.1%). Owing to the non-cash impairment loss on goodwill in relation to San Diego Hat Company ("SDHC") of around HK$11,310,000, profit from continuing operations fell by 23.8% to HK$61,671,000 (2018: HK$80,965,000). The discontinued operations turned around to profit of HK$1,172,000 (2018: loss of HK$13,619,000). Profit attributable to shareholders fell by 6.9% to HK$58,213,000 (2018: HK$62,513,000).

To share the fruit of the Group's labour with shareholders, the Board has resolved to propose a final dividend of 3 HK cents (2018: 3 HK cents) per share for the year. Together with the interim dividend of 2 HK cents per share (2018: 2 HK cents), total dividend for the year amounted to 5 HK cents (2018: 5 HK cents).

BUSINESS REVIEW

Manufacturing Business

Based on the powerful advantages of the Bangladesh factory, the Group has been receiving strong orders from customers. During the year, the Manufacturing Business achieved segment revenue of HK$743,161,000 (2018: HK$728,934,000), while revenue from external customers declined mildly by 0.4% to HK$670,327,000 (2018: HK$672,790,000), accounting for approximately 58.5% of the Group's total revenue for continuing operations. Operating profit of the Manufacturing Business decreased by 3.4% to HK$104,951,000 (2018: HK$108,673,000). This was due to the increase in the minimum wage in the Bangladesh garments industry since December 2018 subsequent to the authority's review conducted every five years. To mitigate the rising labour cost, the Group introduced automation and information technology-enabled production equipment, which, in turn, has helped improve production efficiency.

The Group is delighted to report that Phase II of the Bangladesh factory, equipped with smart production lines and advanced equipment, has been substantially completed in late 2019. Production capacity at the expanded Bangladesh factory achieved a significant increase – rising from 75% a year ago to over 90% of the Group's total capacity. As a result of expanded production capacity, reinforced by a higher level of automation and thus improvement in efficiency, the annual output of headwear products in 2019 increased by approximately 12% compared with that of last year. As at 31 December 2019, the Bangladesh factory had approximately 5,200 employees.

Another piece of good news is that the Group and New Era Cap Co., Inc. ("New Era"), the largest manufacturer and marketer of sports and fashion headwear and apparel in the United States, have extended their strategic partnership by signing a five-year manufacturing agreement in November 2019. Effective from 1 January 2020 to 31 December 2024, the agreement outlines planned production supplied to New Era amounting to not less than US$47 million in the first year, and an annually reviewed minimum purchase amount in the coming years. Currently, New Era is a long-standing partner of the Group and a substantial shareholder of Mainland Headwear owning 79,601,000 Shares, representing about 19.64%

of the latter's issued share capital. The renewal and the commissioning of Phase II of the Group's Bangladesh factory can bolster its manufacturing business development to a new level as well as promote synergies and benefit both the Group and New Era.

As for the factory in Shenzhen with a workforce of around 800, it mainly serves as the Group's product R&D and design hub, while also supporting its procurement and supply chain management, as well as the automation at its Bangladesh counterpart and providing high value-added services. It also focuses on producing products that are sold in APAC markets.

Trading Business

Despite being impacted by such uncertainties as the lackluster US and UK retail markets and shadowed by the China-US trade war and Brexit, top-line growth of the Trading Business still soared by 123.6% to HK$476,507,000 (2018: HK$213,143,000), accounting for 41.5% of the Group's total revenue for continuing operations. The surge was mainly attributable to (i) H3 seeing double-digit growth in orders from a multinational retail enterprise customer, clear evidence of the success of its business consolidation strategy, especially under such an uneasy environment; (ii) consolidation of the financial results of AQ from 1 June 2019 subsequent to the Group's acquisition; and (iii) the burgeoning e-commerce business that the Group entered into last year.

During the year, the Group recognised a non-cash impairment loss on goodwill of approximately HK$11,310,000. SDHC is mainly engaged in the trading of headwear and related accessories in the USA. Its customers are mainly retailers, whose operation was significantly challenged by the macro environment during the year ended 31 December 2019. In addition, SDHC mainly sources its products from China, the increased tariff on import products arising from China-USA trade war added another cost burden to its operation. Despite SDHC placed a significant amount of effort on marketing and advertising activities, its actual results fell short of expectation, and SDHC suffered from an operational loss during the year ended 31 December 2019. In view of the loss suffered by SDHC, the uncertainties over the future profitability of its business model as well as the Group's resources to place on this operation, the management considers an impairment indicator existed as at 31 December 2019. A full impairment of HK$11,310,000 was made during the year ended 31 December 2019. Owing to the non-cash impairment loss on goodwill, and the increase in advertisement and marketing costs so as to promote its e-commerce business, operating loss of the business amounted to HK$21,986,000 (2018: HK$19,218,000).

Discontinued Operations

Following the retreat from the Hong Kong retail market in the first half year, the Group has also terminated its PRC retail operation by entering into an Equity Transfer Agreement with Sanrio Co., Ltd ("Sanrio") in August 2019, pursuant to which the Group has transferred the whole retail operation in the PRC to Sanrio. Consequently, the

Group has completely exited the retail market. Correspondingly, revenue of the segment narrowed down to HK$32,399,000 (2018: HK$55,560,000), but the segment turned around to an operating profit of HK$1,172,000, including a gain on disposal of a subsidiary of HK$2,857,000 (2018: loss of HK$13,619,000).

With the cessation of all retail operations on both sides of the border, we have been able to direct greater attention and resources towards the profitable and expanding Manufacturing and Trading segments in the best interest of the Group and its shareholders.

PROSPECTS

Even though trade tensions between the US and the PRC have eased following the signing of a Phase 1 trade deal between the two parties, the outbreak of COVID-19 in late December 2019 will likely impact the global economy in the coming year. Already, the pandemic has led to the season suspension of some major sporting events, including the NBA and NHL. That said, with the coronavirus being primarily a near-term concern, the management remains cautiously optimistic, and will maintain close contacts with its business partners.

More importantly, the Bangladesh factory, which is its principal production base that contributes over 90% of its total capacity, has underpinned the Group's long-term growth. Following the substantial completion of Phase II at the Bangladesh factory in late 2019, its production capacity and thus competitiveness has been further strengthened. The monthly capacity is set to reach five million pieces of headwear products in the future. The management is confident that this factory would bring greater contributions to the Group next year as production efficiency will increase, and subsequently raise its profitability to an optimal level. Our confidence is supported by the extended strategic partnership with New Era for another five years, which further shores up the stability of its Manufacturing Business.

As for the Trading Business, despite facing similar headwinds, the Group expects that the fruitful results of investment during previous years will be fully realised. With a full-fledged sales team following the consolidation of H3, the maturing e-commerce business is expected to benefit from the rise of online consumption especially during the outbreak of COVID-19, and greater synergies brought by its newest acquisition AQ, thus the management is confident that the Trading Business will steadily grow.

Given the Group's strengthened presence in Bangladesh and broadened product portfolio, it possesses the strengths as well as the growth momentum necessary to prudently yet confidently face the future. The management will continue its endeavour to bolster the two major business operations, while enhancing efficiency across all areas of operation, which will, in turn, steer Mainland Headwear towards the breaking of new business ground and the creation of greater long-term value for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 31 December 2019, the Group had cash and cash equivalents, short-term deposits and a portfolio of liquid investments totaling HK$127.8 million (2018: HK$112.2 million). About 39%, 32% and 19% of these liquid funds were denominated in Renminbi, United States dollars and Hong Kong dollars respectively and the remaining were mainly in Pound Sterling and Bangladesh Taka.

As at 31 December 2019, the Group had banking facilities of HK$581.3 million (2018: HK$381.3 million), of which HK$306.3 million (2018: HK$219.4 million) was not utilised.

The bank borrowing over equity ratio of the Group was 36.1% (2018: 21.0%). In view of the strong financial and liquidity position, the Group have sufficient financial resources to meet its commitments and working capital requirements.

Capital Expenditure

During the year, the Group spent HK$35.2 million (2018: HK$118.6 million on the construction of a commercial building in the USA and a factory building in Bangladesh) on the construction of a factory building in Bangladesh. The Group spent approximately HK$37.8 million (2018: HK$18.5 million) on additions to plant and equipment and on additions to land to upgrade its manufacturing capability and expansion in the Bangladesh factory. The Group also spent HK$4.2 million (2018: HK$0.6 million) on equipments and systems of Trading business.

The Group budgeted HK$26.8 million for capital expenditures of which HK$21.8 million is estimated to be used for the expansion in the Bangladesh under Manufacturing business. The Group also authorised a capital commitment of HK$5.0 million for the equipment upgrades for Trading business.

The above capital expenditure is expected to be financed by internal resources of the Group and banking facilities.

Acquisition of a subsidiary

Pursuant to an agreement signed between Mainland Aquarius Investments Ltd ("Mainland Aquarius"), a wholly-owned subsidiary of the Company, and the sole shareholder of AQ, Mainland Aquarius acquired the entire issued share capital of AQ at a cash consideration ranging from US$7,000,000 (equivalent to HK$54,460,000) to US$9,000,000 (equivalent to HK$70,020,000), depending on the profitability of AQ for the year ended 30 April 2019. The consideration was eventually determined to be US$8,751,000 (equivalent to approximately HK$68,086,000).

Upon completion of the acquisition on 30 May 2019, AQ became a wholly-owned subsidiary of the Group. Acquisition-related costs of HK$4,069,000 have been charged to administration expenses in the consolidated statement of profit or loss and in operating cash flows in the consolidated cash flow statement for the year ended 31 December 2019.

The goodwill is attributable to a number of factors, among others, to the synergies in sales and cost saving opportunities expected to arise after the Group's acquisition of this subsidiary. None of the goodwill recognised is expected to be deductible for income tax purposes.

Discontinued operation

During the year ended 31 December 2019, the Company disposed its entire issued share capital of Shanghai CYF to an independent third party, at a total cash consideration of RMB11,045,000 (equivalent to approximately HK$12,401,000). A gain on disposal of approximately HK$2,857,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2019. Apart from the Disposal, the Group also closed all its Hatworld headwear stores in Hong Kong. This, together with the Disposal, were reclassified as discontinued operations of the Group during the year ended 31 December 2019 and 2018.

Event occurring after the reporting period

Impact of outbreak of Coronavirus Disease 2019

Since early 2020 the outbreak of Coronavirus Disease 2019 ("COVID 19") had resulted in suspension of work in certain regions in the PRC. The epidemic has continued to spread and impacted global business and economic activities. Following the COVID 19 outbreak, the People's Government of Guangdong Province of the PRC has postponed the time for resumption of work after the Chinese New Year holiday. The Group's production base in the PRC has resumed to work immediately follow the extended Chinese New Year. The production bases in the Bangladesh has also closed from 28 March to 4 April 2020 to follow the recommendation of the Bangladesh government. While the Group has implemented a series of precautionary and control measures to combat the impacts brought by the epidemic, it is expected that the Group's Business would be inevitably affected. This is mainly due to the unplanned deferments of orders from the customers in the USA and Europe. To minimise the negative impact of the outbreak to the Group, management will endeavor to fulfill the committed sales orders and liaise with customers about any necessary adjustment to the delivery schedule. The Board is of the view that the impact of the outbreak on the Group's business operations is temporary. It is confident that the Group's operations will recover quickly when the epidemic is under effective control.

Exchange Risk

Most assets and liabilities of the Group are denominated either in Hong Kong dollars, United States dollars, Renminbi or Bangladesh Taka. The Group estimates that any 1% appreciation of the Renminbi and Bangladesh Taka is expected to reduce the gross margin of the Manufacturing Business by about 0.1% and 0.1% respectively.

Employees and Remuneration Policies

At 31 December 2019, the Group employed 819 (2018: 1,211) employees in the PRC (include Hong Kong), 5,265 (2018: 4,675) employees in Bangladesh and a total of 162 (2018: 57) employees in the USA and the United Kingdom. The expenditures for employees during the year were approximately HK$288.3 million (2018: HK$250.2 million). The Group ensures that the pay levels of its employees are competitive and employees were remunerated based on their position and performance. Key employees of the Group, including Directors, are also granted share options under the share option schemes operated by the Company.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Directors recommend the payment of a final dividend of 3 HK cents (2018: 3 HK cents) per share in respect of the year ended 31 December 2019. Subject to the approval at the forthcoming annual general meeting, the final dividend will be payable on or after 22 June 2020 to the shareholders whose names appear on the register of members at the close of the business on 3 June 2020, being the record date for determination of entitlements to the final dividend.

The register of members of the Company will be closed from 29 May 2020 to 3 June 2020 (both dates inclusive). In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 28 May 2020.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 22 May 2020. The Notice of the Annual General Meeting will be published in the Company's website and sent to the shareholders of the Company in due course.

To determine the identity of members who are entitled to attend and vote at the forthcoming Annual General Meeting which will be held on 22 May 2020, the register of members of the Company will be closed from 19 May 2020 to 22 May 2020 (both dates inclusive). In order to qualify to attend the Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 18 May 2020.

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

During the year ended 31 December 2019, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code Provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2019.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2019, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

By Order of the Board
Ngan Hei Keung
Chairman

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprises eight directors, of which five are Executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, BBS, JP, Mr. James S. Patterson, Mr. Ngan Siu Hon, Alexander and Mr. Lai Man Sing; and three are Independent Non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Liu Tieh Ching, Brandon, JP and Mr. Gordon Ng.