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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 2022**

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 2022, together with the comparative figures for the year ended 31 December 2021. The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	Year ended 31 December	
		2022	2021
		HKD'000	HKD'000
Revenue	3	959,900	1,228,307
Cost of sales	3,6	<u>(505,658)</u>	<u>(577,187)</u>
Gross profit		454,242	651,120
Selling and marketing expenses	6	(371,721)	(495,324)
General and administrative expenses	6	(94,251)	(116,797)
Other income	4	3,259	10,780
Other (losses)/gains – net	5	<u>(7,437)</u>	<u>17,775</u>
Operating (loss)/profit		(15,908)	67,554
Finance income		391	855
Finance costs		<u>(18,931)</u>	<u>(21,292)</u>
Finance costs – net		(18,540)	(20,437)
(Loss)/profit before income tax		(34,448)	47,117
Income tax expenses	9	<u>(2,057)</u>	<u>(15,486)</u>
(Loss)/profit for the year		<u>(36,505)</u>	<u>31,631</u>
(Loss)/profit is attributable to:			
Equity holders of the Company		(33,137)	32,157
Non-controlling interests		<u>(3,368)</u>	<u>(526)</u>
		<u>(36,505)</u>	<u>31,631</u>
(Losses)/earnings per share for (loss)/ profit attributable to equity holders of the Company			
Basic and diluted (losses)/earnings per share (HKD)	10	<u>(0.08)</u>	<u>0.08</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31 December	
	2022	2021
<i>Notes</i>	<i>HKD'000</i>	<i>HKD'000</i>
(Loss)/profit for the year	(36,505)	31,631
Other comprehensive (loss)/income for the year		
<i>Change in the fair value of equity investment at fair value through other comprehensive income</i>	(9,985)	–
Currency translation differences	(11,563)	4,096
Other comprehensive (loss)/income for the year, net of tax	(21,548)	4,096
Total comprehensive (loss)/income for the year	(58,053)	35,727
Total comprehensive (loss)/income for the year is attributable to:		
Equity holders of the Company	(55,499)	36,485
Non-controlling interests	(2,554)	(758)
	(58,053)	35,727

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		As of 31 December	
		2022	2021
	<i>Notes</i>	HKD'000	HKD'000
Assets			
Non-current assets			
Property, plant and equipment	11	128,352	127,223
Right-of-use assets		150,713	251,248
Intangible assets		8,109	7,566
Financial asset at fair value through other comprehensive income		1,715	11,700
Investment in insurance contract		34,843	33,723
Deferred tax assets		20,979	19,800
Prepayments	14	18,780	1,099
Other receivables and deposit	15	28,404	28,892
Total non-current assets		391,895	481,251
Current assets			
Inventories	12	274,114	260,408
Trade receivables	13	40,285	49,791
Prepayments	14	28,615	65,894
Amount due from related parties	21	3,939	9,740
Other receivables and deposits	15	33,688	50,181
Restricted cash		17,987	26,216
Term deposits with initial term of over three months		50,058	70,000
Cash and cash equivalents		69,881	115,891
Total current assets		518,567	648,121
Total assets		910,462	1,129,372
Equity			
Share capital		4,000	4,000
Share premium		859,232	859,232
Reserves		(599,088)	(576,952)
(Accumulated losses)/retained earnings		(15,166)	18,197
Capital and reserve attributable to equity holders of the Company		248,978	304,477
Non-controlling interests		(7,395)	(4,841)
Total equity		241,583	299,636

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)
AS AT 31 DECEMBER 2022

		As of 31 December	
	<i>Notes</i>	2022	2021
		HKD'000	HKD'000
Liabilities			
Non-current liabilities			
Borrowings	16	45,291	30,979
Lease liabilities	17	70,688	119,376
Provisions		9,955	4,472
Financial liabilities at fair value through profit or loss		–	1,444
Other non-current liabilities		6,269	14,393
Deferred tax liabilities		6,271	2,442
Other payables	18	12,091	14,504
Total non-current liabilities		150,565	187,610
Current liabilities			
Trade and other payables	18	161,350	158,507
Amount due to related parties	21	182,915	190,666
Other current liabilities		18,061	24,882
Contract liabilities	19	4,533	3,905
Lease liabilities	17	91,564	148,065
Provisions		6,369	4,906
Income tax liabilities		8,819	12,578
Borrowings	16	44,703	98,617
Total current liabilities		518,314	642,126
Total liabilities		668,879	829,736
Net assets		241,583	299,636

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 2022 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 2022 have been approved for issue by the board of directors of the Company (the “**Board**”) on 30 March 2023.

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 2022:

IFRS 16 (Amendments)	Covid-19 Related Rent Concessions beyond 2021
Annual improvements project (Amendments)	Annual Improvements to IFRSs 2018–2020
IFRS 3, IAS 16 and IAS 37 (Amendments)	Narrow-scope Amendments
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

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
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1 January 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IFRS 17 (Amendments)	Amendments to IFRS 17	1 January 2023
IFRS 17 (Amendments)	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	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 2024
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Revised Accounting Guideline 5 – Merger Accounting for Common Control Combinations

The Group has already commenced an assessment of the impact of these new and amended standards, improvement, interpretation and practice statement. According to the preliminary assessment made by management, no significant impact on the financial performance and positions of the Group is expected when they become effective.

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 2022 and 2021 are as follows:

	Year ended 31 December 2022			Total HKD'000
	Mainland China HKD'000	Macau HKD'000	HK and others HKD'000	
Segment revenue	450,469	440,346	103,805	994,620
Inter-segment revenue	(634)	(1,959)	(32,127)	(34,720)
Revenue from external customers	<u>449,835</u>	<u>438,387</u>	<u>71,678</u>	<u>959,900</u>
Cost of sales	(235,354)	(232,820)	(37,484)	(505,658)
Selling and marketing expenses	<u>(170,559)</u>	<u>(166,255)</u>	<u>(34,907)</u>	<u>(371,721)</u>
Segment result	<u>43,922</u>	<u>39,312</u>	<u>(713)</u>	<u>82,521</u>
General and administrative expenses				(94,251)
Other income				3,259
Other loss – net				(7,437)
Finance income				391
Finance costs				(18,931)
Finance costs – net				<u>(18,540)</u>
Loss before income tax expenses				(34,448)
Income tax expense				<u>(2,057)</u>
Loss for the year				<u><u>(36,505)</u></u>
Depreciation and amortisation	(53,695)	(105,368)	(26,850)	(185,913)
Provision for impairment of property, plant and equipment, right-of-use assets and intangible assets	(1,475)	(6,360)	(1,330)	(9,165)
Reversal of provision for/(provision for) impairment of inventories	<u>698</u>	<u>(8,713)</u>	<u>114</u>	<u>(7,901)</u>
Segment non-current assets	92,581	274,835	24,479	391,895
Segment current assets	<u>216,014</u>	<u>250,430</u>	<u>52,123</u>	<u>518,567</u>

	Year ended 31 December 2021			
	Mainland China <i>HKD'000</i>	Macau <i>HKD'000</i>	HK and others <i>HKD'000</i>	Total <i>HKD'000</i>
Segment revenue	557,952	588,665	125,711	1,272,328
Inter-segment revenue	<u>(8,412)</u>	<u>(2,854)</u>	<u>(32,755)</u>	<u>(44,021)</u>
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 losses				17,775
Finance income				855
Finance costs				<u>(21,292)</u>
Finance costs – net				<u>(20,437)</u>
Loss before income tax expenses				47,117
Income tax expense				<u>(15,486)</u>
Loss for the year				<u><u>31,631</u></u>
Depreciation and amortisation	(59,910)	(135,881)	(39,521)	(235,312)
Provision for impairment of property, plant and equipment and right-of-use assets	(538)	(5,434)	(7,963)	(13,935)
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>

(a) **Revenue by business line and nature**

	Year ended 31 December	
	2022	2021
	HKD'000	HKD'000
Retail	916,691	1,192,551
Store management and consignment service	30,874	21,110
Wholesale	12,335	14,646
	<hr/>	<hr/>
Total	959,900	1,228,307
	<hr/> <hr/>	<hr/> <hr/>

(b) **Timing of Revenue Recognition**

	Year ended 31 December	
	2022	2021
	HKD'000	HKD'000
Revenue at a point in time	929,026	1,207,197
Revenue over time	30,874	21,110
	<hr/>	<hr/>
Total	959,900	1,228,307
	<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	
	2022	2021
	HKD'000	HKD'000
Government grants (<i>Note</i>)	3,259	2,002
Subsidy from franchisor on operating loss	–	8,765
Others	–	13
	<hr/>	<hr/>
	3,259	10,780
	<hr/> <hr/>	<hr/> <hr/>

Note: Government grants represent subsidies received from government for anti-epidemic assistance.

5 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2022	2021
	HKD'000	HKD'000
Change in cash surrender value of investment in insurance contract	1,107	1,070
Gains on the derecognition of right-of-use assets and lease liabilities	910	5,953
Exchange (losses)/gains	(9,468)	2,165
Fair value gains on financial liabilities at fair value through profit or losses – net	1,444	6,552
Net loss on disposal of property, plant and equipment	(1,961)	(474)
Reversal of provision for litigation expenses	–	2,130
Others	531	379
	<u>(7,437)</u>	<u>17,775</u>

6 EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	HKD'000	HKD'000
Change in inventories	472,139	573,866
Depreciation of right-of-use assets	152,886	187,018
Employee benefit expenses (Note 7)	180,938	232,836
Depreciation of property, plant and equipment (Note 11)	28,471	44,050
Variable lease expenses	31,005	44,847
Utilities and electricity expenses	23,031	25,089
Property management fee	17,778	24,790
Advertising and promotion expenses	21,653	22,431
Payment processing fee	9,505	10,822
Labour cost	3,772	5,096
Provision/(reversal of provision) of inventories impairment	7,901	(11,885)
(Reversal of provision)/provision for impairment loss on trade receivables	(223)	121
Travelling, entertainment and communication expenses	3,900	4,658
Impairment loss on property, plant and equipment (Note 11)	2,889	1,006
Repair and maintenance	5,935	4,892
Amortisation of intangible assets	4,556	4,244
Delivery expenses	2,983	2,578
Office expenses	5,286	5,107
Impairment loss on right-of-use assets	6,276	5,338
Professional service fees	4,835	5,479
Auditor's remuneration	2,216	2,318
Rent concession related to Covid-19	(23,307)	(24,056)
Impairment loss on intangible assets	–	7,591
Other expenses	7,205	11,072
	<u>971,630</u>	<u>1,189,308</u>

7 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended 31 December	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Salaries, wages and bonuses	160,367	209,615
Pension costs – defined contribution plan	14,903	16,285
Other social security costs, housing benefits and other employee benefits	5,668	6,936
	<u>180,938</u>	<u>232,836</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 include four (2021: four) directors whose emoluments are reflected in the analysis shown in Note 22. The emoluments payable to the remaining one (2021: one) individuals during the year are as follows:

	Year ended 31 December	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Basic salaries, housing allowances, share options, other allowances and benefits in kind	1,132	1,292
Contribution to pension scheme	11	30
Total	<u>1,143</u>	<u>1,322</u>

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2022	2021
HKD1,000,001–1,500,000	<u>1</u>	<u>1</u>

8 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2022	2021
	HKD'000	HKD'000
Finance income		
– Interest income	<u>391</u>	<u>855</u>
Finance costs		
– Interest and finance charges paid/payable for lease liabilities	<u>(9,337)</u>	<u>(14,078)</u>
– Other interest cost	<u>(9,594)</u>	<u>(7,214)</u>
	<u>(18,931)</u>	<u>(21,292)</u>
Finance costs – net	<u><u>(18,540)</u></u>	<u><u>(20,437)</u></u>

9 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended 31 December	
	2022	2021
	HKD'000	HKD'000
Current income tax	514	8,415
Deferred income tax related to the temporary differences	<u>1,543</u>	<u>7,071</u>
	<u><u>2,057</u></u>	<u><u>15,486</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 December 2022 and 2021. 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 2021 and 2022.

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 2021 and 2022.

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 2022.

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.

10 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit 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	
	2022	2021
(Loss)/profit attributable to equity holders of the Company (HKD'000)	(33,137)	32,157
Weighted average number of ordinary shares in issue	400,000,000	400,000,000
Basic (losses)/earnings per share (HKD) (note)	<u>(0.08)</u>	<u>0.08</u>

Note: Basic (losses)/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.

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

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HKD'000</i>	Leasehold improvements <i>HKD'000</i>	Vehicle <i>HKD'000</i>	Office furniture and equipment <i>HKD'000</i>	Computer and electronic equipment <i>HKD'000</i>	Total <i>HKD'000</i>
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>
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	(7,079)	(237,035)	(2,592)	(18,289)	(10,199)	(275,194)
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>
Year ended 31 December 2022						
Opening net book amount	76,498	44,461	204	1,581	4,479	127,223
Additions	–	41,191	367	–	2,275	43,833
Depreciation	(1,643)	(23,283)	(439)	(511)	(2,595)	(28,471)
Impairment provision	–	(2,889)	–	–	–	(2,889)
Exchange differences	–	(2,391)	–	(95)	(219)	(2,705)
Disposals	–	(8,242)	–	–	(397)	(8,639)
Net book amount	<u>74,855</u>	<u>48,847</u>	<u>132</u>	<u>975</u>	<u>3,543</u>	<u>128,352</u>
At 31 December 2022						
Cost	83,577	303,831	3,148	19,870	15,886	426,312
Accumulated depreciation and impairment provision	(8,722)	(254,984)	(3,016)	(18,895)	(12,343)	(297,960)
Net book amount	<u>74,855</u>	<u>48,847</u>	<u>132</u>	<u>975</u>	<u>3,543</u>	<u>128,352</u>

As at 31 December 2022, 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 HKD2,889,000 (2021: HKD1,006,000).

As at 31 December 2022, a building with carrying amount of approximately HKD58,533,000 is pledged for first mortgage of bank borrowings (2021: HKD59,801,000).

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	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Selling and marketing expenses	24,417	39,835
Administrative expenses	4,054	4,215
	<u>28,471</u>	<u>44,050</u>

12 INVENTORIES

	As of 31 December	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Fashion wears and accessories	281,560	267,086
Electronic devices	8,349	4,702
Skincare and cosmetic products	10,933	7,447
Less: provision for impairment	(26,728)	(18,827)
	<u>274,114</u>	<u>260,408</u>
Inventory measured at cost	242,727	234,355
Inventory measured at net realisable value	31,387	26,053
	<u>274,114</u>	<u>260,408</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 2022, the cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HKD480,040,000 (2021: HKD561,981,000).

13 TRADE RECEIVABLES

	As of 31 December	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Trade receivables		
Due from third parties	40,741	50,470
Less: provision for impairment of trade receivables	(456)	(679)
	<hr/>	<hr/>
Net trade receivables	40,285	49,791
	<hr/> <hr/>	<hr/> <hr/>

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 decreased by approximately HKD223,000 for trade receivables during the current reporting period.

The net trade receivables are denominated in the following currencies:

	As of 31 December	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
RMB	27,432	37,112
MOP	5,685	4,643
HKD	5,556	7,634
EUR	1,354	–
TWD	258	402
	<hr/>	<hr/>
	40,285	49,791
	<hr/> <hr/>	<hr/> <hr/>

The credit terms of trade receivables granted by the Group are generally 1–3 months. For the years ended 31 December 2021 and 2022, the ageing analysis of the trade receivables based on invoice date is as follows:

	As of 31 December	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Within 3 months	39,349	45,401
Over 3 months and within 6 months	909	2,052
Over 6 months and within 1 year	216	2,221
Over 1 year	267	796
	<hr/>	<hr/>
	40,741	50,470
	<hr/> <hr/>	<hr/> <hr/>

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	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Included in current assets		
– Prepayments to supplier	18,625	47,379
– Other prepayments	9,990	18,515
	28,615	65,894
Included in non-current assets		
– Prepayments for leasehold improvement and furniture	10,173	1,099
– Prepayments for franchising fee	8,607	–
	18,780	1,099
	47,395	66,993

15 OTHER RECEIVABLES AND DEPOSITS

	As of 31 December	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Included in current assets		
– Rental deposits	14,908	23,811
– Value-added tax recoverable	5,930	6,332
– Staff advance	956	852
– Others	11,894	19,186
	33,688	50,181
Included in non-current assets		
– Rental deposits	28,404	28,892
	62,092	79,073

16 BORROWINGS

	As of 31 December	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Non-current		
Bank loans (a)	45,291	30,979
Current		
Bank loans (a)	12,895	85
Letter of credit loans (b)	31,808	98,532
	<u>44,703</u>	<u>98,617</u>
	<u>89,994</u>	<u>129,596</u>

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

	As of 31 December	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Guaranteed by Mr. Fan and pledged by his properties	20,575	21,057
Guaranteed by Mr. Fan and pledged by his properties and time deposit	4,736	50,000
Guaranteed by Mr. Fan and pledged by his properties, time deposit and insurance contract	18,919	20,378
Pledged by buildings	45,764	38,161
	<u>89,994</u>	<u>129,596</u>

(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 2021 and 2022 are denominated in the following currencies:

	As of 31 December	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
RMB	12,829	–
HKD	43,001	89,806
USD	20,474	20,378
EUR	13,690	19,412
	<u>89,994</u>	<u>129,596</u>

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

	As of 31 December	
	2022	2021
Bank borrowings	<u>3.01%</u>	<u>4.46%</u>

- (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	
	2022	2021
	%	%
Fixed-rate bank borrowings	1.80–3.90 LIBOR+1.25– LIBOR+3.00;	4.00–5.88 HIBOR+1.75– HIBOR+3.00; LIBOR+1.25– LIBOR+3.00;
Floating-rate bank borrowings	4.53–8.40	3.00–3.88

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

	As of 31 December	
	2022	2021
	HKD'000	<i>HKD'000</i>
Within 1 year	44,703	98,617
Between 1 and 2 years	6,466	1,077
Between 2 and 5 years	19,466	1,697
Over 5 years	<u>19,359</u>	<u>28,205</u>
	<u>89,994</u>	<u>129,596</u>

- (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	
	2022	2021
	HKD'000	HKD'000
Current	91,564	148,065
Non-current	70,688	119,376
	<u>162,252</u>	<u>267,441</u>

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	
	2022	2021
	HKD'000	HKD'000
Current		
Trade payables (a)	96,246	77,920
Salaries payable	29,782	49,289
Variable lease payable	5,129	7,018
Other taxes payable	734	1,670
License fee payable	8,125	5,251
Renovation service fee payables	10,574	9,515
Other payables	10,760	7,844
	<u>161,350</u>	<u>158,507</u>
Non-current		
Operating support fund (b)	12,091	13,209
License fee payables (c)	–	1,295
	<u>12,091</u>	<u>14,504</u>
	<u>173,441</u>	<u>173,011</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	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Within 3 months	69,756	77,683
Over 3 months and within 1 year	26,367	213
Over 1 year	123	24
	<u>96,246</u>	<u>77,920</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	
	2022	2021
	<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>4,533</u>	<u>3,905</u>

20 DIVIDENDS

No dividend was paid or declared by the Company during the year ended 31 December 2022, or has any dividend been proposed since the end of the reporting period (2021: nil).

21 RELATED PARTY TRANSACTIONS

(a) Parent entity

The Group is controlled by the following entity:

Name	Type	Place of incorporation	Ownership interest	
			2022	2021
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	
	2022	2021
	HKD'000	HKD'000
Salaries, wages and bonus	7,259	7,841
Pension cost – defined contribution plan	75	101
Other social security costs, housing benefits and other employee benefits	816	194
	<u>8,150</u>	<u>8,136</u>

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

The following transactions occurred with related parties:

	Year ended 31 December	
	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Purchase of goods		
Company with significant influence over a subsidiary	22,919	17,106
Purchase of decoration services		
Controlled by a close family member of Mr. Fan	1,265	737
Purchase of rental services (with variable lease payment)		
Fellow subsidiaries	2,409	10,445
Purchase of management, promotion and administration services		
Fellow subsidiary	–	7,636
Interest expense		
Controlling shareholder of the Company	6,242	2,054
Sales of corporate management services		
Controlled by Fan Wingting	2,961	–

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:

	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Sao Hang Investment Company Ltd	722	2,754
SJ Synergy Engineering Company Limited	–	2,226
White S.R.L.	124	4,760
Shenzhen Zhishang Brand Management Co., Ltd.	<u>3,093</u>	<u>–</u>
	<u>3,939</u>	<u>9,740</u>

The amounts due from related parties for the year ended 31 December 2022 are denominated in the following currencies:

	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
RMB	3,093	–
HKD	722	4,980
EUR	<u>124</u>	<u>4,760</u>
	<u>3,939</u>	<u>9,740</u>

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

(ii) *Due to related parties*

	As of 31 December	
	2022	2021
	HKD'000	HKD'000
Loans from related parties – non-trade		
Mr. Fan	95,576	97,744
Shun Ao Co. Ltd.	8,086	9,259
Zhuo Zhi Fu Da	47,127	51,536
Amounts due to related parties – trade		
SJ Synergy Engineering Company Limited	31,229	31,230
SJ Synergy Holdings Limited	897	897

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	
	2022	2021
	HKD'000	HKD'000
Lease liabilities		
Controlling shareholder of the Company	4,050	6,935
Year ended 31 December		
	2022	2021
	HKD'000	HKD'000
Interest of lease liabilities		
Controlling shareholder of the Company	360	488

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 2022				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	–	1,639	19	87	1,745
Mr. Trantallis Kevin	–	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. Yu Chun Kau	–	240	–	–	240
Mr. Cheung Chun Yue (Note a)	–	120	–	–	120
Mr. Ng Kam Tsun	–	240	–	–	240
Mr. Sze Irons (Note b)	–	120	–	–	120
Chief executive:					
Ms. Fung Sze Nga	–	840	18	–	858
Mr. Choi Chin Chung	–	708	18	–	726
	–	9,247	103	87	9,437

Year ended 31 December 2021

	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	–	2,400	–	–	2,400
Executive directors:					
Ms. Chen Xingyi	–	1,327	23	76	1,426
Mr. Trantallis Kevin	–	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	–	157	–	–	157
Mr. Yu Chun Kau	–	240	–	–	240
Mr. Cheung Chun Yue	–	240	–	–	240
Mr. Ng Kam Tsun	–	28	–	–	28
Chief executive:					
Ms. Fung Sze Nga	–	840	18	–	858
Mr. Choi Chin Chung	–	708	18	–	726
	–	8,880	107	76	9,063

- (a) Resigned on 1 July 2022.
- (b) Appointed on 1 July 2022.
- (c) 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 2021 and 2022, respectively.
- (d) 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 2021 and 2022.
- (e) No consideration was provided to third parties for making available directors' services during the years ended 31 December 2021 and 2022.

23 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2022 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	
				2022 %	2021 %
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	MOP100,000	100%	100%
Sao Wai Investment Company Limited (首威投資有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	100%	100%
Ieng Weng Company Limited (盈榮有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	100%	100%
Ieng Leong Company Limited (盈亮有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	100%	100%
Lan Yuan Company Limited (蘭媛有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	100%	100%
Macau Ieng Kun Company Limited (澳門盈冠有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	62%	62%

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	
				2022 %	2021 %
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%
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%	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%	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%	100%
Artelli Metaverse (Hong Kong) Limited	HK, limited liability company	Retail of fashion apparel/ toys/cosmetic products	HKD300,000	100%	N/A
Artelli Metaverse Macau Limited (瓊特利元創澳門有限公司)	Macau, limited liability company	Retail of fashion apparel/ toys/cosmetic products	MOP25,000	100%	N/A
Artelli Metaverse Inc.	US, limited liability company	Retail of fashion apparel/ toys/cosmetic products	USD0.1	100%	N/A
瓊特利文化創意(深圳)有限公司	PRC, limited liability company	Retail of fashion apparel/ toys/cosmetic products	HKD70,000	100%	N/A

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 2022, the carrying amount of the assets included within the consolidated financial statements to which these restrictions apply was approximately HKD23,030,000 (2021: HKD26,023,000).

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 2022, the Group operated 184 self-operated retail stores in Greater China, of which 163 retail stores are mono-brand stores operated under the brand name of the merchandise to cater for the brand’s target customers and 21 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 2022, the Group’s brand portfolio had 126 brands, of which 123 brands were international brands owned by third-party brand owners or their master/authorised licensors.

The novel coronavirus (COVID-19) pandemic (the “**Pandemic**”) in Mainland China, Macau, Hong Kong and Taiwan (“**Greater China**”) has continued to affect the sales of the Group in Greater China in 2022. The GDP growth in Mainland China decreased from 8.1% in 2021 to 3.0% in 2022 and the consumer goods consumption in 2022 dropped 0.2%. The number of visitors to Macau in 2022 decreased by 26.0% comparing with that in 2021 and the total visitor expenditure decreased by 25.7% year-over-year (“**yoy**”) comparing with that in 2021. Retail sales of the Group therefore were greatly affected and the Group experienced a drop of 21.9% yoy in revenue in 2022. Of the decrease in revenue of HKD268.4 million, Macau and Mainland China recorded a decrease of HKD147.4 million and HKD99.7 million, or 54.9% and 37.1% of total decrease in revenue, respectively.

Even though the pandemic impact is easing, and borders are now reopened for travelling, the Group will continue to strengthen management and cost control measures and will continue to monitor the situation closely and act swiftly to ensure that a healthy cashflow and financial position can be maintained.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased to HKD959.9 million for 2022 (2021: HKD1,228.3 million), representing a yoy 21.9% decrease mainly due to the “relatively static” Pandemic control measures implemented in Macau and China. Both mono-brand stores and multi-brand stores recorded a decrease of 29.5% and 39.4% yoy, while the Group's online sales achieved a growth rate of 339.2%. Store management and consignment services also recorded a growth of 46.4% yoy but wholesale recorded a drop of 15.8% yoy. Under the adverse consumption contraction during the Pandemic, the Group's average sales floor area was reduced from 36,547 m² in 2021 to 34,582 m² in 2022, mainly in Macau, Hong Kong and Taiwan by closing down the under-performance stores.

Breakdown of revenue by sales channels:

	2022		2021		Change (%)
	<i>HKD million</i>	<i>% of revenue</i>	<i>HKD million</i>	<i>% of revenue</i>	
Retail					
Mono-brand stores	668.4	69.7	948.4	77.2	(29.5)
Multi-brand stores	131.9	13.7	217.7	17.7	(39.4)
Online sales	116.4	12.1	26.5	2.2	339.2
	916.7	95.5	1,192.6	97.1	(23.1)
Store management & consignment services	30.9	3.2	21.1	1.7	46.4
Wholesale	12.3	1.3	14.6	1.2	(15.8)
Total	959.9	100.0	1,228.3	100.0	(21.9)

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 31/12/2021	Open	Close	As at 31/12/2022	As at 31/12/2021	Open	Close	As at 31/12/2022			Average
Macau	53	8	(25)	36	9,234	1,294	(3,924)	6,604	7,919	18	(29.3)
Mainland China	145	27	(37)	135	23,098	5,267	(5,079)	23,286	23,192	92	(20.7)
HK & Taiwan	18	1	(6)	13	4,602	153	(2,416)	2,339	3,471	10	3.4
Total/Overall	<u>216</u>	<u>36</u>	<u>(68)</u>	<u>184</u>	<u>36,934</u>	<u>6,714</u>	<u>(11,419)</u>	<u>32,229</u>	<u>34,582</u>	<u>120</u>	<u>(21.8)</u>

Revenue by geographical areas:

	2022		2021		Change (%)
	HKD million	% of revenue	HKD million	% of revenue	
Macau	438.4	45.7	585.8	47.7	(25.2)
Mainland China	449.8	46.8	549.5	44.7	(18.1)
HK & Taiwan	<u>71.7</u>	<u>7.5</u>	<u>93.0</u>	<u>7.6</u>	<u>(22.9)</u>
Total	<u>959.9</u>	<u>100.0</u>	<u>1,228.3</u>	<u>100.0</u>	<u>(21.9)</u>

Macau

The revenue generated from Macau for 2022 decreased to HKD438.4 million, representing a yoy decrease of 25.2%. The drop was mainly attributable to the decrease in the number of visitors to Macau in 2022 by 26.0% yoy while the total visitor expenditure decreased by 25.7% yoy. The Group opened 8 stores and closed 25 stores in 2022 with a negative same store sales growth of 29.3%.

Mainland China

The revenue generated from Mainland China recorded HKD449.8 million in 2022, representing a yoy decrease of 18.1%. The Group has streamlined the store portfolio by retaining good performance stores to prevent loss of customers, the number of stores decreased to 135 in 2022 comparing with 145 in 2021 and achieved a negative same store growth rate of 20.7%. The Group opened 27 stores and closed 37 stores in 2022 with an increase in the average floor area of 4.1% yoy.

Hong Kong and Taiwan

The revenue generated from the sales in Hong Kong and Taiwan recorded a yoy decrease of 22.8% and 25.2%, respectively. The recurring Pandemic in both markets has resulted in unstable business performance and the Group has streamlined the store portfolio in both markets in 2022. The Group opened 1 store while closing 4 other stores in Hong Kong during 2022 with a decrease of average floor area of 601 m², representing 31.0% yoy decrease. In Taiwan, the Group closed 2 stores in 2022.

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 decreased to HKD505.7 million in 2022, or a yoy decrease of 12.4%, primarily attributable to the decrease in sales.

As such, the gross profit in 2022 decreased by HKD196.9 million, or a yoy decrease of 30.2%, to HKD454.2 million and the gross profit margin decreased from 53.0% in 2021 to 47.3% in 2022. Among the Greater China areas, the gross profit margin of sales in the PRC and Macau in 2022 recorded a decrease of 320 basis points and 760 basis points to 47.7% and 46.9% respectively due to the "relatively static" Pandemic control measures implemented in Macau and PRC. The gross profit margins of sales in Hong Kong and Taiwan recorded a decrease of 860 basis points in 2022 resulting from the clearance sale for store closure with higher average discount rate offered.

Other income and other gains and losses, net

The Group had other income of HKD3.3 million in 2022 comprising government grants, representing a yoy decrease of 69.8%. The Group recorded net other losses of HKD7.4 million, compared with net other gains of HKD17.8 million in 2021, mainly attributable to (1) exchange losses of HKD9.5 million; (2) net losses on disposal of property, plant and equipment of HKD2.0 million and (3) gains on the derecognition of right-of-use assets and lease liabilities of HKD0.9 million in 2022.

Operating expenses

Selling and marketing expenses decreased to HKD371.7 million in 2022, or a 25.0% yoy decrease, primarily due to a decrease in employee benefit expenses of HKD46.5 million, depreciation of property, plant and equipment and right-of-use assets of HKD43.7 million and variable lease expenses of HKD19.0 million.

General and administrative expenses decreased to HKD94.3 million in 2022, or a yoy decrease of 19.3%, primarily due to the decrease in employee benefit expenses and impairment loss on intangible assets of HKD8.8 million and HKD7.6 million, respectively.

Finance costs

Net finance costs decreased to HKD18.5 million in 2022, or a yoy decrease of 9.3%. The decrease was mainly due to the lower interest expenses on lease liabilities of HKD9.3 million resulting from lower balance of lease liability and lower interest on bank borrowing of HKD9.6 million resulting from lower average balance of bank borrowings.

Income tax expenses

There were income tax expenses of HKD2.1 million (2021: HKD15.5 million).

(Loss)/profit for the year

The Group recorded a net loss of HKD36.5 million for 2022 comparing with a profit of HKD31.6 million in 2021 mainly attributable to the decrease in revenue of HKD268.4 million.

SEASONALITY

The Group's sales performance is subject to seasonal fluctuations. We 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 the first half and the second half of the year are of equal weighting as they have similar festivals and holidays.

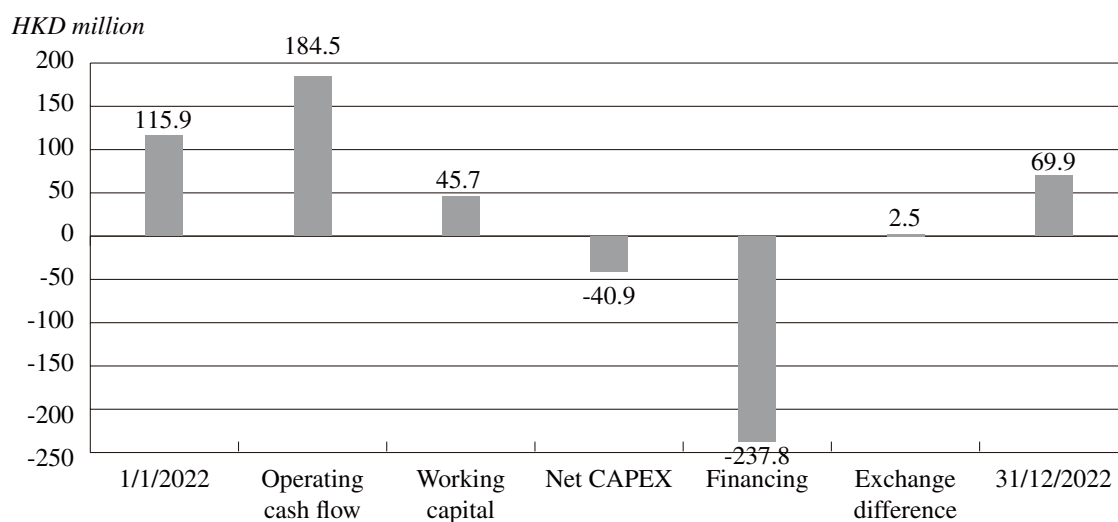
FINANCIAL

Working capital structure

The Group's net current assets amounted to HKD0.3 million as at 31 December 2022, representing a decrease of HKD5.7 million from 31 December 2021. Such decrease was primarily the result of the decrease in current assets of HKD129.5 million mainly resulting from the decrease in restricted cash, term deposits, cash and cash equivalents and prepayment of HKD111.5 million and offset by the decrease in current liabilities of HKD123.8 million which comprised of decrease in bank borrowing of HKD53.9 million and lease liabilities of HKD56.5 million respectively.

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 2022, the cash and cash equivalents were HKD69.9 million, representing a decrease of HKD46.0 million comparing with those of 31 December 2021, details are as follows:



The Group's current ratio was 1.0 times as at 31 December 2022, compared to that of 1.0 times as at 31 December 2021. The current ratio is maintained mainly attributable to the decrease in both current assets and current liabilities by the same weight.

The gearing ratio of the Group, which is calculated as net debt divided by total capital, was 58% as at 31 December 2022 compared to that of 59% as at 31 December 2021.

Pledge of assets

As at 31 December 2022, a building with net book value of HKD58.5 million, restricted cash of HKD18.0 million and the investment in life insurance contract of HKD34.8 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 (2021: Nil).

CONTINGENT LIABILITIES

As of 31 December 2021 and 2022, the Group did not have any material contingent liabilities.

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

Due to the COVID-19 pandemic (the “**Pandemic**”) in 2022, the Group’s business has suffered enormously with many stores closed for extended period of time, such as the lockdown in Shanghai during the 2nd quarter of 2022.

As disclosed in our 2021 annual report, 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 and have a negative impact on the consumer sentiment, the macro-economic condition as well as the financial conditions of the stock markets.

However, the Group has forged its resilience and it is evident that the economy is recovering after the re-opening of the borders for travellers. In 2023, the Group will continue to adhere to strict compliance and internal control. The Group will stay vigilant, monitor closely the business environment and will plan ahead and be prepared to grasp hold of good business opportunities to create greater values to our shareholders.

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 2022, the Company has used approximately 80.9% 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 2022:

	Percentage to total amount %	Planned use of the Net Proceeds <i>HK\$ million</i>	Utilised amount up to 31 December 2022 <i>HK\$ million</i>	Unutilised balance as at 31 December 2022 <i>HK\$ million</i>	Expected timeline for unutilised Net Proceeds
Expand the Group's retail stores	50.3	70.4	70.4	–	
Upgrade the Group's existing retail stores	9.2	12.9	12.9	–	
Explore new brands	24.0	33.6	10.3	23.3	On or before 31 December 2023
Set up and implement Centralised Retail Management System	10.8	15.1	11.6	3.5	On or before 31 December 2023
Strengthen the Group's online sales	5.7	8.0	8.0	–	
	100.0	140.0	113.2	26.8	

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 2023 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 2022.

EMPLOYEES AND REMUNERATION POLICIES

The Group adopts a competitive emolument policy to attract, retain and motivate high quality individuals. Remuneration packages are reviewed regularly to reflect the market practice and employees' performance. As at 31 December 2022, the Group employed around 1,080 employees (31 December 2021: 1,300). The total staff costs for 2022 was HKD180.9 million (2021: HKD232.8 million), a yoy decrease of 22.3%.

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 the 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 2022 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 2022 (2022 interim dividend (in lieu of a final dividend): Nil).

Purchase, sale and redemption of listed securities

During the year ended 31 December 2022, 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 2022, 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”) (Note 1)	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 2022, 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 2022.

Arrangements to purchase shares or debentures

During the year ended 31 December 2022, 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 2022, Mr. Fan Wing Ting and Ms. Chen Xingyi held share interests and/or directorships in companies engage in fashion retail in China, further details of which are set out in the section headed “Directors’ Interests in Competing Business” of the 2022 annual report which will be published at the websites of the Company and the Stock Exchange in due course. Save as disclosed herein, 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 2022. 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 2022.

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

Hong Kong, 30 March 2023

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. Ng Kam Tsun and Mr. Sze Irons as the Independent Non-executive Directors.

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