

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



FORWARD FASHION
HOLDINGS

Forward Fashion (International) Holdings Company Limited

尚晉(國際)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2528)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 31 DECEMBER 2021**

The board of directors (the “**Board**”) of Forward Fashion (International) Holdings Company Limited (the “**Company**”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020. The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

		Year ended 31 December	
		2021	2020
	<i>Notes</i>	<i>HKD'000</i>	<i>HKD'000</i>
Revenue	3	1,228,307	884,463
Cost of sales	3,6	<u>(577,187)</u>	<u>(488,177)</u>
Gross profit		651,120	396,286
Selling and marketing expenses	6	(495,324)	(423,704)
General and administrative expenses	6	(116,797)	(92,521)
Other income	4	10,780	12,057
Other gains/(losses) – net	5	<u>17,775</u>	<u>(1,217)</u>
Operating profit/(loss)		67,554	(109,099)
Finance income	8	855	1,109
Finance costs	8	(21,292)	(25,885)
Finance costs – net		<u>(20,437)</u>	<u>(24,776)</u>
Profit/(loss) before income tax		47,117	(133,875)
Income tax expenses	9	<u>(15,486)</u>	<u>(2,485)</u>
Profit/(loss) for the year		<u>31,631</u>	<u>(136,360)</u>
Profit/(loss) is attributable to:			
Equity holders of the Company		32,157	(131,144)
Non-controlling interests		<u>(526)</u>	<u>(5,216)</u>
		<u>31,631</u>	<u>(136,360)</u>
Earnings/(losses) per share for profit/(loss) attributable to equity holders of the Company			
Basic and diluted earnings/(losses) per share (HKD)	10	<u>0.08</u>	<u>(0.33)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December	
	2021	2020
<i>Notes</i>	<i>HKD'000</i>	<i>HKD'000</i>
Profit/(loss) for the year	31,631	(136,360)
Other comprehensive income/(loss) for the year		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<u>4,096</u>	<u>7,856</u>
Other comprehensive income for the year, net of tax	<u>4,096</u>	<u>7,856</u>
Total comprehensive income/(loss) for the year	<u>35,727</u>	<u>(128,504)</u>
Total comprehensive income/(loss) for the year is attributable to:		
Equity holders of the Company	<u>36,485</u>	<u>(122,934)</u>
Non-controlling interests	<u>(758)</u>	<u>(5,570)</u>
	<u>35,727</u>	<u>(128,504)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		As of 31 December	
		2021	2020
	<i>Notes</i>	<i>HKD'000</i>	<i>HKD'000</i>
Assets			
Non-current assets			
Property, plant and equipment	11	127,223	141,369
Right-of-use assets		251,248	285,421
Intangible assets		7,566	18,730
Financial asset at fair value through other comprehensive income		11,700	-
Investment in insurance contract		33,723	32,486
Deferred tax assets		19,800	27,551
Prepayment	14	1,099	309
Other receivables and deposit	15	28,892	26,082
Total non-current assets		<u>481,251</u>	<u>531,948</u>
Current assets			
Inventories	12	260,408	297,674
Trade receivable	13	49,791	56,118
Prepayment	14	65,894	25,404
Amount due from related parties	21	9,740	-
Other receivables and deposit	15	50,181	44,561
Restricted cash		26,216	24,892
Term deposits with initial term of over three months		70,000	90,027
Cash and cash equivalents		115,891	209,639
Total current assets		<u>648,121</u>	<u>748,315</u>
Total assets		<u>1,129,372</u>	<u>1,280,263</u>
Equity			
Share capital		4,000	4,000
Share premium		859,232	859,232
Reserves		(576,952)	(584,052)
Retained earnings/(accumulated losses)		18,197	(11,188)
Capital and reserve attributable to equity holders of the Company		<u>304,477</u>	<u>267,992</u>
Non-controlling interests		(4,841)	(4,082)
Total equity		<u>299,636</u>	<u>263,910</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)
AS AT 31 DECEMBER 2021

		As of 31 December	
		2021	2020
	<i>Notes</i>	HKD'000	HKD'000
Liabilities			
Non-current liabilities			
Borrowings	16	30,979	111,741
Lease liabilities	17	119,376	149,474
Provisions		4,472	1,934
Financial liabilities at fair value through profit or loss		1,444	5,026
Other non-current liabilities		14,393	34,083
Deferred tax liabilities		2,442	3,556
Other payables	18	14,504	15,422
Total non-current liabilities		187,610	321,236
Current liabilities			
Trade and other payables	18	158,507	192,149
Amount due to related parties	21	190,666	60,818
Other current liabilities		24,882	36,981
Contract liabilities	19	3,905	4,685
Lease liabilities	17	148,065	166,344
Provisions		4,906	8,771
Financial liabilities at fair value through profit or loss		–	2,970
Income tax liabilities		12,578	19,010
Borrowings	16	98,617	203,389
Total current liabilities		642,126	695,117
Total liabilities		829,736	1,016,353
Net assets		299,636	263,910

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Forward Fashion (International) Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 16 May 2019. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the “**Group**”) are principally engaged in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands through our multi-brand and multi-store business model (the “**Business**”) in Mainland China, Macau, Hong Kong and Taiwan.

The ultimate holding company of the Company is Gold Star Fashion Limited, a company incorporated in the British Virgin Islands (the “**BVI**”) and is wholly-owned by Mr. Fan Wing Ting (“**Mr. Fan**”), the ultimate controlling shareholder (the “**Controlling shareholder**”) of the Group.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 13 January 2020.

The financial statements for the year ended 31 December 2021 are presented in Hong Kong dollars (“**HKD**”) and all values are rounded to the nearest thousand (HKD’000), unless otherwise stated. The financial statements for the year ended 31 December 2021 have been approved for issue by the board of directors of the Company (the “**Board**”) on 30 March 2022.

2 BASIS OF PREPARATION

(i) Compliance with IFRS and Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by International Accounting Standards Board (“**IASB**”) and requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial liabilities – measured at fair value
- investment in insurance contracts – measured at cash surrender value.
- investment in an unlisted company – measured at fair value

(iii) Amended standards adopted by the Group

The Group has applied the following amendment for the first time for their annual reporting period commencing 1 January 2021:

- *Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16*

The Group also elected to adopt the following amendments early.

- *Annual Improvements to HKFRS Standards 2018–2020 Cycle*

Most of the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New and amended standards, improvement, interpretation and accounting guideline which are not yet effective and have not been early adopted by the Group

The following new and amended standards, improvement, interpretation and accounting guideline have been issued but are not effective for the year and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 16 (Amendments)	Covid-19 Related Rent Concessions beyond 2021	1 April 2021
Annual improvements project (Amendments)	Annual Improvements to HKFRSs 2018–2020	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments	1 January 2022
AG 5 (Revised)	Revised Accounting Guideline 5 – Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain new and amended standards, improvement, interpretation and accounting guideline have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These new and amended standards, improvement, interpretation and accounting guideline are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT INFORMATION

The Group is principally engaged in the retailing and wholesale of luxury and fashion clothes and products in the PRC, Macau, Hongkong and other places. The performance of the Group's retail stores is subject to seasonal fluctuations and certain holiday seasons.

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The CODM considers the business from geographic perspective and assesses the performance of the geographical segments mainly based on segment revenues and segment result. Assets and liabilities are regularly reviewed on a consolidated basis.

The revenues from external customers reported to CODM are measured as segment revenues, which are the revenues derived from customers of each segment.

Segment result is equal to revenue from external customers deducted by cost of sales and selling and marketing expenses from each segment.

The segment information for the years ended 31 December 2020 and 2021 are as follows:

	Year ended 31 December 2021			Total HKD'000
	Mainland China HKD'000	Macau HKD'000	HK and others HKD'000	
Segment revenue	557,952	588,665	125,711	1,272,328
Inter-segment revenue	(8,412)	(2,854)	(32,755)	(44,021)
Revenue from external customers	<u>549,540</u>	<u>585,811</u>	<u>92,956</u>	<u>1,228,307</u>
Cost of sales	(269,819)	(266,780)	(40,588)	(577,187)
Selling and marketing expenses	<u>(194,905)</u>	<u>(243,736)</u>	<u>(56,683)</u>	<u>(495,324)</u>
Segment result	<u>84,816</u>	<u>75,295</u>	<u>(4,315)</u>	<u>155,796</u>
General and administrative expenses				(116,797)
Other income				10,780
Other gains – net				17,775
Finance income				855
Finance costs				(21,292)
Finance costs – net				<u>(20,437)</u>
Profit before income tax expenses				47,117
Income tax expense				<u>(15,486)</u>
Profit for the year				<u>31,631</u>
Depreciation and amortisation	(59,910)	(135,881)	(39,521)	(235,312)
(Provision for)/reversal of provision for impairment of property, plant and equipment, right-of-use assets and intangible assets	(538)	(5,434)	(7,963)	(13,935)
Reversal of provision for/(provision for) impairment of inventories	<u>1,388</u>	<u>10,573</u>	<u>(76)</u>	<u>11,885</u>
Segment non-current assets	120,002	305,446	55,803	481,251
Segment current assets	<u>202,361</u>	<u>393,579</u>	<u>52,181</u>	<u>648,121</u>

	Year ended 31 December 2020			Total HKD'000
	Mainland China HKD'000	Macau HKD'000	HK and others HKD'000	
Segment revenue	455,248	387,280	96,684	939,212
Inter-segment revenue	(7,538)	(4,359)	(42,852)	(54,749)
Revenue from external customers	<u>447,710</u>	<u>382,921</u>	<u>53,832</u>	<u>884,463</u>
Cost of sales	(230,872)	(230,680)	(26,625)	(488,177)
Selling and marketing expenses	<u>(176,128)</u>	<u>(211,225)</u>	<u>(36,351)</u>	<u>(423,704)</u>
Segment result	<u>40,710</u>	<u>(58,984)</u>	<u>(9,144)</u>	<u>(27,418)</u>
General and administrative expenses				(92,521)
Other income				12,057
Other losses				(1,217)
Finance income				1,109
Finance costs				(25,885)
Finance costs – net				<u>(24,776)</u>
Loss before income tax expenses				(133,875)
Income tax expense				<u>(2,485)</u>
Loss for the year				<u><u>(136,360)</u></u>
Depreciation and amortisation	(71,595)	(196,762)	(27,455)	(295,812)
Provision for impairment of property, plant and equipment and right-of-use assets	(6,475)	(14,878)	–	(21,353)
Provision for impairment of inventories	<u>(1,439)</u>	<u>(4,964)</u>	<u>(410)</u>	<u>(6,813)</u>
Segment non-current assets	119,134	350,021	62,793	531,948
Segment current assets	<u>214,476</u>	<u>332,234</u>	<u>201,605</u>	<u>748,315</u>

(a) Revenue by business line and nature

	Year ended 31 December	
	2021 HKD'000	2020 HKD'000
Retail	1,192,551	867,625
Store management and consignment service	21,110	14,361
Wholesale	<u>14,646</u>	<u>2,477</u>
Total	<u><u>1,228,307</u></u>	<u><u>884,463</u></u>

(b) **Timing of Revenue Recognition**

	Year ended 31 December	
	2021	2020
	HKD'000	HKD'000
Revenue at a point in time	1,207,197	870,102
Revenue over time	21,110	14,361
	<hr/>	<hr/>
Total	1,228,307	884,463
	<hr/> <hr/>	<hr/> <hr/>

(c) **Information about unsatisfied performance obligation**

The Group elects not to disclose the information for remaining performance obligation of contracts as the contracts have an original expected duration of less than one year or the portion with variable consideration as a practical expedient.

4 OTHER INCOME

	Year ended 31 December	
	2021	2020
	HKD'000	HKD'000
Government grants (a)	2,002	8,861
Subsidy from franchisor on operating loss (b)	8,765	3,161
Others	13	35
	<hr/>	<hr/>
	10,780	12,057
	<hr/> <hr/>	<hr/> <hr/>

(a) Government grants represent subsidies received from government for anti-epidemic assistance.

(b) In 2020 and 2021, franchisors of the Group agreed to grant certain amount of subsidies to the Group in relation to the operating loss of certain stores for the purpose of maintaining long term cooperation relationship.

5 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2021	2020
	HKD'000	HKD'000
Net changes in cash surrender value of investment in insurance contract	1,070	1,125
Elimination of liabilities (a)	44	935
Gains on the derecognition of right-of-use assets and lease liabilities	5,953	1,893
Exchange gains	2,165	2,518
Fair value gains on financial liabilities at fair value through profit or losses – net	6,552	404
Net loss on disposal of property, plant and equipment	(474)	(5,269)
Reversal of provision/(provision) for litigation expenses (b)	2,130	(2,328)
Others	335	(495)
	<hr/>	<hr/>
	17,775	(1,217)
	<hr/> <hr/>	<hr/> <hr/>

- (a) It represents the gains due to the elimination of contract liabilities as well as the remission of other payables. The early termination of contract by some counterparty result in the elimination of contract liabilities, and the remission of other payables mainly result from the operating support fund from landlord.
- (b) In 2020, a claim was lodged against a subsidiary of the Group by one shopping mall in relation to violation of right of use and occupation agreement. The subsidiary has disclaimed liability and is defending the action. By the date of annual report of 2020, the Group considered it to be probable that the judgement will not be in its favor and has therefore recognised a provision of approximately HKD 2.3 million in relation to this claim. During the financial year of 2021, judgement has been handed down and the claim was paid in full.

6 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	<i>HKD'000</i>	<i>HKD'000</i>
Change in inventories	573,866	465,113
Depreciation of right-of-use assets	187,018	229,546
Employee benefit expenses (<i>Note 7</i>)	232,836	178,623
Depreciation of property, plant and equipment (<i>Note 11</i>)	44,050	61,188
Variable lease expenses	44,847	42,118
Utilities and electricity expenses	25,089	24,681
Property management fee	24,790	22,026
Advertising and promotion expenses	22,431	17,192
Payment processing fee	10,822	8,833
Labour cost	5,096	4,346
(Reversal of provision)/provision of inventories impairment	(11,885)	6,813
Provision for impairment loss on trade receivables	121	837
Travelling, entertainment and communication expenses	4,658	3,935
Impairment loss on property, plant and equipment (<i>Note 11</i>)	1,006	5,056
Repair and maintenance	4,892	6,187
Amortisation of intangible assets	4,244	5,078
Delivery expenses	2,578	2,127
Office expenses	5,107	3,785
Impairment loss on right-of-use assets	5,338	16,297
Professional service fees	5,479	4,342
Auditor's remuneration	2,318	3,044
Listing expenses	–	2,025
Rent concession related to Covid-19	(24,056)	(119,081)
Impairment loss on intangible assets	7,591	–
Other expenses	11,072	10,291
	<u>1,189,308</u>	<u>1,004,402</u>

7 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended 31 December	
	2021	2020
	HKD'000	HKD'000
Salaries, wages and bonuses	209,615	163,585
Pension costs – defined contribution plan	16,285	5,970
Other social security costs, housing benefits and other employee benefits	6,936	9,068
	<u>232,836</u>	<u>178,623</u>

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 include four (2020: four) directors whose emoluments are reflected in the analysis shown in Note 22. The emoluments payable to the remaining one (2020: one) individuals during the year are as follows:

	Year ended 31 December	
	2021	2020
	HKD'000	HKD'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	1,292	1,114
Contribution to pension scheme	30	25
Total	<u>1,322</u>	<u>1,139</u>

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2021	2020
HKD1,000,001–1,500,000	<u>1</u>	<u>1</u>

8 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2021	2020
	HKD'000	HKD'000
Finance income		
– Interest income	<u>855</u>	<u>1,109</u>
Finance costs		
– Interest and finance charges paid/payable for lease liabilities	<u>(14,078)</u>	<u>(15,051)</u>
– Other interest cost	<u>(7,214)</u>	<u>(10,834)</u>
	<u>(21,292)</u>	<u>(25,885)</u>
Finance costs – net	<u><u>(20,437)</u></u>	<u><u>(24,776)</u></u>

9 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended 31 December	
	2021	2020
	HKD'000	HKD'000
Current income tax	<u>8,415</u>	<u>12,656</u>
Deferred income tax related to the temporary differences	<u>7,071</u>	<u>(10,171)</u>
	<u><u>15,486</u></u>	<u><u>2,485</u></u>

The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its shareholders.

British Virgin Islands

The Group's entities incorporated in the British Virgin Islands are not subject to tax on income or capital gains.

Hong Kong

In accordance with the two-tiered profits tax regime, for a subsidiary entitled to this benefit, Hong Kong profits tax was calculated at 8.25% on the first HKD2 million and 16.5% on the remaining balance of the estimated assessable profits for the years ended 31 March 2021 and 2020. For other Hong Kong incorporated subsidiaries, Hong Kong profits tax was calculated at 16.5%.

Mainland China corporate income tax (“CIT”)

CIT was made on the estimated assessable profits of the entities within the Group incorporated and operated in Mainland China and was calculated in accordance with the relevant tax rules and regulations of Mainland China. The general CIT rate is 25% for the years ended 31 December 2020 and 2021.

Macau

The entities within the Group incorporated and operating in Macau are subject to Macau profits tax at progressive rates ranging from 3% to 9% on the taxable income above MOP 32,000 but below MOP 300,000, and thereafter at a fixed rate of 12%. In addition, a special tax incentive has provided to effect that tax free income threshold amounting to MOP 600,000 for the years ended 31 December 2020 and 2021.

Taiwan

The entities within the Group operating in Taiwan are subject to Taiwan profits tax at the rate of 20% for the year ended 31 December 2021.

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since 1 January 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies.

(b) Numerical reconciliation of income tax expense

	Year ended 31 December	
	2021	2020
	HKD'000	HKD'000
Profit/(loss) before income tax	47,117	(133,875)
Tax calculated at applicable statutory tax rate of respective entities	10,995	(13,420)
Tax preference	8	(16)
Withholding income tax on the profits to be distributed by the group companies in the mainland China	–	(510)
Tax effect of unrecognised tax losses	5,636	15,211
Utilisation of previously unrecognised tax losses	645	(405)
Items not (taxable)/deductible for tax purposes	(1,798)	1,625
Income tax expense	15,486	2,485

The weighted average applicable tax rate is influenced by the change in the profitability of the Group's subsidiaries in the respective regions. There is no change of the tax rate of the respective regions during for the years ended 31 December 2020 and 2021.

10 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in outstanding during the financial year.

	Year ended 31 December	
	2021	2020
Profit/(loss) attributable to equity holders of the Company (HKD'000)	32,157	(131,144)
Weighted average number of ordinary shares in issue	400,000,000	395,833,333
Basic earnings/(losses) per share (HKD) (note)	<u>0.08</u>	<u>(0.33)</u>

Note: Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. The weighted average number of shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation and the effect of the capitalisation of reserves in January 2021.

(b) No diluted earnings per share is presented as the Group has no dilutive potential ordinary shares during the reporting period.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings HKD'000	Leasehold improvements HKD'000	Vehicle HKD'000	Office furniture and equipment HKD'000	Computer and electronic equipment HKD'000	Total HKD'000
At 31 December 2019						
Cost	83,577	275,064	4,128	22,070	12,525	397,364
Accumulated depreciation and impairment provision	(3,645)	(197,909)	(3,128)	(17,129)	(7,362)	(229,173)
Net book amount	<u>79,932</u>	<u>77,155</u>	<u>1,000</u>	<u>4,941</u>	<u>5,163</u>	<u>168,191</u>
Year ended 31 December 2020						
Opening net book amount	79,932	77,155	1,000	4,941	5,163	168,191
Additions	–	43,397	–	69	1,834	45,300
Depreciation	(1,640)	(53,892)	(208)	(2,987)	(2,461)	(61,188)
Impairment provision	–	(5,056)	–	–	–	(5,056)
Exchange differences	–	2,030	–	136	154	2,320
Disposals	–	(6,954)	(516)	(338)	(390)	(8,198)
Net book amount	<u>78,292</u>	<u>56,680</u>	<u>276</u>	<u>1,821</u>	<u>4,300</u>	<u>141,369</u>
At 31 December 2020						
Cost	83,577	292,646	3,172	20,889	13,849	414,133
Accumulated depreciation and impairment provision	(5,285)	(235,966)	(2,896)	(19,068)	(9,549)	(272,764)
Net book amount	<u>78,292</u>	<u>56,680</u>	<u>276</u>	<u>1,821</u>	<u>4,300</u>	<u>141,369</u>

	Buildings HKD'000	Leasehold improvements HKD'000	Vehicle HKD'000	Office furniture and equipment HKD'000	Computer and electronic equipment HKD'000	Total HKD'000
Year ended 31 December 2021						
Opening net book amount	78,292	56,680	276	1,821	4,300	141,369
Additions	-	27,855	-	1,411	2,891	32,157
Depreciation	(1,794)	(37,890)	(72)	(1,644)	(2,650)	(44,050)
Impairment provision	-	(1,006)	-	-	-	(1,006)
Exchange differences	-	1,757	-	36	81	1,874
Disposals	-	(2,935)	-	(43)	(143)	(3,121)
Net book amount	<u>76,498</u>	<u>44,461</u>	<u>204</u>	<u>1,581</u>	<u>4,479</u>	<u>127,223</u>
At 31 December 2021						
Cost	83,577	281,496	2,796	19,870	14,678	402,417
Accumulated depreciation and impairment provision	<u>(7,079)</u>	<u>(237,035)</u>	<u>(2,592)</u>	<u>(18,289)</u>	<u>(10,199)</u>	<u>(275,194)</u>
Net book amount	<u>76,498</u>	<u>44,461</u>	<u>204</u>	<u>1,581</u>	<u>4,479</u>	<u>127,223</u>

As at 31 December 2021, the Group performed impairment test on the property, plant and equipment used in the retail stores with discounted cash flow analysis and recognised impairment loss of approximately HKD1,006,000 (2020: HKD5,056,000).

As at 31 December 2021, a building with carrying amount of approximately HKD59,801,000 is pledged for first mortgage of bank borrowings (2020: HKD61,068,000).

Depreciation of the Group's property, plant and equipment has been recognised in the consolidated statements of profit or loss as follows:

	Year ended 31 December	
	2021	2020
	HKD'000	HKD'000
Selling and marketing expenses	39,835	56,810
Administrative expenses	<u>4,215</u>	<u>4,378</u>
	<u>44,050</u>	<u>61,188</u>

12 INVENTORIES

	As of 31 December	
	2021	2020
	HKD'000	HKD'000
Fashion wears and accessories	267,086	321,728
Electronic devices	4,702	3,598
Skincare and cosmetic products	7,447	3,060
Less: provision for impairment	(18,827)	(30,712)
	<u>260,408</u>	<u>297,674</u>
Inventory measured at cost	234,355	229,577
Inventory measured at net realisable value	<u>26,053</u>	<u>68,097</u>
	<u>260,408</u>	<u>297,674</u>

Provision for impairment was recognised for the amount by which the carrying amount of the inventories exceeds its net realisable value, and was recorded in “cost of sales” in the consolidated statements of profit or loss.

For the year ended 31 December 2021, the cost of inventories recognised as expense and included in “cost of sales” amounted to approximately HKD561,981,000 (2020: HKD471,926,000).

13 TRADE RECEIVABLE

	As of 31 December	
	2021	2020
	HKD'000	HKD'000
Trade receivables		
Due from third parties	50,470	56,676
Less: provision for impairment of trade receivables	(679)	(558)
	<u>49,791</u>	<u>56,118</u>

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance increased by approximately HKD121,000 for trade receivables during the current reporting period.

The net trade receivables are denominated in the following currencies:

	As of 31 December	
	2021	2020
	<i>HKD'000</i>	<i>HKD'000</i>
RMB	37,112	39,493
MOP	4,643	11,555
HKD	7,634	5,070
TWD	402	–
	<u>49,791</u>	<u>56,118</u>

The credit terms of trade receivables granted by the Group are generally 1–3 months. For the years ended 31 December 2020 and 2021, the ageing analysis of the trade receivables based on invoice date is as follows:

	As of 31 December	
	2021	2020
	<i>HKD'000</i>	<i>HKD'000</i>
Within 3 months	45,401	55,545
Over 3 months and within 6 months	2,052	326
Over 6 months and within 1 year	2,221	501
Over 1 year	796	304
	<u>50,470</u>	<u>56,676</u>

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

14 PREPAYMENTS

	As of 31 December	
	2021	2020
	<i>HKD'000</i>	<i>HKD'000</i>
Included in current assets		
– Prepayments to supplier	47,379	20,426
– Other prepayments	18,515	4,978
	<u>65,894</u>	<u>25,404</u>
Included in non-current assets		
– Prepayments for leasehold improvement and furniture	1,099	309
	<u>66,993</u>	<u>25,713</u>

15 OTHER RECEIVABLES AND DEPOSIT

	As of 31 December	
	2021	2020
	HKD'000	HKD'000
Included in current assets		
– Rental deposits	23,811	24,364
– Value-added tax recoverable	6,332	9,285
– Staff advance	852	860
– Others	19,186	10,052
	<u>50,181</u>	<u>44,561</u>
Included in non-current assets		
– Rental deposits	28,892	26,082
	<u>79,073</u>	<u>70,643</u>

16 BORROWINGS

	As of 31 December	
	2021	2020
	HKD'000	HKD'000
Non-current		
Bank loans (a)	<u>30,979</u>	<u>111,741</u>
Current		
Bank loans (a)	85	107,144
Letter of credit loans (b)	<u>98,532</u>	<u>96,245</u>
	<u>98,617</u>	<u>203,389</u>
	<u>129,596</u>	<u>315,130</u>

- (a) All borrowings are guaranteed and pledged as shown below:

	As of 31 December	
	2021	2020
	HKD'000	HKD'000
Guaranteed by Mr. Fan and pledged by his properties	21,057	139,894
Guaranteed by Mr. Fan and pledged by his properties and time deposit	50,000	52,450
Guaranteed by Mr. Fan and pledged by his properties, time deposit and insurance contract	20,378	79,511
Pledged by buildings	38,161	43,275
	129,596	315,130

- (b) Letter of credit loans represent loans granted by banks in connection with inward cargoes.

- (c) The Group's bank borrowings for the years ended 31 December 2020 and 2021 are denominated in the following currencies:

	As of 31 December	
	2021	2020
	HKD'000	HKD'000
RMB	–	17,062
HKD	89,806	252,155
USD	20,378	26,489
EUR	19,412	19,424
	129,596	315,130

- (d) The weighted average effective interest rates at the balance sheet dates are set out as follows:

	As of 31 December	
	2021	2020
Bank borrowings	4.46%	4.40%

- (e) The following tables sets forth the ranges of the effective interest rate on our bank borrowings as of the dates indicated:

	As of 31 December	
	2021	2020
	%	%
Fixed-rate bank borrowings	4.00–5.88	4.00–5.00
	HIBOR+1.75–	
	HIBOR+3.00;	HIBOR+1.75;
	LIBOR+1.25–	
	LIBOR+3.00;	LIBOR+1.25;
Floating-rate bank borrowings	3.00–3.88	2.63–3.88

- (f) The borrowings were repayable by repayment day as follows:

	As of 31 December	
	2021	2020
	<i>HKD'000</i>	<i>HKD'000</i>
Within 1 year	98,617	203,389
Between 1 and 2 years	1,077	37,504
Between 2 and 5 years	1,697	27,693
Over 5 years	28,205	46,544
	129,596	315,130

- (g) The fair values of the Group's borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

- (h) Compliance with loan covenants

The Group complied with the financial covenants of its borrowing facilities throughout the reporting period.

17 LEASE LIABILITIES

	As of 31 December	
	2021	2020
	<i>HKD'000</i>	<i>HKD'000</i>
Current	148,065	166,344
Non-current	119,376	149,474
	267,441	315,818

Liabilities arising from a lease are initially measured on a present value basis. Leases of entities operating in Mainland China are discounted at the rate of 6.0% and leases of entities operating in Macau and Hongkong are discounted at the rate of 3.5%. The finance cost of leases is charged to profit or loss over the lease period at the same rate.

18 TRADE AND OTHER PAYABLES

	As of 31 December	
	2021	2020
	<i>HKD'000</i>	<i>HKD'000</i>
Current		
Trade payables (a)	77,920	70,389
Salaries payable	49,289	40,054
Variable lease payable	7,018	36,028
Other taxes payable	1,670	3,727
License fee payable	5,251	7,779
Operating support fund (b)	–	2,237
Renovation service fee payables	9,515	17,805
Other payables	7,844	14,130
	<u>158,507</u>	<u>192,149</u>
Non-current		
Operating support fund (b)	13,209	12,832
License fee payables (c)	1,295	2,590
	<u>14,504</u>	<u>15,422</u>
	<u>173,011</u>	<u>207,571</u>

- (a) Trade payables primarily represent payables for inventories. The ageing analysis of the trade payables based on invoice date is as follows:

	As of 31 December	
	2021	2020
	<i>HKD'000</i>	<i>HKD'000</i>
Within 3 months	77,683	50,262
Over 3 months and within 1 year	213	20,127
Over 1 year	24	–
	<u>77,920</u>	<u>70,389</u>

- (b) Operating support fund is provided by the shopping malls for the Group to operate its retail stores. The fund shall be repaid upon the earlier of the date when the store meets specific operating condition agreed and the date when the leases expire.
- (c) License fee payables in respect of the acquisition of license rights are initially recognised at fair value of the consideration given to acquire the license at the time of the acquisition, which represent the present values of the fixed minimum periodic payments to be made in subsequent years. They are subsequently stated at amortised cost using the effective interest method less amounts paid.

Interest is accreted and represents changes in the license fee payables due to passage of time calculated by applying an effective interest rate to the amount of license fee payables at the beginning of the period.

The corresponding intangible assets are amortised on a straight-line basis over the term of the franchise agreement.

19 CONTRACT LIABILITIES

Contract liabilities primarily comprise advance payments received from wholesalers for goods that have not yet been delivered to the wholesaler.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2021	2020
	<i>HKD'000</i>	<i>HKD'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Wholesale contract	<u>3,905</u>	<u>4,685</u>

20 DIVIDENDS

No dividend was paid or declared by the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

21 RELATED PARTY TRANSACTIONS

(a) Parent entity

The Group is controlled by the following entity:

Name	Type	Place of incorporation	Ownership interest	
			2021	2020
Gold Star Fashion Limited	Immediate/ultimate parent company	BVI	75%	75%

(b) Subsidiaries

Interests in subsidiaries are set out in Note 23.

(c) **Key management compensation**

Key management includes directors (executive and non-executive) and the senior management of the Group.

The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2021	2020
	HKD'000	HKD'000
Salaries, wages and bonus	7,841	6,841
Pension cost – defined contribution plan	101	116
Other social security costs, housing benefits and other employee benefits	194	56
	8,136	7,013

(d) **Transactions with other related parties**

The following transactions occurred with related parties:

	Year ended 31 December	
	2021	2020
	HKD'000	HKD'000
Purchase of goods		
Company with significant influence over a subsidiary	17,106	697
Purchase of decoration services		
Controlled by a close family member of Mr. Fan	737	1,433
Purchase of rental services (with variable lease payment)		
Fellow subsidiaries	10,445	6,356
Purchase of management, promotion and administration services		
Fellow subsidiary	7,636	6,645
Interest expense		
Controlling shareholder of the Company	2,054	573

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(e) **Year end balances with related parties**

(i) *Due from related parties*

Particulars of amounts due from related parties are as follows:

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Sao Hang Investment Company Ltd	2,754	–
Sheng Jie Decoration And Engineering Co. Ltd.	2,226	–
White S.R.L.	4,760	–
	<u>9,740</u>	<u>–</u>

The amounts due from related parties for the year ended 31 December 2021 are denominated in the following currencies:

	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
HKD	4,980	–
EUR	4,760	–
	<u>9,740</u>	<u>–</u>

The amount was in trade nature, unsecured, repayment on demand and non-interest bearing.

(ii) *Due to related parties*

	As of 31 December	
	2021 <i>HKD'000</i>	2020 <i>HKD'000</i>
Loans from related parties – non-trade		
Mr. Fan	97,744	7,882
Ying Yu Investment Company Ltd.	–	2,640
Bo Jian Company Ltd.	–	7,997
Shun Ao Co. Ltd.	9,259	9,309
Zhuo Zhi Fu Da	51,536	–
Amounts due to related parties – trade		
Sheng Jie Decoration And Engineering Co. Ltd	31,230	30,196
SJ Synergy Engineering Company Limited	897	30,196
Sao Hang Investment Company Limited	–	2,794
	<u>190,666</u>	<u>60,818</u>

Loans from Mr. Fan were unsecured with term of one year and an interest rate of 4%.

Loans from related parties were unsecured with term of one year and an interest rate of 4%.

Amounts due to related parties represents unsecured, interest-free and repayable on demand amount paid on behalf of the Group by related parties.

(f) Guarantees

Guarantees provided by the controlling shareholder to the Group are set out in Note 16.

(g) Leases as lessee with other related parties

The following amounts of leases are related to related parties:

	As of 31 December	
	2021	2020
	HKD'000	HKD'000
Lease liabilities		
Controlling shareholder of the Company	<u>6,935</u>	<u>8,880</u>
	Year ended 31 December	
	2021	2020
	HKD'000	HKD'000
Addition in right-of-use assets		
Controlling shareholder of the Company	<u>–</u>	<u>1,479</u>
Interest of lease liabilities		
Controlling shareholder of the Company	<u>488</u>	<u>479</u>

22 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Remuneration of every director and chief executive is set out below:

	Year ended 31 December 2021				Total HKD'000
	Fees HKD'000	Salaries, wages and bonus HKD'000	Pension cost-defined contribution plan HKD'000	Other social security costs, housing benefits and other employee benefits HKD'000	
Chairman:					
Mr. Fan Wing Ting	–	2,400	–	–	2,400
Executive directors:					
Ms. Chen Xingyi	–	1,327	23	76	1,426
Mr. Kevin Trantallis	–	1,200	18	–	1,218
Mr. Fong Yat Ming	–	1,140	12	–	1,152
Ms. Fan Tammy	–	600	18	–	618
Independent non-executive directors:					
Mr. Chau Kwok Keung (Note b)	–	157	–	–	157
Mr. Yu Chun Kau	–	240	–	–	240
Mr. Cheung Chun Yue	–	240	–	–	240
Mr. Ng Kam Tsun (Note c)	–	28	–	–	28
Chief executive:					
Ms. Fung Sze Nga	–	840	18	–	858
Mr. Choi Chin Chung	–	708	18	–	726
	–	8,880	107	76	9,063

Year ended 31 December 2020

	Fees <i>HKD'000</i>	Salaries, wages and bonus <i>HKD'000</i>	Pension cost-defined contribution plan <i>HKD'000</i>	Other social security costs, housing benefits and other employee benefits <i>HKD'000</i>	Total <i>HKD'000</i>
Chairman:					
Mr. Fan Wing Ting	–	2,100	17	–	2,117
Executive directors:					
Ms. Chen Xingyi	–	1,114	28	21	1,163
Mr. Kevin Trantallis	–	1,050	18	–	1,068
Mr. Fong Yat Ming	–	973	11	–	984
Ms. Fan Tammy	–	525	17	–	542
Independent non-executive directors:					
Mr. Chau Kwok Keung <i>(Note b)</i>	–	202	–	–	202
Mr. Yu Chun Kau	–	202	–	–	202
Mr. Cheung Chun Yue	–	202	–	–	202
Chief executive:					
Ms. Fung Sze Nga	–	739	18	–	757
Mr. Choi Chin Chung	–	733	18	–	751
	–	7,840	127	21	7,988

Notes:

- (b) Resigned on 27 August 2021.
- (c) Appointed on 19 November 2021.
- (d) No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2020 and 2021, respectively.
- (e) No loans, quasi-loans or other dealings were entered into by the Company in favor of directors, controlled body corporates by and connected entities with such directors for the years ended 31 December 2020 and 2021, respectively.
- (f) Save as disclosed in Note 21, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2020 and 2021.
- (g) No consideration was provided to third parties for making available directors' services during the years ended 31 December 2020 and 2021.

23 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued share capital	Ownership interest held by the Group	
				2021 %	2020 %
World First International Holdings Limited	BVI, limited liability company	Investment holding company	USD1,000	100%	100%
Fortune Fashion Limited	BVI, limited liability company	Investment holding company	USD10	100%	100%
Frontline Fashion Limited	BVI, limited liability company	Investment holding company	USD10	100%	100%
NB China Limited (盈冠商貿有限公司)	HK, limited liability company	Procurement of fashion apparel	HKD105,000	60%	60%
Yingnan Asia Limited (盈南中華有限公司)	HK, limited liability company	Investment holding company	HKD1	100%	100%
World First Holdings Limited (科盈集團有限公司)	HK, limited liability company	Investment holding company	HKD103,000,000	100%	100%
Wide Spread (China) Limited (康弘(中國)有限公司)	HK, limited liability company	Retail of fashion apparel	HKD5,000,000	100%	100%
Ying Yi Hong Kong Limited (盈奕商貿有限公司)	HK, limited liability company	Retail of skincare and cosmetic products	HKD1	100%	100%
Yuan Zhi Holdings Limited (媛芝商貿有限公司)	HK, limited liability company	Wholesale of skincare and cosmetic products	HKD1	100%	100%
Macau Ieng Nam Limited (澳門盈南有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP 100,000	100%	100%
Sao Wai Investment Company Limited (首威投資有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP 25,000	100%	100%
Ieng Weng Company Limited (盈榮有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP 25,000	100%	100%
Ieng Leong Company Limited (盈亮有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP 25,000	100%	100%
Lan Yuan Company Limited (蘭媛有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP 25,000	100%	100%
Macau Ieng Kun Company Limited (澳門盈冠有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP 25,000	62%	62%
Sao Wai Limited (首威商貿有限公司)	HK, limited liability company	Investment holding company	HKD10,000	100%	100%
首威貿易(深圳)有限公司 (a)	PRC, limited liability company	Retail of fashion apparel	HKD100,000,000	100%	100%
蘭媛商貿(上海)有限公司 (a)	PRC, limited liability company	Retail of fashion apparel	HKD15,000,000	100%	100%

Name of entity	Place of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued share capital	Ownership interest held by the Group	
				2021 %	2020 %
盈昭商貿(上海)有限公司 (a)	PRC, limited liability company	Retail of fashion apparel	HKD16,500,000	60%	60%
盈亮貿易(深圳)有限公司 (a)	PRC, limited liability company	Retail of fashion apparel	HKD50,000,000	100%	100%
媛芝商貿(深圳)有限公司 (a)	PRC, limited liability company	Wholesale and retail of skincare and cosmetic products	HKD25,000,000	100%	100%
珠海橫琴琴盈華商貿有限公司 (a)	PRC, limited liability company	Retail of fashion apparel	HKD4,000,000	100%	100%
Sao Hang Limited (首恒商貿有限公司)	HK, limited liability company	Investment holding company	HKD10,000	100%	100%
Artelli Metaverse Holdings Limited (瓊特利元創有限公司)	HK, limited liability company	Investment holding company	HKD1	100%	–
Artelli Metaverse Group Company Limited (瓊特利元創集團有限公司)	BVI, limited liability company	Investment holding company	USD1	100%	–
Artelli Metaverse International Company Limited (瓊特利元創國際有限公司)	BVI, limited liability company	Investment holding company	USD1	100%	–

Note:

(a) Registered as wholly foreign owned enterprises under PRC law.

(i) Significant restrictions

Cash and short-term deposits held in PRC are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

For the year ended 31 December 2021, the carrying amount of the assets included within the consolidated financial statements to which these restrictions apply was approximately HKD26,023,000 (2020: HKD69,605,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group principally engages in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands in Mainland China, Macau, Hong Kong and Taiwan (collectively, “Greater China”). The Group adopts a multi-brand and multi-store business model. As at 31 December 2021, the Group operated 216 self-operated retail stores in Greater China, of which 190 retail stores are mono-brand stores operated under the brand name of the merchandise to cater for the brand’s target customers and 26 retail stores are multi-brand stores that offer a broad assortment of the Group’s selected fashion apparel and lifestyle merchandise from different international brands and the Group’s own brands. As at 31 December 2021, the Group’s brand portfolio had 124 brands, of which 121 brands were international brands owned by third-party brand owners or their master/authorised licensors and three were its own brands, namely, *UM*, *UM•IXOX* and *IXOX*.

The COVID-19 pandemic (“**Pandemic**”) has severely impacted the economy of Greater China in which the Group operates. The economy is recovering from Pandemic gradually in 2021. The GDP growth in Mainland China increased from 2.3% in 2020 to 8.1% in 2021 and the consumer goods consumption in 2021 recorded a growth of 12.5%. The lockdown of borders between Mainland China and Hong Kong, Macau and Taiwan still impacted on the number of tourists visiting these areas. The number of visitors to Macau in 2021 increased by 30.7% comparing with 2020 but diminished by 80.4% comparing with 2019. The total visitor expenditure in Macau increased by 104.8% year-over-year (“**yoy**”) but diminished by 61.8% comparing with 2019.

The Group experienced a growth of 38.9% yoy in revenue in 2021. Of the increase in revenue of HKD343.8 million, Macau and Mainland China recorded an increase of HKD202.9 million and HKD101.8 million, or 59.0% and 29.6% of total increase in revenue, respectively. At present, non-Macau residents are still subject to various travel restrictions and this has significantly deterred visitors from visiting Macau.

While the prolonged Pandemic will continue to create strong headwinds, by adhering to the Group’s prudent approach, the Group will continue to monitor closely the market conditions and react actively and adopt flexible strategies to maintain a stable cashflow and a healthy financial position.

FINANCIAL REVIEW

Revenue

The Group's revenue increased to HKD1,228.3 million for 2021 (2020: HKD884.5 million), representing a yoy 38.9% increase mainly due to the gradual economic recovery from the Pandemic in the China markets. Both mono-brand stores and multi-brand stores recorded an increase of 32.2% and 51.5% yoy, respectively while the Group's online sales achieved a growth rate of 320.6%. Both store management and consignment services and wholesale also recorded a growth of 46.5% and 484.0% yoy, respectively. Notwithstanding the adverse consumption contraction during the Pandemic, the Group managed to increase the average sales floor area from 35,025 m² in 2020 to 36,547 m² in 2021, mainly in Mainland China with the expectation to capture the rebound of consumption upon the economic recovery. At the same time, the Group streamlined the store portfolio by closing those with below average performance.

Breakdown of revenue by sales channels:

	2021		2020		Change (%)
	<i>HKD million</i>	<i>% of revenue</i>	<i>HKD million</i>	<i>% of revenue</i>	
Retail					
Mono-brand stores	948.4	77.2	717.6	81.2	32.2
Multi-brand stores	217.7	17.7	143.7	16.2	51.5
Online sales	26.5	2.2	6.3	0.7	320.6
	1,192.6	97.1	867.6	98.1	37.5
Store management & consignment services	21.1	1.7	14.4	1.6	46.5
Wholesale	14.6	1.2	2.5	0.3	484.0
Total	1,228.3	100.0	884.5	100.0	38.9

Movement of number, floor area and same store growth rate of retail stores:

	No. of retail stores			Sales floor area (m ²)					No of same stores	Same store growth (%)	
	As at 31/12/2020	Open	Close	As at 31/12/2021	As at 31/12/2020	Open	Close	As at 31/12/2021			Average
Macau	54	14	(15)	53	9,827	1,400	(1,993)	9,234	9,531	30	63.1
Mainland China	136	31	(22)	145	21,473	5,006	(3,381)	23,098	22,286	91	17.3
HK & Taiwan	19	2	(3)	18	4,860	84	(342)	4,602	4,730	4	22.0
Total/Overall	<u>209</u>	<u>47</u>	<u>(40)</u>	<u>216</u>	<u>36,160</u>	<u>6,490</u>	<u>(5,716)</u>	<u>36,934</u>	<u>36,547</u>	<u>125</u>	<u>33.1</u>

Revenue by geographical areas:

	2021		2020		Change (%)
	<i>HKD million</i>	<i>% of revenue</i>	<i>HKD million</i>	<i>% of revenue</i>	
Macau	585.8	47.7	382.9	43.3	53.0
Mainland China	549.5	44.7	447.7	50.6	22.7
HK & Taiwan	93.0	7.6	53.9	6.1	72.5
Total	<u>1,228.3</u>	<u>100.0</u>	<u>884.5</u>	<u>100.0</u>	<u>38.9</u>

Macau

The revenue generated from Macau for 2021 increased to HKD585.8 million, representing a yoy increase of 53.0%. The improvement from the negative growth rate of 55.9% in 2020 was mainly attributable to the increase of number of visitors to Macau in 2021 by 30.7% yoy while the total visitor expenditure increased by 104.8% yoy. The Group's investments in store openings at good locations coupled with proactive marketing strategies have helped to improve revenue. The Group opened 14 stores, closed 15 stores and achieved same store sales growth of 63.1%.

Mainland China

The revenue generated from Mainland China recorded HKD549.5 million in 2021, representing a yoy increase of 22.7%. By retaining good performance stores and expanding the store network to capture the first wave of economic recovery, the number of stores increased to 145 in 2021 comparing with 136 in 2020 and achieved a same store growth rate of 17.3%. The Group opened 31 stores and closed 22 stores in 2021 with a increase in average floor area of 3.0% yoy.

Hong Kong and Taiwan

The revenue generated from the sales in Hong Kong and Taiwan recorded a yoy increase of 81.6% and a yoy decrease of 29.4%, respectively. The recurring Pandemic in both markets has resulted in unstable business performance and recovery lags behind other markets such as China. The Group opened 2 stores while closing 2 other stores in Hong Kong during 2021 with an increase of average floor area of 194 m², representing 11.1% yoy growth. In Taiwan, the Group closed 1 store in 2021.

Gross profit

The Group's cost of sales consisted of cost of inventory sold for the fashion apparel and lifestyle products and the cost of store management and consignment services rendered to the brand owners. The cost of sales increased to HKD577.2 million in 2021, or a yoy increase of 18.2%, primarily attributable to the increase in sales.

As such, the gross profit in 2021 increased by HKD254.8 million, or a yoy increase of 64.3%, to HKD651.1 million and the gross profit margin increased from 44.8% in 2020 to 53.0% in 2021. Among the Greater China areas, the gross profit margin of sales in the PRC in 2021 recorded an improvement of 250 basis points to 50.9% mainly due to the rebound of sales in 2021 and less discounts offered. The gross profit margins of sales in Macau, Hong Kong and Taiwan recorded an improvement of 1,480 basis points and 570 basis points respectively in 2021 resulting from the lower average discount rate offered.

Other income and other gains and losses, net

The Group had other income of HKD10.8 million in 2021 mainly comprising Government grants and subsidies from franchisors on operating loss, representing a yoy decrease of 10.6%. The Group recorded net other gains of HKD17.8 million, compared with net other losses of HKD1.2 million in 2020, mainly attributable to (1) increase in net fair value gain of financial liabilities at fair value through profit or loss and gains on the derecognition of right-of-use assets and lease liabilities of HKD10.2 million; (2) decrease in net loss on disposal of property, plant and equipment and (3) reversal of provision for litigation expenses arising from lease dispute of HKD9.3 million.

Operating expenses

Selling and marketing expenses increased to HKD495.3 million in 2021, or a 16.9% yoy increase, primarily due to a decrease in rental concession received related to Pandemic of HKD91.2 million and an increase of employee benefit expenses of HKD41.9 million.

General and administrative expenses increased to HKD116.8 million in 2021, or a yoy increase of 26.2%, primarily due to increase in employee benefit expenses and impairment loss on intangible assets of HKD9.8 million and HKD7.6 million, respectively.

Finance costs

Net finance costs decreased to HKD20.4 million in 2021, or a yoy decrease of 17.5%. The decrease was mainly due to the lower interest expenses on lease liabilities of HKD1.0 million resulting from lower balance of lease liability and lower interest on bank borrowing of HKD3.6 million resulting from lower average balance of bank borrowings.

Income tax expenses

There were income tax expenses of HKD15.5 million.

Profit/(loss) for the year

The Group recorded a net profit of HKD31.6 million for 2021 comparing with a loss of HKD136.4 million in 2020 mainly attributable to the increase in revenue of HKD343.8 million.

SEASONALITY

The Group's sales performance is subject to seasonal fluctuations and it normally generates higher revenue during winter season than summer season as winter apparel generally has a higher unit price than summer apparel. The Group records higher revenue in festive seasons such as Christmas and the month before Chinese New Year and the traditional peak season in Mainland China long holidays. Normally revenue recorded in first half and second half of the year are of equal weighting as they have similar festivals and holidays.

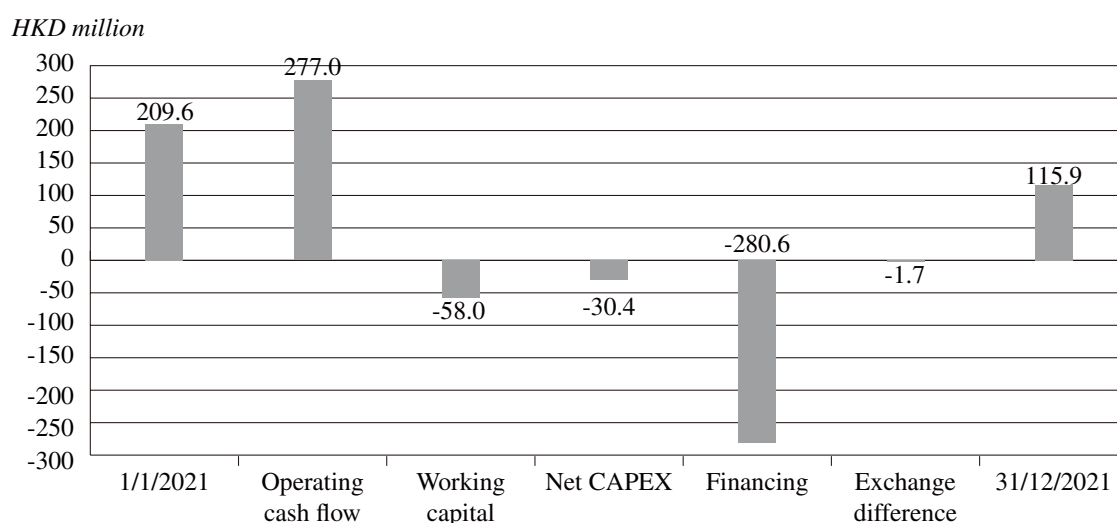
FINANCIAL

Working capital structure

The Group's net current assets amounted to HKD6.0 million as at 31 December 2021, representing a decrease of HKD47.2 million from 31 December 2020. Such decrease was primarily the result of the decrease in current assets of HKD100.2 million mainly resulting from the decrease in restricted cash, term deposits and cash and cash equivalents of HKD112.5 million were partially offset by the increase in prepayment and amount due from related parties of HKD40.5 million and HKD9.7 million, respectively and offset by the decrease in current liabilities of HKD53.0 million which comprised of decrease in bank borrowing of HKD104.8 million which was partially offset by the increase in amount due to related parties of HKD129.8 million.

Liquidity and financial management

The Group strives to maintain a healthy financial position and liquidity for its normal operation, development needs and ad hoc events. As at 31 December 2021, the cash and cash equivalents were HKD115.9 million, representing a decrease of HKD93.7 million comparing with those of 31 December 2020, details are as follows:



The Group's current ratio was 1.0 times as at 31 December 2021, compared to that of 1.1 times as at 31 December 2020. The decrease in current ratio was mainly attributable to the decrease in cash and cash equivalent and other current assets which outweighed the decrease in borrowings and other current liabilities.

The gearing ratio of the Group, which is calculated as net debt divided by total capital, was 59% as at 31 December 2021 compared to that of 63% as at 31 December 2020.

Pledge of assets

As at 31 December 2021, a building with net book value of HKD59.8 million, restricted cash of HKD26.2 million and the investment in life insurance contract of HKD33.7 million were pledged for a first mortgage, credit loans and credit facilities of bank borrowings, respectively.

CAPITAL COMMITMENT

The Group had no material capital commitment contracted, but not provided for as at year end (2020: Nil).

CONTINGENT LIABILITIES

As of 31 December 2020 and 2021, the Group did not have any material contingent liabilities except pending litigation for which a provision of HKD nil million and HKD2.3 million for 2021 and 2020 was made, respectively.

FOREIGN EXCHANGE RISK MANAGEMENT

Merchandise purchased by the Group is mainly denominated in Euros, United States Dollars (USD) and Renminbi (RMB) whereas the retail operation is mainly exposed to RMB, Macanese pataca (MOP), New Taiwan Dollars (TWD) and Hong Kong Dollars (HKD). However, the Group did not expect foreign currency fluctuations to materially impact its operation. The Group did not hedge foreign exchange fluctuation by forward contracts. The Group managed the foreign exchange risk by reviewing its net foreign exchange exposures regularly and endeavored to shrink these exposures through reviewing the exchange rates with the suppliers, the brand owners periodically.

OUTLOOK

The recurring waves of Pandemic has greatly affected the businesses of the Group which, from the Directors' point of view, will continue to affect the apparel retail markets.

As disclosed in our 2019 and 2020 annual reports, the Group's business could be adversely affected by the Pandemic and/or other adverse public health developments in Greater China. Such events could severely disrupt the Group's business operations by having a negative impact on consumer sentiment, the macro-economic condition as well as the financial conditions of the stock markets.

Nevertheless, it is evident that economies worldwide are gradually recovering and while the Group will take cautious measures such as streamlining existing store portfolio to cope with any negative impact resulting from the Pandemic, the Group will continue to adopt progressive marketing strategies and continue to strengthen its sales channels which include online sales platforms so to pave the way for future expansion and market penetration once full recovery from the Pandemic is realised.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company (the “**Shares**”) were listed on the The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 January 2020 (the “**Listing Date**”) and the net proceeds from the global offering of its Shares (the “**Global Offering**”) amounted to HKD140.0 million (the “**Net Proceeds**”).

As of 31 December 2021, the Company has used approximately 61.6% of the proceeds from the Global Offering and the net proceeds have been utilised in line with those set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 December 2019 (the “**Prospectus**”).

The following sets forth a summary of the utilisation of the net proceeds from the Global Offering as of 31 December 2021:

	Percentage to total amount %	Planned use of the Net Proceeds <i>HK\$ million</i>	Utilised amount up to 31 December 2021 <i>HK\$ million</i>	Unutilised balance as at 31 December 2021 <i>HK\$ million</i>	Expected timeline for unutilised Net Proceeds
Expand the Group’s retail stores	50.3	70.4	55.5	14.9	On or before 31 December 2022
Upgrade the Group’s existing retail stores	9.2	12.9	7.9	5.0	On or before 31 December 2022
Explore new brands	24.0	33.6	9.5	24.1	On or before 31 December 2022
Set up and implement Centralised Retail Management System	10.8	15.1	6.3	8.8	On or before 31 December 2022
Strengthen the Group’s online sales	5.7	8.0	7.1	0.9	On or before 31 December 2022
	<u>100.0</u>	<u>140.0</u>	<u>86.3</u>	<u>53.7</u>	

It was disclosed in the Prospectus that the net proceeds will be applied by the Group in an expected timetable ending 31 December 2021. However, as a result of the outbreak of the Pandemic and its adverse impact on the global economy which includes the apparel retail market in Greater China, the Company has proposed to adjust the estimated time of using the unutilised net proceeds by extending to on or before 31 December 2022 in order to enhance flexibility for the future development of the Group. The expected timeline for using the unutilised amount of the Net Proceeds is based on the best estimation of the business market situations made by the Board. It might be subject to changes based on the market conditions. Further announcement(s) in respect of material change in the expected timeline, if any, will be made by the Company in accordance with the requirements of the Listing Rules as and when appropriate to update its Shareholders and potential investors.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There is no major acquisition or disposal in 2021.

EMPLOYEES AND REMUNERATION POLICIES

The Group adopts a competitive emolument policy to attract, retain and motivate high quality individuals. Remuneration packages were reviewed regularly to reflect the market practice and employees' performance. As at 31 December 2021, the Group employed around 1,300 employees (31 December 2020: 1,273). The total staff costs for 2021 was HKD232.8 million (2020: HKD178.6 million), a yoy increase of 30.4%.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this announcement, the Directors are not aware of any significant events related to the business or financial performance of the Group after reporting period.

OTHER INFORMATION

Scope of work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated statements of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by PricewaterhouseCoopers, to the amounts set out in the Group's audited 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.

Dividend

The board of the Company (the “**Board**”) does not recommend the declaration of a final dividend for the year ended 31 December 2021 (2021 interim dividend (in lieu of a final dividend): Nil).

Purchase, sale and redemption of listed securities

During the year ended 31 December 2021, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Disclosure of interests

Interests and short positions of directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix 10 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of Shares held/ interested	Approximately percentage of shareholding in the Company
Mr. Fan Wing Ting (“ Mr. Fan ”) (<i>Note 1</i>)	Interest in controlled corporation	300,000,000	75%

Note:

1. Mr. Fan owns the entire issued share capital of Gold Star Fashion Limited and he is deemed to be interested in the 300,000,000 Shares held by Gold Star Fashion Limited by virtue of the SFO.

Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

So far as the Directors and chief executive of the Company are aware, as at 31 December 2021, the following shareholders of the Company (other than the interests of the Directors and the chief executives of the Company) had interests in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Shareholders	Capacity/ Nature of interest	Number of Shares held/ interested	Approximately percentage of shareholding in the Company
Gold Star Fashion Limited (<i>Note 1</i>)	Beneficial owner	300,000,000	75%
Ms. Cheng King Ling (<i>Note 2</i>)	Interest of spouse	300,000,000	75%

Notes:

1. Mr. Fan owns the entire issued share capital of Gold Star Fashion Limited.
2. Ms. Cheng King Ling is the spouse of Mr. Fan. Therefore, she is deemed to be interested in all the Shares in which Mr. Fan has interest in under the SFO.

Model code for securities transactions by directors

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the year ended 31 December 2021.

Arrangements to purchase shares or debentures

During the year ended 31 December 2021, neither the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Competing interest

For the year ended 31 December 2021, the Directors are not aware of any business or interest of the Directors, the Controlling Shareholders, the management, the shareholders and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest.

Corporate Governance Code

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Company so as to achieve effective accountability.

The Company has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules issued by Stock Exchange.

The Company had complied with the code provisions in the CG Code for the year ended 31 December 2021. The Company is committed to the objective that the Board should include a balanced composition of Executive Directors and Independent Non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement.

Audit Committee

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted, discussed risk management and internal controls and financial reporting matters including a general review of the audited financial results for the year ended 31 December 2021.

Annual general meeting

The annual general meeting of the Company is scheduled to be held on Wednesday, 1 June 2022.

Closure of register of members

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Thursday, 26 May 2022 to Wednesday, 1 June 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 25 May 2022.

By Order of the Board
Forward Fashion (International) Holdings Company Limited
Fan Wing Ting
Chairman

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises Mr. Fan Wing Ting, Ms. Chen Xingyi, Mr. Kevin Trantallis, Mr. Fong Yat Ming and Ms. Fan Tammy as the Executive Directors; and Mr. Yu Chun Kau, Mr. Cheung Chun Yue, Anthony and Mr. Ng Kam Tsun as the Independent Non-executive Directors.

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.