# TRINITY LIMITED
# 利邦控股有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 891)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

### Highlights

| | **2018** | 2017 |
|---|---|---|
| Revenue *(HK$ million)* | **1,723.1** | 1,701.3 |
| Gross profit *(HK$ million)* | **1,195.3** | 1,160.3 |
| Gross margin (%) | **69.4%** | 68.2% |
| Core operating profit/(loss)[1] *(HK$ million)* | **(248.1)** | (441.0) |
| Loss attributable to shareholders *(HK$ million)* | **(264.8)** | (608.3) |
| Basic loss per share[2] (*HK cents*) | **(8.7)** | (34.8) |

*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. *Basic loss per share = Loss attributable to shareholders / weighted average number of ordinary shares in issue*

## CHAIRMAN'S STATEMENT

**The right time to "Go Global"**

On behalf of the board of directors (the "Board") of Trinity Limited (the "Company" or "Trinity", together with its subsidiaries, the "Group"), I hereby present the Company's annual results for the year ended 31 December 2018.

The year 2018 was a milestone for Trinity's reform and transformation. In becoming the Group's controlling shareholder, Beijing Ruyi Fashion Investment Holding Company Limited ("Ruyi"; previously known as Shandong Ruyi International Fashion Industry Investment Holding Company Limited) has given Trinity abundant resources to develop its brands. Trinity has thus begun a new and more dynamic chapter of growth.

No stranger to change, Ruyi is on its own mission to becoming a renowned global fashion conglomerate. Now in possession of more than 20 international fashion brands, including such renowned labels as Aquascutum, D'URBAN, Sandro, Maje and Claudie Pierlot, it has a strong global presence that stretches across over 80 countries and regions with approximately 6,000 points of sale. Ruyi also continued to enhance its value chain. By getting through upstream, midstream and downstream businesses, it has built two complete industrial chains of wool textiles and cotton textiles, resulting to a leading position in comprehensive competitiveness in the world.

The many attributes that Ruyi possesses are not lost on the Group, and we will seek to fully capitalise on the various opportunities that are presented, particularly as we commence the push to raise the stature of our self-owned brands to the next level. This push will involve a holistic approach; spanning product development and corporate reorganisation to retail development and advancement of our omnichannel business. While proceeding with such efforts, we will wholeheartedly strive to achieve our underlying objective, which is to "Go Global" – our new motto.

**Partnership with The Fung continues**

Continuing to be a steadfast supporter and ally of the Group and its development path is Fung Retailing Group, our substantial shareholder. Though the arrival of Ruyi has invariably drawn significant attention, the Fung Group, and indeed the Fung family, continue to maintain close association with the Group. I would like to take this opportunity to particularly thank Dr Victor Fung Kwok King for his invaluable contributions and visionary leadership. Though he resigned from his role as Non-Executive Director in August, the Board unanimously agreed to bestow the title of Honorary Chairman of the Company on Dr Fung. Furthermore, in his place is Ms Sabrina Fung Wing Yee, who serves as Non-Executive Director. She has also been appointed as Deputy Chairman of the Board. We trust that with Ms Fung's significant experience and business acumen, having been a Director of the Company for over a decade, the Fung tradition of co-operation will continue unabated.

**Collective effort**

As we seek to realise our goal to "Go Global", we will leverage ties with both our longstanding and new shareholders while at the same time respecting the interests of all our stakeholders. Through concerted effort, we will achieve the prime objective of raising the international profile of our pillar brands Cerruti 1881, Gieves & Hawkes and Kent & Curwen as well as D'URBAN, which we operate under license. Rather than employing a broad-based approach, the Group will take a targeted course of action; specifically seeking prime locations around the world in which to expand our footprint. Similarly, we will leverage our e-commerce business and comparable platforms that cater for our discerning clientele. This mindset of quality over quantity is overriding, because ultimately, safeguarding the intrinsic value of all our brands is paramount. While our goals will invariably include a multitude of challenges, they are by no means insurmountable, and have now become more readily achievable with the support of Ruyi. Ruyi's many strengths, which include human capital and physical assets, will provide the underpinnings for our upcoming milestones.

As one year concludes and another commences, we remain optimistic that the positive tide of change which the Group has been experiencing will not only continue but will gather strength. In view of our diverse capabilities and rich resources, which are now overseen by a reorganised board and management by Mr Paul David Haouzi as President of the Group, we trust that 2019 will usher in the most transformative period in the history of Trinity.

**QIU Yafu**
*Chairman*

Hong Kong, 26 March 2019

## CHIEF EXECUTIVE OFFICER'S OVERVIEW

### Spanning the globe

Following my appointment as Chief Executive Officer of the Group in May, I have had the immense pleasure of meeting with many passionate individuals from different echelons of Trinity. What I found that tied all these people together was the singular desire to raise the Group to the next level. I share this desire as well, and am convinced that the Group, with its tremendous potential, is on the verge of a sea change.

The arrival of Ruyi as controlling shareholder of the Group in April has only raised our aspirations, which we will seek to realise by our "Go Global" strategy. Even though the Asia-Pacific region has long been our home and stronghold, and its consumers in particular constitute a significant portion of our sales makeup, we recognise that maintaining the status quo will not be conducive to the Group's development. We will therefore be directing efforts towards raising the profile of our self-owned brands, Cerruti 1881, Gieves & Hawkes and Kent & Curwen, especially in their home countries, as well as in the fashion capitals of the world, such as Paris, Milan and New York. Consistent with this goal, we have, and are continuing to recruit top management to head our global offices. At the same time, we have been surveying premium locations around the world to establish flagship stores. In addition, we will explore the travel retail and outlet sectors, which present their own unique opportunities. Also helping the Group to "Go Global" will be Ruyi which, having reached licensed agreements in May 2018 with the Group, will enable our menswear brands to better penetrate Europe, where Ruyi has major footholds.

### Change is underway

While seeking to expand our international presence, we have also sought to objectively scrutinise all aspects of our retail network. As a consequence, we have commenced the process of restructuring, which extends to the closing of non-performing stores. This has led to a more optimised workforce and reduction in associated costs. Furthermore, the result of such efforts has seen a gradual improvement in the Group's financial performance, which, by the final quarter of the year, saw an encouraging rise in gross profit margin of 3.3% as compared to same period last year, as we shifted into a profit making position.

To maintain positive momentum, we will continue to seek ways to better utilise our retail to derive maximum benefits. To achieve this objective, we have looked at ways to enhance the performance of our sales force, which led to the introduction of more incentive programmes to both motivate and reward staff members for their outstanding achievements.

Aside from advancing our brick-and-mortar business, growing the Group's online footprint has been an ongoing endeavour which has achieved further progress in the past year. This has been quantified by encouraging sales growth resulting from platforms leveraged by the Group in Asia as well as dedicated platforms of our self-owned brands which enjoyed the patronage of customers from across Europe. We will continue to hire more senior-level staff to help develop our e-Commerce platforms, direct greater resources to bolster our online business and employ social media channels that our customers have a penchant for so as to offer more personalised experiences.

**Honouring the past, forging ahead**

Though our efforts to enhance various aspects of our business operation are essential, we also recognise that it is our products which are ultimately responsible for drawing in the customers. With this in mind, we have redoubled efforts at raising the quality and modernising the design of clothing found under our three premium brands so that they are relevant to the needs of today's discerning customer. While introducing younger lines, as well as offering a larger collection of casual wear, we have not and will not present clothing that undermines the traditions and values uniquely representative of our brands which includes maintaining our premium price point. Going forward, our ties with Ruyi, which possesses a fully-integrated value chain that includes textile design and development, will enable us to introduce even more innovative materials to our self-owned brands which, combined with the exceptional tailoring and renowned execution capabilities of each label, will result in a whole new generation of clothing that captures the hearts of our customers.

**Practical leadership**

To ensure that the various developments now underway are carefully managed, and to strengthen our operations for core brands such as Cerruti 1881, Gieves & Hawkes and Kent & Curwen, we have begun reorganising our organisational structure. Among the highlights include the appointment of Mr Paul David Haouzi as President of the Group, who is therefore responsible for the overall business and operations of our brands. In welcoming Mr Haouzi and other senior management members, many of whom holding significant experience in the upscale fashion apparel industry, we have taken decisive action in introducing the right mix of skills and luxury retail experience to take the Group forward. We will continue to make senior appointments, including, as aforementioned, for each of our self-owned brands to encourage their development both independently and collectively, and to achieve our ultimate goal to "Go Global".

The year 2018 marked the arrival of a new era for Trinity and the entire Group. As 2019 begins, it is vital that we build on the many developments that are underway. Even though there remains much work to be done, we are fully confident that our objectives are sound and attainable, and that an upturn is well within sight.

**SUN Weiying**
*Chief Executive Officer*

Hong Kong, 26 March 2019

## DISCUSSION AND ANALYSIS

| Key Performance Indicators | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Revenue | 1,723,138 | 1,701,334 |
| Gross profit | 1,195,331 | 1,160,345 |
| Gross margin | 69.4% | 68.2% |
| Core operating profit/(loss) | (248,102) | (440,993) |
| Loss attributable to shareholders | (264,801) | (608,348) |
| Inventories | 645,624 | 621,473 |
| Inventory turnover days | 438 | 380 |
| Trade receivables | 166,194 | 107,607 |
| Trade payables | 66,129 | 131,606 |
| Net (cash)/debt [1] | (227,797) | 1,169,379 |
| Return on equity [2] | -8.6% | -25.0% |
| Gearing ratio [3] | N/A | 35.0% |

***Notes:***

1. *Net (cash)/ debt = Interest bearing bank borrowings and bank overdrafts less cash and cash equivalents*
2. *Return on equity = 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. *Gearing ratio = Net debt / total capital x 100%; total capital is calculated as total equity plus net debt*

*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**

Overall revenue totalled HK$1,723.1 million in 2018, a smooth increase of 1.3% from 2017. Though full year retail sales decreased by 2.6%, same-stores sales increased by 1.0%. Furthermore, licensing revenue increased notably by 108.9% due to new licensing agreements entered by the Group with Ruyi and its associates (collectively the "Ruyi Group") during the year, which resulted in an overall increase in revenue for 2018.

Revenue by Geographical Location

Retail Sales

*Chinese Mainland*

The retail sales environment in the Chinese Mainland remained competitive in 2018 as reflected by sales which totalled HK$690.0 million in 2018 as compared with HK$737.7 million in 2017. Chinese Mainland retail revenue dropped by 6.5% which was mainly due to the closure of non-performing stores. The Group continued to streamline its store network by closing non-performing stores and selecting prime locations for new stores. This resulted in a net closure of 43 stores in 2018 with the network now consisting of 163 stores.

*Hong Kong & Macau*

Retail sales from Hong Kong and Macau amounted to HK$520.6 million, which is 2.9% higher than the previous year. Same-store sales also rose up by 2.9%. Despite the continuous keen price competition, the increase in Chinese mainland tourists has helped to offset the negative impact, eventually resulting in an increase in retail revenue from the region. The number of stores has decreased from 38 in 2017 to 36 in 2018.

*Taiwan*

Taiwan retail sales increased modestly from HK$127.8 million in 2017 to HK$130.3 million in 2018 with same-store sales up 2.3%. The Taiwan market performed in a relatively stable manner, recovering gradually from the downturn. The number of stores also increased from 39 to 42 in 2018.

*Europe*

The Group's retailing businesses in Europe continued to perform in a consistent manner, generating HK$135.5 million in sales in both 2017 and 2018.

<u>Wholesale and licensing</u>

*Greater China*

Wholesale revenue in Greater China decreased from HK$68.3 million in 2017 to HK$58.1 million in 2018. The Group continued to clear off-seasons stock through its wholesale channel in the Chinese Mainland. In December 2018, the Group entered into new sales channel agreements with Ruyi Group and Fung Holdings (1937) Limited and its associates (collectively the "FH 1937 Group") which will help to improve wholesale revenue and reduce inventory level of the Group.

*Europe and Others*

Licensing revenue increased from HK$79.0 million in 2017 to HK$165.0 million in 2018, mainly due to the new licensing arrangements made with Ruyi Group. By granting Ruyi Group the rights to develop retail and wholesale businesses in key regions such as Europe, the Group can refocus its resources on future developments in Greater China and fully leverage Ruyi Group's strength in Europe to enhance the global brand image of its top three brands which will indirectly benefit the Group's Asia businesses.

Wholesale revenue in Europe has decreased from HK$38.8 million to HK$23.6 million, reflecting the strategic shift in operations from wholesale to licensing.

**Gross Profit**

Gross profit increased by 3.0% from HK$1,160.3 million in 2017 to HK$1,195.3 million in 2018.

The Group's gross profit margin improved slightly in 2018, reaching 69.4% against 68.2% in 2017. This improvement was due to the re-positioning of its branding and pricing strategy complemented by effective cost control. The success of such efforts was further reflected in Q4 2018, with the gross profit margin reaching 69.9% in Q4 2018 as compared with 66.6% in Q4 2017.

The retail gross profit margin for Greater China slightly increased from 69.4% in 2017 to 70.0% in 2018, as a result of offering fewer sales discounts, changing the product mix and inventory clearance.

**Segmental Contributions**

The segmental contributions from Asia and Europe were HK$118.0 million and HK$70.3 million in 2018 compared with HK$87.4 million and HK$29.8 million in 2017 respectively.

The retail segmental contribution from Hong Kong and Macau improved from HK$8.6 million to HK$16.4 million as a result of improvement in profit margin. Affected by the external economic environment, the retail contributions from Chinese Mainland and Taiwan declined.

The improvement in other segment contributions was mainly due to the new licensing agreement with Ruyi Group, partially offset by the decrease of wholesales contributions.

**Other Income**

Other income increased from HK$16.4 million in 2017 to HK$25.4 million in 2018, mainly included subsidy income, rental income and claims.

**Selling, Marketing and Distribution Expenses**

Selling, marketing and distribution expenses decreased by 9.1% to HK$1,017.5 million in 2018, compared with HK$1,119.8 million in 2017. This was primarily due to the streamlining of the store network. The number of stores totalled 253 as at 31 December 2018, down 44 from 297 as at 31 December 2017. Associated advertising and promotion expenses for store-opening events decreased in 2018, which is in line with the reduction in stores.

**General and Administrative Expenses**

General and administrative expenses amounted to HK$444.5 million, in 2018 versus HK$492.0 million in 2017, a decline of 9.7%. This was largely due to the full year impact of cost saving in sourcing cost resulted from the transfer of sourcing function to FH 1937 Group in 2018, thereby enabling the Group to save on sourcing costs for the year. There was also a drop in staff costs arising from restructuring, along with the Group's continuous efforts to reduce administrative expenses.

**Net Impairment Losses on Financial Assets**

Net impairment losses on financial assets increased from HK$5.9 million in 2017 to HK$6.9 million in 2018, mainly being impairment losses provision on trade receivables.

**Core operating Profit/(Loss)**

The Group has narrowed its core operating loss to HK$248.1 million, as compared with a loss of HK$441.0 million in the previous year. Furthermore, core operating profit of HK$12.8 million was recorded in Q4 2018, which suggests a turnaround is underway – the result of brand repositioning and pricing strategy that led to an improvement in gross profit margin. The upturn can also be attributed to the management's efforts to streamline operating costs through an extensive restructuring exercise in Q4 2018.

**Other Gains/(Losses) - 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. In 2017, other losses of HK$65.3 million were recorded, and represented the provision of loan receivables from British Heritage Brands Inc ("BHB"), which was offset by the reversal of contingent purchase consideration payable.

**Restructuring Costs**

In 2018, restructuring costs of HK$59.9 million were incurred in relation to the restructuring of Europe and Greater China operations, including the reduction of head count in all regions and the closure of regional offices in Greater China. In 2017, restructuring costs of HK$72.8 million were incurred due to the closure of the Group's business wear production line in Hong Kong and business operations in Singapore, as well as the restructuring of supply chain functions.

**Net Finance Costs**

Net finance costs totalled HK$20.7 million in 2018, whereas net finance costs of HK$28.5 million were reported in 2017. The decline was primarily due to an increase in interest bearing deposits.

**Income Tax**

Income tax expense of HK$0.9 million was recorded in both 2018 and 2017.

**Loss Attributable to Shareholders**

In 2018, the Group incurred a loss for the year of HK$264.8 million, which translates into a loss of 8.7 HK cents per share.

**Working Capital Management**

Inventory balance increased from HK$621.5 million in December 2017 to HK$645.6 million in December 2018. Inventory turnover days reached 380 as at 31 December 2017 versus 438 days as at 31 December 2018.

The Group's trade receivables as of December 2018 totalled HK$166.2 million, compared with HK$107.6 million in 2017. The Group's trade receivable turnover days reached 29 in 2018, compared with 20 days in 2017.

The Group's trade payables amounted to HK$66.1 million in 2018, compared with HK$131.6 million in 2017. The Group's trade payable turnover days reached 68 in 2018, compared with 65 days in 2017.

**Financial Position and Liquidity**

Net increase in cash and cash equivalent reached HK$976.6 million in 2018, which was mainly due to proceeds from share subscription, offset by the change in working capital and operating losses.

As at the end of December 2018, cash and cash equivalents totalled HK$1,338.1 million and interest bearing bank borrowings and bank overdrafts reached HK$1,110.3 million. The Group had a net cash balance of HK$227.8 million (net cash is defined as cash and cash equivalents of $1,338.1 million less bank borrowings and bank overdrafts of HK$1,110.3 million) as at the end of December 2018 versus net debt of $1,169.4 million as at the end of December 2017. The improvement in financial position came from the issue of additional capital in April 2018.

**Banking Facilities**

As at 31 December 2018, the Group had bank lines of HK$1,215.4 million of which HK$150.0 million was in committed facilities while HK$1,065.4 million was uncommitted. The Group utilised 89.8% of the total facilities available at the end of the year, including HK$792.4 million in revolving loans and term loans that the Group had drawn down, HK$150.0 million in committed facilities and HK$149.4 million for trade financing and bank overdrafts. The undrawn facilities at year end amounted to HK$123.6 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 2018, HK$278.9 million was reallocated out of the pool for acquisition. Among the reallocated funds, HK$143.9 million was redesignated as general working capital to support the restructuring of Group and the revamp of brands while the remaining HK$135.0 million was used to cover the extra repayment of bank borrowing exceeding the original plan. After the reallocation, the proceeds remained for acquisition purpose reduced to HK$1,267.1 million.

**Human Resources and Training**

As at 31 December 2018, the total workforce for the Group was 1,796 employees, compared with 2,283 a year earlier, a 21% decrease. This reduction in headcount was largely due to the closure of non-performing stores and Singapore office, as well as the reorganisation of European and Greater China team.

Our workforce comprises 438 employees in Hong Kong and Macau; 1,050 in the Chinese Mainland; 166 in Taiwan and 142 in other countries. Total staff costs were HK$550.7 million compared with HK$593.4 million in 2017. The decrease in staff costs was mainly due to the reduction in staff headcount associated with the closure of non-performing stores and Singapore office, as well as the reorganisation of European and Greater China team. The annualised cost saving as a result of the reorganisation is about HK$52.9 million.

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 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. 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.

## 2018 ANNUAL RESULTS

The Board of Directors (the "Board") of Trinity Limited (the "Company") announces the audited consolidated income statement and consolidated statement of comprehensive income of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 and the audited consolidated statement of financial position of the Group as at 31 December 2018 together with the comparative figures in 2017. The annual results have been reviewed by the Company's audit committee and agreed by the Company's external auditor.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

| | Note | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|---|
| Revenue | 3(a) | **1,723,138** | 1,701,334 |
| Cost of sales | | **(527,807)** | (540,989) |
| **Gross profit** | | **1,195,331** | 1,160,345 |
| Other income | 5 | **25,358** | 16,375 |
| Selling, marketing and distribution expenses | | **(1,017,450)** | (1,119,780) |
| General and administrative expenses | | **(444,485)** | (492,005) |
| Net impairment losses on financial assets | | **(6,856)** | (5,928) |
| Core operating profit/(loss) | | **(248,102)** | (440,993) |
| Other gains/(losses) - net | 6 | **64,900** | (65,258) |
| Restructuring costs | 4 | **(59,945)** | (72,752) |
| **Operating loss** | 4 | **(243,147)** | (579,003) |
| Net finance costs | 7 | **(20,734)** | (28,455) |
| **Loss before income tax** | | **(263,881)** | (607,458) |
| Income tax | 8 | **(920)** | (890) |
| **Loss for the year attributable to shareholders of the Company** | | **(264,801)** | (608,348) |
| **Basic loss per share attributable to shareholders of the Company during the year** (expressed in HK cents per share) | 9(a) | **(8.7) cents** | (34.8) cents |
| **Diluted loss per share attributable to shareholders of the Company during the year** (expressed in HK cents per share) | 9(b) | **(8.7) cents** | (34.8) cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| **Loss for the year** | **(264,801)** | (608,348) |
| **Other comprehensive (expenses)/income** | | |
| *Item that will not be reclassified subsequently to profit or loss* | | |
| Remeasurements of post employment benefit obligations | **1,283** | (3,544) |
| *Items that may be reclassified subsequently to profit or loss* | | |
| Exchange differences on translation of foreign operations | **(87,838)** | 76,708 |
| Other comprehensive (expenses)/income for the year, net of tax | **(86,555)** | 73,164 |
| **Total comprehensive expenses for the year** | **(351,356)** | (535,184) |
| **Total comprehensive expenses attributable to:** | | |
| - Shareholders of the Company | **(351,356)** | (535,184) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

| | Note | **31 December 2018 HK$'000** | 31 December 2017 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **97,169** | 130,293 |
| Intangible assets | | **3,150,348** | 3,226,709 |
| Convertible promissory note and loan receivables | 11 | **-** | - |
| Deposits, prepayments and other receivables | | **41,820** | 46,622 |
| Deferred income tax assets | | **217,431** | 208,845 |
| | | **3,506,768** | 3,612,469 |
| **Current assets** | | | |
| Inventories | | **645,624** | 621,473 |
| Trade receivables | 13 | **166,194** | 107,607 |
| Derivative financial instruments | 12 | **-** | 890 |
| Deposits, prepayments and other receivables | | **84,581** | 90,054 |
| Amounts due from related parties | | **214,713** | 3,661 |
| Current income tax recoverables | | **3,125** | 1,995 |
| Cash and cash equivalents (excluding bank overdrafts) | | **1,338,056** | 390,888 |
| | | **2,452,293** | 1,216,568 |
| **Total assets** | | **5,959,061** | 4,829,037 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's shareholders** | | | |
| Share capital | | **359,832** | 174,653 |
| Share premium | | **4,410,347** | 2,376,850 |
| Reserves | | **(752,575)** | (383,727) |
| **Total equity** | | **4,017,604** | 2,167,776 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **-** | 407,132 |
| Provision for long service payments | | **625** | 768 |
| Retirement benefit obligations | | **15,509** | 24,760 |
| Other payables and accruals | | **62,019** | 133,437 |
| Contingent purchase consideration payable for acquisition | | **-** | 68,099 |
| Deferred income tax liabilities | | **293,716** | 296,499 |
| | | **371,869** | 930,695 |
| **Current liabilities** | | | |
| Trade payables | 14 | **66,129** | 131,606 |
| Other payables and accruals | | **317,425** | 398,049 |
| Amounts due to related parties | | **64,529** | 36,702 |
| Current income tax liabilities | | **11,246** | 11,074 |
| Borrowings | | **1,110,259** | 1,153,135 |
| | | **1,569,588** | 1,730,566 |
| **Total liabilities** | | **1,941,457** | 2,661,261 |
| **Total equity and liabilities** | | **5,959,061** | 4,829,037 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

| | Attributable to shareholders of the Company | | | | |
|---|---|---|---|---|---|
| | **Share Capital HK$'000** | **Share premium HK$'000** | **Accumulated losses HK$'000** | **Other reserves HK$'000** | **Total HK$'000** |
| **Balance at 1 January 2018** | **174,653** | **2,376,850** | **(166,463)** | **(217,264)** | **2,167,776** |
| Impact of changes in accounting policies | - | - | **(17,395)** | **(97)** | **(17,492)** |
| **Balance at 1 January 2018 (restated)** | **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 | - | - | **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** | | | | | |
| Issue of shares | **184,600** | **2,030,600** | - | - | **2,215,200** |
| Employee share option scheme | | | | | |
| - exercise of share options | **579** | **2,897** | **790** | **(790)** | **3,476** |
| - transfer to accumulated losses | - | - | **4,965** | **(4,965)** | - |
| Transfer from accumulated losses | - | - | **(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** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2018

| | Attributable to shareholders of the Company | | | | |
|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Retained Earnings/ (Accumulated losses) HK$'000 | Other reserves HK$'000 | Total HK$'000 |
| **Balance at 1 January 2017** | 174,653 | 2,376,850 | 444,779 | (295,322) | 2,700,960 |
| **Comprehensive expense** | | | | | |
| Loss for the year | - | - | (608,348) | - | (608,348) |
| **Other comprehensive (expenses)/income** | | | | | |
| Remeasurements of post employment benefit obligations | - | - | (3,544) | - | (3,544) |
| Exchange differences on translation of foreign operations | - | - | - | 76,708 | 76,708 |
| Other comprehensive (expenses)/income for the year, net of tax | - | - | (3,544) | 76,708 | 73,164 |
| Total comprehensive (expenses)/income | - | - | (611,892) | 76,708 | (535,184) |
| **Transactions with owners** | | | | | |
| Employee share option scheme | | | | | |
| - value of employee services | - | - | - | 2,000 | 2,000 |
| - transfer to retained earnings | - | - | 3,185 | (3,185) | - |
| Transfer from retained earnings | - | - | (2,535) | 2,535 | - |
| Total transactions with owners | - | - | 650 | 1,350 | 2,000 |
| **Balance at 31 December 2017** | 174,653 | 2,376,850 | (166,463) | (217,264) | 2,167,776 |

Notes:

## 1. Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which includes all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("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.

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 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.

To conform with management's assessment, the classification of certain items on the consolidated income statement for the year ended 31 December 2018 has been changed. Management considers the change in classification can provide more relevant financial information to the users to assess the business performance through the core operating results of the Group. The reclassification is applied retrospectively, and hence the effect of the reclassification in the certain comparative figures in the consolidated income statement for the year ended 31 December 2017 were comprised of a decrease in general and administrative expenses by HK$5,928,000 which is reclassified to net impairment losses on financial assets.

1. **Basis of preparation and accounting policies (Continued)**

**(a) Adoption of amendments to existing standards effective in 2018**

The Group has adopted the following amendments to existing standards which are mandatory for accounting periods beginning on or after 1 January 2018 and relevant to the Group:

| | |
|---|---|
| HKFRS 2 (Amendment) | Share-based Payment: Classification and Measurement of Share-based Payment Transactions |
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |
| HK (IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS15 | Clarifications to HKFRS 15 |
| Annual Improvements Project | Annual Improvements 2014-2016 Cycle |

The adoption of such amendments and interpretations to existing standards does not have material impact on the consolidated financial statements as at and for the year ended 31 December 2018 except the following standards:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 2 below.

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

The following new standards, amendments and interpretations 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 19 (2011) (Amendment) | Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019) |
| HKAS 28 (2011) (Amendment) | Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019) |
| HKFRS 3 (Amendment) | Definition of a Business (effective for annual periods beginning on or after 1 January 2020) |
| HKFRS 9 (2014) (Amendment) | Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019) |
| 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 16 | Leases (effective for annual periods beginning on or after 1 January 2019) |
| HKFRS 17 | Insurance Contracts (effective for annual periods beginning on or after 1 January 2021) |

## 1. Basis of preparation and accounting policies (Continued)

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

| | |
|---|---|
| HK (IFRIC)-Int 23 | Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019) |
| Annual Improvements Project | Annual Improvements 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019) |

All these new standards, amendments and interpretations to existing standards are effective in the financial year of 2019 or years after 2019. The Group has already assessed the impact of these new standards, amendments and interpretations. The following describes the key changes and some aspects of the HKFRS 16 which have a significant impact on the consolidated financial statements.

Key changes and impact of standards issued but not yet applied by the Group:

**HKFRS 16, Leases**

HKFRS 16 requires almost all leases of lessees to be recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases. HKFRS 16 includes requirements relating to subleases and lease modifications. Lease receivable should be recognised when sublease is classified as finance lease. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. An asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the income statement over the period of the lease. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the financial liability instead of rental expenses, and also classifies cash repayments on the financial liability into a principal portion and an interest portion and presents them in the statement of cash flows as financing and operating activities respectively.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied.

Based on the current assessment, it is estimated that the change in accounting for the Group's operating leases will result in increase of right-of-use assets of approximately HK$351 million, lease receivables of HK$14 million and lease liabilities of HK$391 million on 1 January 2019 with the difference recognised in opening accumulated losses in 2019.

HKFRS 16 is mandatory for annual reporting periods beginning on or after 1 January 2019. The Group decided not to early adopt HKFRS 16 before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 2. Change in accounting policy

As explained in Note 1(a) above, the Group has adopted HKFRS 9 and HKFRS 15 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

The Group has been impacted by HKFRS 9 in relation to the measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition. Details of the changes in accounting policies are discussed in Note 2(a) for HKFRS 9 and Note 2(b) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and/or HKFRS 15:

| | As at 1 January 2018 | | | |
|---|---|---|---|---|
| | As previously stated HK$'000 | Effect of the adoption of HKFRS 9 HK$'000 | Effect of the adoption of HKFRS 15 HK$'000 | Total HK$'000 |
| **Consolidated statement of financial position (extract)** | | | | |
| Trade receivables | 107,607 | (3,091) | - | 104,516 |
| Translation reserve | 15,704 | (97) | - | 15,607 |
| Accumulated losses | (166,463) | (2,994) | (14,401) | (183,858) |
| Other payables and accruals – current liabilities | 398,049 | - | 14,401 | 412,450 |

### (a) HKFRS 9, Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

## 2. Change in accounting policy (Continued)

### (a) HKFRS 9, Financial Instruments (Continued)

The following table summarises the impact of transition to HKFRS 9 on accumulated losses at 1 January 2018.

| | HK$'000 |
|---|---|
| **Accumulated losses** | |
| Recognition of additional credit loss recognised on: | |
| - Trade receivables | (3,091) |
| - Translation reserve | 97 |
| Net increase in accumulated losses at 1 January 2018 | (2,994) |

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

Expected credit losses

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

HKFRS 9 requires the Group to record an allowance for ECLs for financial assets held at amortised cost.

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 considers 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.

The adoption of the ECL requirements of HKFRS 9 resulted in increases in impairment allowances of the Group's trade receivables. The increase in allowance resulted in adjustment to accumulated losses, which increased accumulated losses by HK$2,994,000 at 1 January 2018.

## 2. Change in accounting policy (Continued)

### (a) HKFRS 9, Financial Instruments (Continued)

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

| | HK$'000 |
|---|---|
| Loss allowance at 31 December 2017 under HKAS 39 | 8,876 |
| Additional credit loss recognised at 1 January 2018 on: | |
| - Trade receivables | 3,091 |
| Loss allowance at 1 January 2018 under HKFRS 9 | 11,967 |

Classification of financial assets
Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The Group's convertible promissory note are not bifurcated into loan receivables and derivative financial instrument, instead the entire convertible promissory note are classified as fair value through profit and loss (FVTPL) upon adoption of HKFRS 9. Since the Group fully impaired the loan receivables and derivative financial instrument, the fair value of FVPTL is nil.

### (b) HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information is not restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

## 2. Change in accounting policy (Continued)

### (b) HKFRS 15, Revenue from Contracts with Customers (Continued)

The following table summarises the impact of transition to HKFRS 15 on accumulated losses at 1 January 2018:

| | HK$'000 |
|---|---|
| **Accumulated losses** | |
| Deferred revenue and profit recognition under customer loyalty program | (14,401) |
| Net increase in accumulated losses at 1 January 2018 | (14,401) |

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

The Group's Greater China segment operates a customer loyalty programme, which allows customers to join VIP membership when their accumulated purchases in a defined period reach a certain level. Being a VIP, a retail customer can enjoy certain percentage of discounts. The Group concluded that under HKFRS 15 the VIP membership gives rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the VIP membership awarded to customers based on the relative stand-alone selling price. The deferred revenue related to this customer loyalty programme was reclassified to other payables and accruals and the deficit was adjusted to accumulated losses. As a consequence, the other payables recognised in relation to the customer loyalty programme on 1 January 2018 was HK$14,401,000 and a net adjustment to accumulated losses was HK$14,401,000.

## 3. 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 the 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 performance of the retail businesses in the Chinese Mainland, 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.

(a) Segment results

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

| | Asia | | | | | | Europe | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | HK & Macau | | Chinese Mainland | | 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 |
| **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 |
| **Segmentalcontributions 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 |

## 3. Segment information (Continued)

(a) Segment results (Continued)

The segment results for the year ended 31 December 2017 are as follows:

| | Asia | | | | | | Europe | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | HK & Macau | | Chinese Mainland | | Taiwan | Others | | | | |
| | Retail HK$'000 | Wholesale HK$'000 | Retail HK$'000 | Wholesale HK$'000 | Retail HK$'000 | Retail HK$'000 | Retail HK$'000 | Wholesale HK$'000 | Licensing HK$'000 | Total HK$'000 |
| Total segment revenue | | | | | | | | | | |
| - Recognised at a point in time | 505,982 | 408,984 | 737,656 | 68,331 | 127,775 | 8,259 | 135,482 | 39,897 | - | 2,032,366 |
| - Recognised over time | - | - | - | - | - | - | - | - | 120,201 | 120,201 |
| Inter-segment revenue | - | (408,968) | - | - | - | - | - | (1,083) | (41,182) | (451,233) |
| Revenue from external customers | 505,982 | 16 | 737,656 | 68,331 | 127,775 | 8,259 | 135,482 | 38,814 | 79,019 | 1,701,334 |
| - Recognised at a point in time | 505,982 | 16 | 737,656 | 68,331 | 127,775 | 8,259 | 135,482 | 38,814 | - | 1,622,315 |
| - Recognised over time | - | - | - | - | - | - | - | - | 79,019 | 79,019 |
| Gross profit | 351,723 | 11 | 518,107 | 40,041 | 81,449 | 5,515 | 69,998 | 14,482 | 79,019 | 1,160,345 |
| Segmental contributions | 8,551 | 11 | 44,725 | 40,041 | 6,395 | (12,309) | (20,308) | (22,624) | 72,710 | 117,192 |
| Segmental contributions includes: | | | | | | | | | | |
| Depreciation | (15,196) | - | (37,367) | - | (4,293) | (1,172) | (11,205) | (683) | (50) | (69,966) |
| (Additional provision for)/reversal of impairment of property, plant and equipment | (4,505) | - | 1,310 | - | (1) | - | (5,675) | - | - | (8,871) |
| Segment asset | 187,253 | - | 297,646 | - | 65,128 | 2,268 | 69,178 | - | - | 621,473 |

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

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Segmental contributions for reportable segments | **188,305** | 117,192 |
| Add: | | |
| Other income (Note 5) | **25,358** | 16,375 |
| Less: | | |
| Net finance costs (Note 7) | **(20,734)** | (28,455) |
| Other gains/(losses) - net (Note 6) | **64,900** | (65,258) |
| Employee benefit expenses | **(171,178)** | (195,121) |
| Rental and other operating expenses | **(25,280)** | (44,858) |
| Depreciation and amortisation | **(62,329)** | (66,924) |
| Advertising and promotion expenses | **(70,940)** | (117,315) |
| Legal and professional fees | **(18,721)** | (12,330) |
| Product design, supply chain and related management expenses | **(19,831)** | (41,035) |
| Restructuring costs | **(59,945)** | (72,752) |
| Other unallocated expenses | **(93,486)** | (96,977) |
| Total Group's loss before income tax | **(263,881)** | (607,458) |

## 3. 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, deposits and prepayments ("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:

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Hong Kong & Macau | **598,376** | 505,998 |
| Chinese Mainland | **751,245** | 807,496 |
| Taiwan | **130,264** | 127,775 |
| United Kingdom | **159,900** | 140,445 |
| Other countries | **83,353** | 119,620 |
| Total | **1,723,138** | 1,701,334 |

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

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

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Hong Kong & Macau | **848,287** | 699,811 |
| Chinese Mainland | **791,100** | 798,378 |
| Taiwan | **88,233** | 84,445 |
| United Kingdom | **772,477** | 836,314 |
| France | **669,702** | 684,387 |
| Singapore | **119,538** | 300,289 |
| Total | **3,289,337** | 3,403,624 |

## 4. Operating loss

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

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Cost of inventories | **523,665** | 533,510 |
| Write off of inventories and additional provision for impairment of inventories (note (a)) | **4,142** | 7,479 |
| Employee benefit expenses | **550,698** | 593,357 |
| Operating lease rental expenses | | |
| - minimum lease payment | **326,588** | 329,692 |
| - contingent rents | **112,046** | 127,536 |
| Provision for impairment of loan receivables | **2,918** | 170,565 |
| Advertising and promotion expenses (note (b)) | **89,485** | 135,328 |
| Restructuring costs (note (c)) | **59,945** | 72,752 |
| Product design, supply chain and related management expenses | **19,831** | 41,035 |
| Depreciation of property, plant and equipment | **73,123** | 79,946 |
| Amortisation of intangible assets | **54,095** | 56,944 |
| Provision for impairment of property, plant and equipment | **9,172** | 8,871 |
| Loss on disposal of property, plant and equipment– net | **2,848** | 11,223 |
| Provision for impairment of trade receivables - net | **6,856** | 5,928 |
| Contingent royalty expenses | **4,339** | 4,121 |
| Fair value losses/(gains) on forward foreign exchange contracts | **890** | (4,196) |
| Net foreign exchange losses | **22,591** | 25,051 |

Notes:

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

(b) Advertising and promotion expenses included employee benefit expenses and operating lease rental expenses of HK$16,151,000 (2017: HK$15,090,000) and HK$2,394,000 (2017: HK$2,923,000) respectively.

(c) 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.

For the year ended 31 December 2017, restructuring costs relating to closure of business wear production line at the Hong Kong factory and the associated restructuring of sourcing functions included employee benefit expenses, reinstatement costs, loss on disposal of property, plant and equipment and other costs of HK$26,627,000, HK$5,796,000, HK$9,685,000 and HK$30,644,000 respectively.

**4. Operating loss (Continued)**

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

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Audit services | **5,840** | 5,972 |
| Non-audit services | | |
| - taxation services | **1,189** | 1,053 |
| - other services | **385** | 416 |
| | **7,414** | 7,441 |

Note: HK$5,351,000 (2017: HK$5,956,000) of the audit services fees and HK$1,413,000 (2017: HK$1,469,000) of non-audit services fees are payable to the Company's auditor.

**5. Other income**

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Subsidy income | **6,398** | 6,660 |
| Rental income from third parties | **2,849** | 2,684 |
| Rental income from related parties | **-** | 144 |
| Management fee income from related parties | **1,186** | 2,987 |
| Claims received | **3,267** | 1,586 |
| Commission income | **7,572** | - |
| Others | **4,086** | 2,314 |
| | **25,358** | 16,375 |

**6. Other gains/(losses) - net**

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Provision for impairment of loan receivables and remeasurement loss on derivative | **(2,918)** | (176,636) |
| Gain on remeasurement of contingent purchase consideration payable for acquisition | **70,370** | 119,721 |
| Others | **(2,552)** | (8,343) |
| | **64,900** | (65,258) |

## 7. Net finance costs

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Finance costs | | |
| - Interest expenses on bank borrowings and overdrafts | **(37,507)** | (32,937) |
| - Notional interest expenses on contingent purchase consideration payable for acquisition | **(2,271)** | (6,062) |
| | **(39,778)** | (38,999) |
| Finance income | | |
| - Interest income on deposits from banks and financial institutions | **19,044** | 1,732 |
| - Interest income on loan receivables | **-** | 8,812 |
| | **19,044** | 10,544 |
| Net finance costs | **(20,734)** | (28,455) |

## 8. Income tax

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit. Taxation on overseas profits has 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.

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Current income tax | | |
| - Hong Kong profits tax | **-** | 1,218 |
| - Overseas taxation | **13,575** | 12,418 |
| - Over provision in prior years | **(806)** | (2,696) |
| Deferred income tax | **(11,849)** | (10,050) |
| | **920** | 890 |

## 9. Loss per share

(a) Basic

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

| | 2018 | 2017 |
|---|---|---|
| Weighted average number of ordinary shares in issue | **3,055,310,000** | 1,746,529,000 |
| Loss attributable to shareholders of the Company (HK$'000) | **(264,801)** | (608,348) |
| Basic loss per share (HK cents per share) | **(8.7) cents** | (34.8) cents |

## 9. Loss per share (Continued)

(b) Diluted

Diluted 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

## 10. Dividends

The Board does not recommend the payment of any final dividend for the year of 2018 (2017: nil).

## 11. Convertible promissory note and loan receivables

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Non-current assets** | | |
| Convertible promissory note and conversion right | **-** | 112,112 |
| Less: provision for impairment of convertible promissory note and conversion right | **-** | (112,112) |
| **Loan receivables – net** | **-** | - |
| **Current assets** | | |
| Loan receivable | **61,371** | 58,453 |
| Less: provision for impairment of loan receivable | **(61,371)** | (58,453) |
| **Loan receivable – net** | **-** | - |

The convertible promissory note and loan receivables consist of a convertible promissory note purchase agreement, loan agreement with BHB and the conversion right embedded in convertible promissory note.

The Group's convertible promissory note are bifurcated into loan receivables and derivative financial instrument before the adoption of HKFRS 9. Upon the adoption of HKFRS 9, the entire convertible promissory note are classified as fair value through profit and loss (FVTPL).

The investment was intended to leverage on the strength of the support from BHB to develop the US market. However, the development in US was not up to the Group's expectations and the Management considered the recoverability risk to be high. Consequently, full provision of impairment was recognised for the outstanding loan receivable and the fair value of the FVTPL is nil as at 31 December 2018.

## 12. Derivative financial instruments

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Current assets** | | |
| Conversion right embedded in convertible promissory note | **-** | - |
| Forward exchange contracts | **-** | 890 |
| | **-** | 890 |

As at 31 December 2017, the carrying amount of the Group's derivative financial instruments approximated their fair values.

## 13. Trade receivables

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **186,197** | 116,483 |
| Less: provision for impairment of trade receivables | **(20,003)** | (8,876) |
| **Trade receivables – net** | **166,194** | 107,607 |

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:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 1 - 30 days | **103,873** | 53,534 |
| 31 - 60 days | **30,469** | 29,467 |
| 61 - 90 days | **6,668** | 4,941 |
| Over 90 days | **45,187** | 28,541 |
| | **186,197** | 116,483 |

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

## 14. Trade payables

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Trade payables | **66,129** | 131,606 |

As at 31 December 2018 and 2017, the carrying amounts of the Group's trade payables approximated their fair values.

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

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| 1 - 30 days | **29,543** | 53,031 |
| 31 - 60 days | **21,393** | 49,999 |
| 61 - 90 days | **5,000** | 14,126 |
| Over 90 days | **10,193** | 14,450 |
| | **66,129** | 131,606 |

## CORPORATE GOVERNANCE

The Board and 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.

In order to reinforce independence, accountability and responsibility, and to enhance the corporate governance of the Board, the role of the Chairman is separate from that of the Chief Executive Officer. Their respective responsibilities are clearly established and defined by the Board in writing. There were changes in Board composition and its Chairmanship during the year. Following the changes in the Board members on 6 August 2018, the number of Independent Non-executive Directors is less than one-third of the Board under rule 3.10A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company has obtained an approval from The Stock Exchange of Hong Kong Limited for complying with this rule requirement by 31 December 2018 and subsequently, two new Independent Non-executive Directors were appointed on 20 December 2018.

The Board has established the Audit Committee, Nomination Committee and Remuneration Committee (all chaired by Independent Non-executive Director) with defined terms of reference, which are consistent with the principles set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules . The Chairman and all members in the Audit Committee are Independent Non-executive Directors. Each of the Nomination Committee and Remuneration Committee is also chaired by Independent Non-executive Directors, with a majority of members being Independent Non-executive Directors.

In light of the amendments to the CG Code and the related Listing Rules effective 1 January 2019, several Board policies and guidelines were reviewed and updated in December 2018 to ensure compliance with the new requirements. Two new policies, namely the Director Nomination Policy and the Dividend Policy, were also adopted by the Board.

Full details on the Company's corporate governance practices are set out in the Company's 2018 Annual Report.

## AUDIT COMMITTEE

The Audit Committee was established on 1 January 2009 to review the Group's financial information, risk management, internal controls and financial reporting systems, corporate governance matters, the Group's relationship with external auditor, and provide advice and make relevant recommendations to the Board.

The Audit Committee met four times in 2018 (with an average attendance rate of about 88%) to consider and review, with senior management, the Company's Corporate Governance Division ("CGD"), and external auditor, the Group's internal controls, risk management, and the financial matters as well as policies relating to corporate governance matters as set out in the Audit Committee's written terms of reference and make relevant recommendations to the Board. The CGD, under the supervision of the Chief Compliance and Risk Management Officer, is responsible for performing the internal audit according to the audit plan approved by the Audit Committee.

In 2018, the Committee's review covered the audit plans and reports from CGD and external auditor, external auditor's independence, the Group's accounting principles and practices, internal controls, risk management, financial reporting matters (including the annual and interim financial statements before recommending them to the Board for approval), listing rules and regulatory compliance, connected transactions, and the adequacy of resources, qualification, and experience of staff of the Group's internal audit and financial reporting function, and their training programmes and budget.

The Audit Committee has reviewed the annual results for the year ended 31 December 2018.

## RISK MANAGEMENT AND INTERNAL CONTROL

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 to manage 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 objective. It is also responsible for ensuring that the Group maintains a sound and effective system of risk management and internal controls, and for reviewing the adequacy and effectiveness of such system through the Audit Committee.

The CGD independently reviews the risk management and internal controls processes and evaluates their adequacy, effectiveness, and compliance. The Audit Committee reviews and endorses the execution of the CGD Internal Audit Plan that is strategically linked to the Group's Business Plan.

Based on the respective assessments made by the Management and the CGD, and also taking into the account the results of the work conducted by the external auditor for the purpose of their audit for 2018, the Audit Committee is satisfied that:

- the risk management, internal controls systems and accounting systems of the Group were 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 management's authorisation, and the financial statements are not materially misstated and are reliable for publication;

- there were ongoing processes in place for identifying, evaluating, and managing the significant risks faced by the Group; and

- the resources, qualifications, experience, training programmes and budget of the staff of the Group's internal audit and financial reporting functions are adequate.

## COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Group has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Relevant employees who are likely to possess inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. Specific confirmation has been obtained from Directors and relevant employees on compliance with the Model Code for 2018. No incident of non-compliance by Directors and relevant employees was noted by the Company in 2018.

The Company has adopted the Policy on Inside Information, and handles and disseminates inside information in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

## COMPLIANCE WITH THE CG CODE OF THE LISTING RULES

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2018.

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

Except for the Subscription as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

## FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: nil).

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company ("AGM") will be held on Wednesday, 29 May 2019. Notice of the AGM will be published on the Company's website at *www.trinitygroup.com* and HKEXnews website at *www.hkexnews.hk* and despatched to the shareholders of the Company in due course.

The record date for determining members' right to attend and vote at the AGM is 23 May 2019. Members who are entitled to attend and vote at the AGM are those whose names appear on the Register of Members of the Company as at the close of business on Thursday, 23 May 2019. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 pm on Thursday, 23 May 2019.

By Order of the Board
**QIU Yafu**
*Chairman*

Hong Kong, 26 March 2019

*As at the date of this announcement, the Board comprises five executive directors, namely Ms Sun Weiying, Mr Paul David Haouzi, Ms Qiu Chenran, Ms Su Xiao and Mr Kelvin Ho Cheuk Yin; four non-executive directors, namely Mr Qiu Yafu, Ms Sabrina Fung Wing Yee, Mr Wong Yat Ming and Mr Daniel Lalonde; and five independent non-executive directors, namely Mrs Eva Cheng Li Kam Fun, Mr Michael Lee Tze Hau, Mr Patrick Sun, Mr Victor Huang and Mr Yang Dajun.*

** For identification purposes only*