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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 2023**

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 2023, together with the comparative figures for the year ended 31 December 2022. The financial information has been approved by the Board.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2023</b>	<b>2022</b>
		<b>HKD'000</b>	<b>HKD'000</b>
<b>Revenue</b>	3	<b>1,007,801</b>	959,900
Cost of sales	3, 6	<u><b>(539,996)</b></u>	<u>(505,658)</u>
<b>Gross profit</b>		<b>467,805</b>	454,242
Selling and marketing expenses	6	<b>(391,404)</b>	(371,721)
General and administrative expenses	6	<b>(98,422)</b>	(94,251)
Other income	4	<b>18,858</b>	3,259
Other gains/(losses) – net	5	<u><b>3,280</b></u>	<u>(7,437)</u>
<b>Operating profit/(loss)</b>		<u><b>117</b></u>	<u>(15,908)</u>
Finance income		<b>1,236</b>	391
Finance costs		<u><b>(19,597)</b></u>	<u>(18,931)</u>
Finance costs – net		<b>(18,361)</b>	(18,540)
<b>Loss before income tax</b>		<b>(18,244)</b>	(34,448)
Income tax expenses	9	<u><b>(1,550)</b></u>	<u>(2,057)</u>
<b>Loss for the year</b>		<u><b>(19,794)</b></u>	<u>(36,505)</u>
<b>Loss is attributable to:</b>			
Equity holders of the Company		<b>(16,852)</b>	(33,137)
Non-controlling interests		<u><b>(2,942)</b></u>	<u>(3,368)</u>
		<u><b>(19,794)</b></u>	<u>(36,505)</u>
<b>Losses per share for loss attributable to equity holders of the Company</b>			
Basic and diluted losses per share (HKD)	10	<u><b>(0.04)</b></u>	<u>(0.08)</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
<i>Notes</i>	<i>HKD'000</i>	<i>HKD'000</i>
<b>Loss for the year</b>	<b>(19,794)</b>	<b>(36,505)</b>
<b>Other comprehensive loss for the year</b>		
Change in the fair value of equity investment at fair value through other comprehensive income	(1,113)	(9,985)
Currency translation differences	(2,032)	(11,563)
<b>Other comprehensive loss for the year, net of tax</b>	<b>(3,145)</b>	<b>(21,548)</b>
<b>Total comprehensive loss for the year</b>	<b>(22,939)</b>	<b>(58,053)</b>
<b>Total comprehensive loss for the year is attributable to:</b>		
Equity holders of the Company	(20,165)	(55,499)
Non-controlling interests	(2,774)	(2,554)
	<b>(22,939)</b>	<b>(58,053)</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

		<b>As of 31 December</b>	
		<b>2023</b>	2022
	<i>Notes</i>	<b>HKD'000</b>	<b>HKD'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>135,600</b>	128,352
Right-of-use assets		<b>175,123</b>	150,713
Intangible assets		<b>5,509</b>	8,109
Financial asset at fair value through other comprehensive income		<b>602</b>	1,715
Investment in insurance contract		–	34,843
Deferred tax assets		<b>16,187</b>	20,979
Prepayments	14	<b>13,031</b>	18,780
Other receivables and deposit	15	<b>24,592</b>	28,404
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>370,644</b>	391,895
<b>Current assets</b>			
Inventories	12	<b>308,219</b>	274,114
Trade receivables	13	<b>47,953</b>	40,285
Prepayments	14	<b>24,827</b>	28,615
Amounts due from related parties	21	<b>1,088</b>	3,939
Other receivables and deposits	15	<b>23,477</b>	33,688
Restricted cash		<b>16,359</b>	17,987
Term deposits with initial term of over three months		<b>46,303</b>	50,058
Cash and cash equivalents		<b>73,298</b>	69,881
		<hr/>	<hr/>
<b>Total current assets</b>		<b>541,524</b>	518,567
		<hr/>	<hr/>
<b>Total assets</b>		<b>912,168</b>	910,462
<b>Equity</b>			
Share capital		<b>4,000</b>	4,000
Share premium		<b>859,232</b>	859,232
Reserves		<b>(601,667)</b>	(599,088)
Accumulated losses		<b>(32,752)</b>	(15,166)
		<hr/>	<hr/>
<b>Capital and reserve attributable to equity holders of the Company</b>		<b>228,813</b>	248,978
		<hr/>	<hr/>
Non-controlling interests		<b>(10,169)</b>	(7,395)
		<hr/>	<hr/>
<b>Total equity</b>		<b>218,644</b>	241,583
		<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (*Continued*)  
AS AT 31 DECEMBER 2023

		<b>As of 31 December</b>	
		<b>2023</b>	2022
	<i>Notes</i>	<b>HKD'000</b>	<b>HKD'000</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	16	22,672	45,291
Lease liabilities	17	96,584	70,688
Provisions		11,113	9,955
Other non-current liabilities		12,774	6,269
Deferred tax liabilities		2,117	6,271
Other payables	18	12,690	12,091
		<u>157,950</u>	<u>150,565</u>
<b>Total non-current liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	208,073	161,350
Amounts due to related parties	21	155,902	182,915
Other current liabilities		9,005	18,061
Contract liabilities	19	4,665	4,533
Lease liabilities	17	89,588	91,564
Provisions		8,412	6,369
Income tax liabilities		3,129	8,819
Borrowings	16	56,800	44,703
		<u>535,574</u>	<u>518,314</u>
<b>Total current liabilities</b>			
<b>Total liabilities</b>			
		<u>693,524</u>	<u>668,879</u>
<b>Net assets</b>			
		<u>218,644</u>	<u>241,583</u>

# 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 2023 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 2023 have been approved for issue by the board of directors of the Company (the “**Board**”) on 27 March 2024.

## 2 BASIS OF PREPARATION

### (i) Compliance with IFRS Accounting Standards and Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting 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:

- investment in insurance contracts – measured at cash surrender value, and
- investment in an unlisted company – measured at fair value through the comprehensive income (“**FVOCI**”).

**(iii) New and amended standards and accounting guideline adopted by the group**

The Group has applied the following new and amended standards and accounting guideline for the first time for their annual reporting period commencing 1 January 2023:

International Accounting Standard (“IAS”) 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
IAS 8 (Amendments)	Definition of Accounting Estimates
IAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
IAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules
IFRS 4 (Amendments)	Extension of the Temporary Exemption from Applying IFRS 9
IFRS 17	Insurance Contracts
IFRS 17	Amendments to IFRS 17
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The new and amended standards and accounting guideline 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) Amended standards and interpretation not yet adopted**

The following amended standards and interpretations have been issued but are not effective for the year and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
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 16 (Amendments)	Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
IAS 7 and IFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These amended standards and interpretation are not expected to have a material impact on the Group 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 People's Republic of China (the "PRC"), Macau, Hong Kong 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 chief operating decision-maker ("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 2023 are as follows:

	Year ended 31 December 2023			
	Mainland China HKD'000	Macau HKD'000	HK and others HKD'000	Total HKD'000
Segment revenue	426,151	492,432	123,415	1,041,998
Inter-segment revenue	(16)	(10,863)	(23,318)	(34,197)
Revenue from external customers	426,135	481,569	100,097	1,007,801
Cost of sales	(238,201)	(237,365)	(64,430)	(539,996)
Selling and marketing expenses	(143,775)	(202,779)	(44,850)	(391,404)
Segment result	44,159	41,425	(9,183)	76,401
General and administrative expenses				(98,422)
Other income				18,858
Other gains – net				3,280
Finance income				1,236
Finance costs				(19,597)
Finance costs – net				(18,361)
<b>Loss before income tax expenses</b>				(18,244)
Income tax expense				(1,550)
<b>Loss for the year</b>				<b>(19,794)</b>
Depreciation and amortisation	(42,818)	(101,493)	(20,274)	(164,585)
Provision for impairment of property, plant and equipment and right-of-use assets	(666)	(2,383)	(658)	(3,707)
Reversal of provision for/(provision for) impairment of inventories	(1,315)	12,472	519	11,676
Segment non-current assets	59,947	269,417	41,280	370,644
Segment current assets	230,907	262,195	48,422	541,524



	Year ended 31 December 2022			
	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	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 losses – net				(7,437)
Finance income				391
Finance costs				(18,931)
Finance costs – net				<u>(18,540)</u>
<b>Loss before income tax expenses</b>				(34,448)
Income tax expense				<u>(2,057)</u>
<b>Loss for the year</b>				<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>

(a) Revenue by business line and nature

	Year ended 31 December	
	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Retail	899,525	916,691
Store management and consignment service	64,999	30,874
Catering service	26,895	-
Wholesale	<u>16,382</u>	<u>12,335</u>
Total	<u><u>1,007,801</u></u>	<u><u>959,900</u></u>

(b) **Timing of Revenue Recognition**

	Year ended 31 December	
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
Revenue at a point in time	<b>942,802</b>	929,026
Revenue over time	<b>64,999</b>	30,874
Total	<b>1,007,801</b>	959,900

(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	
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
Subsidies (a)	<b>18,796</b>	–
Government grants (b)	<b>62</b>	3,259
	<b>18,858</b>	3,259

(a) In 2023, government of Macau focuses on developing culture and art and grants subsidies to shopping malls to hold art events. The subsidies are received from shopping malls for organisation after the events end.

(b) Government grants represent subsidies received from government for anti-epidemic assistance. With the easing of Covid-19 epidemic, the subsidies decreased during the year.

## 5 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2023	2022
	HKD'000	HKD'000
Net changes in cash surrender value of investment in insurance contracts	717	1,107
Gains on the derecognition of right-of-use assets and lease liabilities	7,120	910
Exchange gains/(losses)	134	(9,468)
Fair value gains on financial liabilities at fair value through profit or losses – net	–	1,444
Net loss on disposal of property, plant and equipment	(3,084)	(1,961)
Others	(1,607)	531
	<u>3,280</u>	<u>(7,437)</u>

## 6 EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	HKD'000	HKD'000
Change in inventories	503,911	472,139
Depreciation of right-of-use assets	121,961	152,886
Employee benefit expenses ( <i>Note 7</i> )	201,828	180,938
Depreciation of property, plant and equipment ( <i>Note 11</i> )	39,842	28,471
Variable lease expenses	41,714	31,005
Utilities and electricity expenses	21,215	23,031
Property management fee	21,072	17,778
Advertising and promotion expenses	35,110	21,653
Payment processing fee	7,838	9,505
Labour cost	692	3,772
(Reversal of provision)/provision of inventories impairment	(11,676)	7,901
Reversal of provision for impairment loss on accounts receivables	(140)	(223)
Travelling, entertainment and communication expenses	7,437	3,900
Impairment loss on property, plant and equipment ( <i>Note 11</i> )	1,828	2,889
Repair and maintenance	6,179	5,935
Amortisation of intangible assets	2,782	4,556
Delivery expenses	2,743	2,983
Office expenses	4,818	5,286
Impairment loss on right-of-use assets	1,879	6,276
Professional service fees	4,450	4,835
Auditor's remuneration	2,452	2,216
Rent concession related to Covid-19	–	(23,307)
Other expenses	11,887	7,205
	<u>1,029,822</u>	<u>971,630</u>

## 7 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended 31 December	
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
Salaries, wages and bonuses	181,522	160,367
Pension costs – defined contribution plan	14,458	14,903
Other social security costs, housing benefits and other employee benefits	5,848	5,668
	<u>201,828</u>	<u>180,938</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 include four (2022: four) directors whose emoluments are reflected in the analysis shown in Note 22. The emoluments payable to the remaining one (2022: one) individuals during the year are as follows:

	Year ended 31 December	
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
Basic salaries, housing allowances, share options, other allowances and benefits in kind	1,236	1,132
Contribution to pension scheme	–	11
Total	<u>1,236</u>	<u>1,143</u>

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2023	2022
HKD 1,000,001 – 1,500,000	<u>1</u>	<u>1</u>

## 8 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2023	2022
	HKD'000	HKD'000
Finance income		
– Interest income	<u>1,236</u>	<u>391</u>
Finance costs		
– Interest and finance charges paid/payable for lease liabilities	<u>(8,550)</u>	<u>(9,337)</u>
– Other interest cost	<u>(11,047)</u>	<u>(9,594)</u>
	<u>(19,597)</u>	<u>(18,931)</u>
Finance costs – net	<u><b>(18,361)</b></u>	<u><b>(18,540)</b></u>

## 9 INCOME TAX EXPENSE

### (a) Income tax expense

	Year ended 31 December	
	2023	2022
	HKD'000	HKD'000
Current income tax	<u>1,172</u>	<u>514</u>
Deferred income tax related to the temporary differences	<u>378</u>	<u>1,543</u>
	<u><b>1,550</b></u>	<u><b>2,057</b></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 HK\$2 million and 16.5% on the remaining balance of the estimated assessable profits for the years ended 31 March 2023 and 2022. 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 2022 and 2023.

### ***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 2022 and 2023.

### ***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 and 2023.

### ***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**

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>HKD'000</b>	<b>HKD'000</b>
Loss before income tax	<b>(18,244)</b>	(34,448)
Tax calculated at applicable statutory tax rate of respective entities	<b>(898)</b>	(4,554)
Tax preference	–	(98)
Withholding income tax on the profits to be distributed by the group companies in the mainland China	<b>(5)</b>	(13)
Tax effect of unrecognised tax losses	<b>6,880</b>	6,321
Utilisation of previously unrecognised tax losses	<b>(3,518)</b>	(811)
Items not (taxable)/deductible for tax purposes	<b>(909)</b>	1,212
Income tax expense	<b>1,550</b>	2,057

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 2022 and 2023.

## 10 LOSSES PER SHARE

### (a) Basic losses per share

Basic losses per share is calculated by dividing the losses 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	
	2023	2022
Losses attributable to equity holders of the Company (HKD'000)	(16,582)	(33,137)
Weighted average number of ordinary shares in issue	400,000,000	400,000,000
Basic losses per share (HKD) (Note)	<u>(0.04)</u>	<u>(0.08)</u>

*Note:* Basic losses per share is calculated by dividing the loss 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 2020.

- (b) No diluted losses 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
<b>At 31 December 2021</b>						
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>
<b>Year ended 31 December 2022</b>						
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>
<b>At 31 December 2022</b>						
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>
<b>Year ended 31 December 2023</b>						
Opening net book amount	74,855	48,847	132	975	3,543	128,352
Additions	–	59,618	–	919	2,953	63,490
Depreciation	(1,640)	(35,482)	(72)	(631)	(2,017)	(39,842)
Impairment provision	–	(1,828)	–	–	–	(1,828)
Exchange differences	–	(849)	–	(11)	(30)	(890)
Disposals	–	(13,205)	–	(25)	(452)	(13,682)
Net book amount	<u>73,215</u>	<u>57,101</u>	<u>60</u>	<u>1,227</u>	<u>3,997</u>	<u>135,600</u>
<b>At 31 December 2023</b>						
Cost	83,579	312,398	3,146	18,695	17,921	435,739
Accumulated depreciation and impairment provision	(10,364)	(255,297)	(3,086)	(17,468)	(13,924)	(300,139)
Net book amount	<u>73,215</u>	<u>57,101</u>	<u>60</u>	<u>1,227</u>	<u>3,997</u>	<u>135,600</u>



As at 31 December 2023, 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 HKD1,828,000 (2022: HKD2,889,000).

As at 31 December 2023, a building with carrying amount of approximately HKD57,265,000 is pledged for first mortgage of bank borrowings (2022: HKD58,553,000).

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

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>HKD'000</b>	<b>HKD'000</b>
Selling and marketing expenses	<b>36,573</b>	24,417
Administrative expenses	<b>3,269</b>	4,054
	<u><b>39,842</b></u>	<u>28,471</u>

## 12 INVENTORIES

	<b>As of 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>HKD'000</b>	<b>HKD'000</b>
Fashion wears and accessories	<b>296,520</b>	281,560
Electronic devices	<b>15,670</b>	8,349
Skincare and cosmetic products	<b>10,966</b>	10,933
Food and beverages	<b>115</b>	–
Less: provision for impairment	<u><b>(15,052)</b></u>	<u>(26,728)</u>
	<u><b>308,219</b></u>	<u>274,114</u>
Inventory measured at cost	<b>274,077</b>	242,727
Inventory measured at net realisable value	<u><b>34,142</b></u>	<u>31,387</u>
	<u><b>308,219</b></u>	<u>274,114</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 2023, the cost of inventories recognised as expense and included in “cost of sales” amounted to approximately HKD492,235,000 (2022: HKD480,040,000).

## 13 TRADE RECEIVABLES

	As of 31 December	
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
<b>Trade receivables</b>		
Due from third parties	48,269	40,741
Less: provision for impairment of trade receivables	<u>(316)</u>	<u>(456)</u>
Net trade receivables	<u><b>47,953</b></u>	<u><b>40,285</b></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 decreased by approximately HKD140,000 for trade receivables during the current reporting period.

The net trade receivables are denominated in the following currencies:

	As of 31 December	
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
RMB	31,432	27,432
MOP	11,611	5,685
HKD	4,910	5,556
EUR	–	1,354
TWD	<u>–</u>	<u>258</u>
	<u><b>47,953</b></u>	<u><b>40,285</b></u>

The credit terms of trade receivables granted by the Group are generally 1–3 months. For the years ended 31 December 2022 and 2023, the ageing analysis of the trade receivables based on invoice date is as follows:

	As of 31 December	
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
Within 3 months	47,393	39,349
Over 3 months and within 6 months	411	909
Over 6 months and within 1 year	333	216
Over 1 year	<u>132</u>	<u>267</u>
	<u><b>48,269</b></u>	<u><b>40,741</b></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	
	2023	2022
	HKD'000	HKD'000
Included in current assets		
– Prepayments to supplier	12,005	18,625
– Other prepayments	12,822	9,990
	<u>24,827</u>	<u>28,615</u>
Included in non-current assets		
– Prepayments for leasehold improvement and furniture	5,132	10,173
– Prepayments for franchising fee	7,899	8,607
	<u>13,031</u>	<u>18,780</u>
	<u>37,858</u>	<u>47,395</u>

## 15 OTHER RECEIVABLES AND DEPOSIT

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Included in current assets		
– Rental deposits	8,420	14,908
– Value-added tax recoverable	3,177	5,930
– Staff advance	1,021	956
– Others	10,859	11,894
	<u>23,477</u>	<u>33,688</u>
Included in non-current assets		
– Rental deposits	24,592	28,404
	<u>48,069</u>	<u>62,092</u>

The carrying amount of other receivables and deposit are considered to be the same as their fair values.

## 16 BORROWINGS

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
<b>Non-current</b>		
Bank loans (a)	22,672	45,291
<b>Current</b>		
Bank loans (a)	9,237	12,895
Letter of credit loans (b)	47,563	31,808
	<u>56,800</u>	<u>44,703</u>
	<u>79,472</u>	<u>89,994</u>

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

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Guaranteed by Mr. Fan and pledged by his properties	37,458	20,575
Guaranteed by Mr. Fan and pledged by his properties and time deposit	5,121	4,736
Guaranteed by Mr. Fan and pledged by his properties, time deposit and insurance contract	–	18,919
Pledged by buildings	36,893	45,764
	<u>79,472</u>	<u>89,994</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 2022 and 2023 are denominated in the following currencies:

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
HKD	40,795	43,001
EUR	24,750	13,690
RMB	9,236	12,829
USD	3,429	20,474
JPY	1,262	–
	<u>79,472</u>	<u>89,994</u>

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

	<b>As of 31 December</b>	
	<b>2023</b>	2022
Bank borrowings	<b>4.48%</b>	3.01%

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

	<b>As of 31 December</b>	
	<b>2023</b>	2022
	%	%
Fixed-rate bank borrowings	<b>1.80–3.70</b>	1.80–3.90
	<b>LIBOR+1.25–</b>	LIBOR+1.25–
	<b>LIBOR+3.00;</b>	LIBOR+3.00;
Floating-rate bank borrowings	<b>4.53–8.48</b>	4.53–8.40

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

	<b>As of 31 December</b>	
	<b>2023</b>	2022
	<b>HKD'000</b>	<b>HKD'000</b>
Within 1 year	<b>56,800</b>	44,703
Between 1 and 2 years	<b>4,883</b>	6,466
Between 2 and 5 years	<b>15,401</b>	19,466
Over 5 years	<b>2,388</b>	19,359
	<b>79,472</b>	89,994

- (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	
	2023	2022
	HKD'000	HKD'000
Current	89,588	91,564
Non-current	96,584	70,688
	<u>186,172</u>	<u>162,252</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	
	2023	2022
	HKD'000	HKD'000
<b>Current</b>		
Trade payables (a)	135,565	96,246
Salaries payable	24,255	29,782
Variable lease payable	8,766	5,129
Other taxes payable	9,833	734
License fee payable	8,359	8,125
Operating support fund (b)	238	–
Renovation service fee payables	9,822	10,574
Other payables	11,235	10,760
	<u>208,073</u>	<u>161,350</u>
<b>Non-current</b>		
Operating support fund (b)	12,690	12,091
	<u>220,763</u>	<u>173,441</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	
	2023	2022
	HKD'000	HKD'000
Within 3 months	98,724	69,756
Over 3 months and within 1 year	17,585	26,367
Over 1 year	19,256	123
	<u>135,565</u>	<u>96,246</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.

## 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.

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
	<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>4,665</u>	<u>4,533</u>

## 20 DIVIDENDS

No dividend was paid or declared by the Company during the year ended 31 December 2023, or has any dividend been proposed since the end of the reporting period (2022: nil).

## 21 RELATED PARTY TRANSACTIONS

### (a) Parent entity

The Group is controlled by the following entity:

Name	Type	Place of incorporation	Ownership interest	
			2023	2022
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:

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>HKD'000</b>	<b>HKD'000</b>
Salaries, wages and bonus	<b>6,658</b>	7,259
Pension cost – defined contribution plan	<b>76</b>	75
Other social security costs, housing benefits and other employee benefits	<b>85</b>	816
	<b>6,819</b>	8,150

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

The following transactions occurred with related parties:

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>HKD'000</b>	<b>HKD'000</b>
<b>Purchase of goods</b>		
Company with significant influence over a subsidiary	<b>20,225</b>	22,919
<b>Purchase of decoration services</b>		
Controlled by a close family member of Mr. Fan	–	1,265
<b>Purchase of rental services (with variable lease payment)</b>		
Fellow subsidiaries	<b>2,147</b>	2,409
<b>Interest expense</b>		
Controlling shareholder of the Company	<b>6,260</b>	6,242
<b>Sales of corporate management services</b>		
Controlled by Mr. Fan	<b>1,337</b>	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:

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Sao Hang Investment Company Ltd	1,011	722
White S.R.L.	77	124
Shenzhen Zhishang Brand Management Co., Ltd.	–	3,093
	<u>1,088</u>	<u>3,939</u>

The amounts due from related parties for the year ended 31 December 2023 are denominated in the following currencies:

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
HKD	1,088	722
RMB	–	3,093
EUR	–	124
	<u>1,088</u>	<u>3,939</u>

The amounts were in trade nature, unsecured, repayment on demand and non-interest bearing.

(ii) ***Due to related parties***

	<b>As of 31 December</b>	
	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
<b>Loans from related parties – non-trade</b>		
Mr. Fan	84,919	95,576
Shun Ao Co. Ltd.	–	8,086
Zhuo Zhi Fu Da	38,807	47,127
<b>Amounts due to related parties – trade</b>		
SJ Synergy Engineering Company Limited	31,229	31,229
SJ Synergy Holdings Limited	897	897
<b>Purchase of service – trade</b>		
深圳創雅品牌管理有限責任公司	21	–
深圳樺尚品牌管理有限責任公司	29	–

Loans from Mr. Fan were unsecured with term of one year and an interest rate between 4%–5% (2022: 4%).

Loans from related parties were unsecured with term of one year and an interest rate between 4%–5% (2022: 4%).

Amounts due to related parties represent unsecured, interest-free and repayable on demand amounts 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	
	2023	2022
	HKD'000	HKD'000
<b>Lease liabilities</b>		
Controlling shareholder of the Company	<u>1,851</u>	<u>4,050</u>
	<b>Year ended 31 December</b>	
	2023	2022
	HKD'000	HKD'000
<b>Interest of lease liabilities</b>		
Controlling shareholder of the Company	<u>234</u>	<u>360</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 2023				
	Fees	Salaries, wages and bonus	Pension cost-defined contribution plan	Other social security costs, housing benefits and other employee benefits	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>Chairman:</b>					
Mr. Fan Wing Ting	–	2,400	–	–	2,400
<b>Executive directors:</b>					
Ms. Chen Xingyi	–	1,318	22	85	1,425
Mr. Kevin Trantallis	–	1,200	18	–	1,218
Mr. Fong Yat Ming	–	1,140	18	–	1,158
Ms. Fan Tammy	–	600	18	–	618
<b>Independent non-executive directors:</b>					
Mr. Yu Chun Kau	–	240	–	–	240
Mr. Ng Kam Tsun	–	240	–	–	240
Mr. Sze Irons	–	240	–	–	240
	<u>–</u>	<u>7,378</u>	<u>76</u>	<u>85</u>	<u>7,539</u>

Year ended 31 December 2022

	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>
<b>Chairman:</b>					
Mr. Fan Wing Ting	–	2,400	–	–	2,400
<b>Executive directors:</b>					
Ms. Chen Xingyi	–	1,639	19	87	1,745
Mr. Kevin Trantallis	–	1,200	18	–	1,218
Mr. Fong Yat Ming	–	1,140	12	–	1,152
Ms. Fan Tammy	–	600	18	–	618
<b>Independent non-executive directors:</b>					
Mr. Yu Chun Kau	–	240	–	–	240
Mr. Cheung Chun Yue	–	120	–	–	120
Mr. Ng Kam Tsun	–	240	–	–	240
Mr. Sze Irons	–	120	–	–	120
<b>Chief executive:</b>					
Ms. Fung Sze Nga ( <i>Note b</i> )	–	840	18	–	858
Mr. Choi Chin Chung	–	708	18	–	726
	–	9,247	103	87	9,437

- (a) Resigned on 23 August 2023.
- (b) No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2022 and 2023, respectively.
- (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 2022 and 2023, respectively.
- (d) 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 2022 and 2023.
- (e) No consideration was provided to third parties for making available directors' services during the years ended 31 December 2022 and 2023.

## 23 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2023 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	
				2023 %	2022 %
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	
				2023 %	2022 %
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%	100%
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%	100%
Artelli Metaverse Inc.	US, limited liability company	Retail of fashion apparel/ toys/cosmetic products	USD0.1	100%	100%
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%	100%
Artelli Metaverse (Japan) Limited	Japan, limited liability company	Investment holding company	JPY10,000	100%	N/A

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	
				2023 %	2022 %
Artelli Metaverse (Taiwan) Limited 瓊特利元創(台灣)有限公司	HK, limited liability company	Investment holding company	HKD10,000	100%	N/A
ARTELLI METAVERSE (SINGAPORE) PTE. LTD.	Singapore, limited liability company	Investment holding company	SGD50,000	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 2023, the carrying amount of the assets included within the consolidated financial statements to which these restrictions apply was approximately HKD29,679,000 (2022: HKD23,030,000).

## 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 2023, the Group operated 169 self-operated retail stores in Greater China, of which 156 retail stores are mono-brand stores operated under the brand name of the merchandise to cater for the brand’s target customers and 13 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 2023, the Group’s brand portfolio had 122 brands, of which 119 brands were international brands owned by third-party brand owners or their master/authorised licensors.

Despite positive indicators such as China’s GDP growth and the rising number of tourists in Macau in 2023, the retail sector within our Group has not experienced the same level of recovery. While the Group’s retail sales have shown improvement with a year-on-year revenue increase of 5.0% in 2023, out of the total revenue increase of HKD47.9 million, Macau accounted for the majority, with an increase of HKD43.2 million or 90.1% of the total revenue growth. On the other hand, Mainland China recorded a decrease in revenue of HKD23.7 million.

Although the global economy is gradually rebounding from the adverse impact of the COVID-19 pandemic, certain factors have hampered customer sentiment. High interest rates and geopolitical tensions in the Middle East are among the factors contributing to this dampened sentiment. This is evident in the significant increase in household savings among Chinese consumers, reaching record-high levels.

### FINANCIAL REVIEW

#### Revenue

The Group’s revenue increased to HKD1,007.8 million for 2023 (2022: HKD959.9 million), representing a yoy 5.0% increase mainly due to the increase in the number of visitors to Macau and the improvement in the Macau retail market in 2023. Both mono-brand stores and multi-brand stores recorded an increase of 2.5% and 44.3% yoy, while the Group’s online sales achieved a negative growth rate of 79.2%. Store management and consignment services also recorded a growth of 110.5% yoy and wholesale recorded an increase of 32.8% yoy. The Group’s average sales floor area reduced from 34,582 m<sup>2</sup> in 2022 to 31,772 m<sup>2</sup> in 2023, mainly in Taiwan by closing down the under-performance stores.

Breakdown of revenue by sales channels:

	2023		2022		Change (%)
	HKD million	% of revenue	HKD million	% of revenue	
<b>Retail</b>					
Mono-brand stores	685.0	68.0	668.4	69.7	2.5
Multi-brand stores	190.3	18.9	131.9	13.7	44.3
Online sales	24.2	2.4	116.4	12.1	(79.2)
	<b>899.5</b>	<b>89.3</b>	916.7	95.5	(1.9)
Catering services	26.9	2.7	–	–	N/A
Store management & consignment services	65.0	6.4	30.9	3.2	110.5
Wholesale	16.4	1.6	12.3	1.3	32.8
Total	<b>1,007.8</b>	<b>100.0</b>	<b>959.9</b>	<b>100.0</b>	<b>5.0</b>

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

	No. of retail stores			Sales floor area (m <sup>2</sup> )				No of same stores	Same store growth (%)		
	As at 31/12/2022	Open	Close	As at 31/12/2023	As at 31/12/2022	Open	Close			As at 31/12/2023	Average
Macau	36	8	(14)	30	6,604	2,713	(2,243)	7,074	6,839	17	43.1
Mainland China	135	14	(19)	130	23,286	1,916	(2,425)	22,777	23,032	93	(5.2)
HK & Taiwan	13	2	(6)	9	2,339	2,514	(3,390)	1,463	1,901	7	5.2
Total/Overall	184	24	(39)	169	32,229	7,143	(8,058)	31,314	31,772	117	10.9

Revenue by geographical areas:

	2023		2022		Change (%)
	HKD million	% of revenue	HKD million	% of revenue	
Macau	481.6	47.8	438.4	45.7	9.9
Mainland China	426.1	42.3	449.8	46.8	(5.3)
HK & Taiwan	100.1	9.9	71.7	7.5	39.6
Total	<b>1,007.8</b>	<b>100.0</b>	<b>959.9</b>	<b>100.0</b>	<b>5.0</b>



### ***Macau***

The revenue generated from Macau for 2023 increased to HKD481.6 million, representing a yoy increase of 9.9%. The increase was mainly attributable to the increase in the number of visitors to Macau in 2023 by 394.9% yoy while the total visitor expenditure increased by 292.2% yoy. The Group opened 8 stores and closed 14 stores in 2023 with a same store sales growth of 43.1%.

### ***Mainland China***

The revenue generated from Mainland China recorded HKD426.1 million in 2023, representing a yoy decrease of 5.3%. The Group has streamlined the store portfolio by retaining good performance stores to prevent loss of customers, the number of stores decreased to 130 in 2023 comparing with 135 in 2022 and recorded a negative same store growth rate of 5.3%. The Group opened 14 stores and closed 19 stores in 2023 with a decrease in the average floor area of 0.7% yoy.

### ***Hong Kong and Taiwan***

The revenue generated from the sales in Hong Kong and Taiwan recorded a yoy increase of 31.6% and 283.7%, respectively. The Group has streamlined the store portfolio in Taiwan markets in 2023. The Group opened 2 stores while closing 3 other stores in Hong Kong during 2023 with a decrease of average floor area of 225 m<sup>2</sup>, representing 16.8% yoy decrease. In Taiwan, the Group closed 3 stores in 2023.

### **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 HKD540.0 million in 2023, or a yoy increase of 6.8%, primarily attributable to the increase in sales.

As such, the gross profit in 2023 increased by HKD13.6 million, or a yoy increase of 3.0%, to HKD467.8 million and the gross profit margin decreased from 47.3% in 2022 to 46.4% in 2023. Among the Greater China areas, the gross profit margin of sales in Macau in 2023 recorded an increase of 380 basis points to 50.7% due to the lower discount offered. The gross profit margins of sales in Mainland China and Hong Kong and Taiwan collectively recorded a decrease of 360 basis points and 1,210 basis points in 2023 respectively resulting from the higher average discount rate offered in Mainland China and the clearance sale for store closure with higher average discount rate offered in Taiwan.

## **Other income and other gains and losses, net**

The Group had other income of HKD18.9 million in 2023 comprising government grants and subsidy from supplier, representing a yoy increase of 478.6%. The Group recorded net other gains of HKD3.3 million, compared with net other losses of HKD7.4 million in 2022, mainly attributable to (1) gains on the derecognition of right-of-use assets and lease liabilities of HKD7.1 million and (2) net losses on disposal of property, plant and equipment of HKD3.1 million in 2023.

## **Operating expenses**

Selling and marketing expenses increased to HKD391.4 million in 2023, or a 5.3% yoy increase, primarily due to rent concession related to COVID-19 of HKD23.3 million in 2022, an increase in advertising and promotion expenses, depreciation of property, plant and equipment, operating lease expenses of HKD25.9 million, and partial offset by a decrease in depreciation of right-of-use assets of HKD29.5 million.

General and administrative expenses increased to HKD98.4 million in 2023, or a yoy increase of 4.4%, primarily due to an increase in employee benefit expenses of HKD6.1 million, and partial offset by a decrease in depreciation of right-of-use assets of HKD1.4 million.

## **Finance costs**

Net finance costs decreased to HKD18.4 million in 2023, or a yoy decrease of 1.0%. The decrease was mainly due to an increase of interest income of HKD0.8 million and the lower interest expenses on lease liabilities of HKD0.8 million resulting from lower average balance of lease liability.

## **Income tax expenses**

There were income tax expenses of HKD1.6 million (2022: HKD2.1 million).

## **Loss for the year**

The Group recorded a net loss of HKD19.8 million for 2023 comparing with a net loss of HKD36.5 million in 2022 mainly attributable to the increase in subsidy from suppliers of HKD18.8 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 the first half and the second half of the year are of equal weighting as they have similar festivals and holidays.

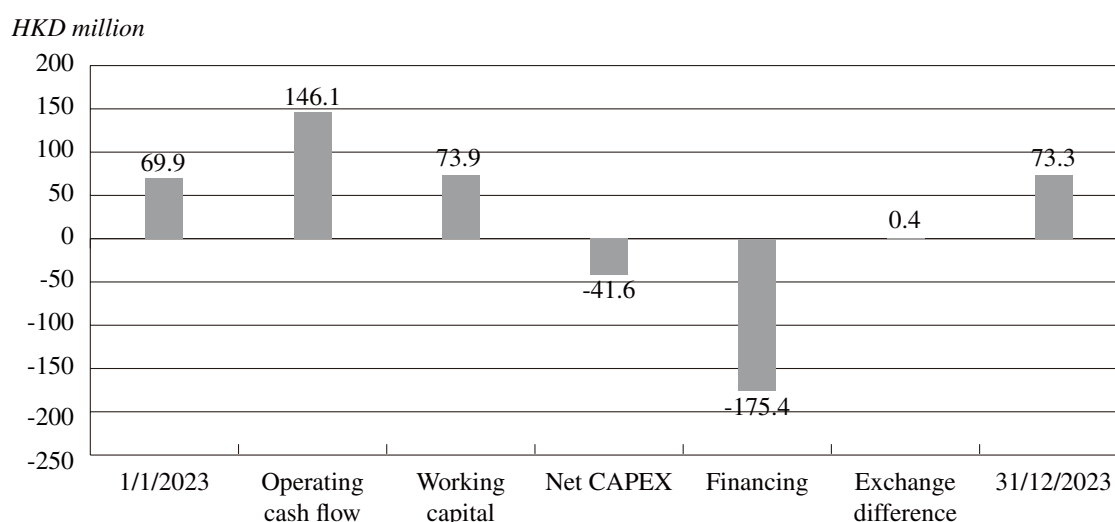
## FINANCIAL

### Working capital structure

The Group's net current assets amounted to HKD6.0 million as at 31 December 2023, representing an increase of HKD5.7 million from 31 December 2022. Such increase was primarily the result of an increase in current assets of HKD23.0 million mainly resulting from an increase in inventories of HKD34.1 million and a decrease in other receivables and deposit of HKD10.2 million and offset by the increase in current liabilities of HKD17.3 million which comprised of increase in bank borrowing of HKD12.1 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 2023, the cash and cash equivalents were HKD73.3 million, representing an increase of HKD3.4 million comparing with those of 31 December 2022, details are as follows:



The Group's current ratio, calculated by comparing all the current assets to all the current liabilities, was 1.0 times as at 31 December 2023, compared to that of 1.0 times as at 31 December 2022. 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 59% as at 31 December 2023 compared to that of 58% as at 31 December 2022.

### Pledge of assets

As at 31 December 2023, a building with net book value of HKD57.3 million and restricted cash of HKD16.4 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 (2022: Nil).

## **CONTINGENT LIABILITIES**

As of 31 December 2022 and 2023, 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**

The Group noted that the market has gradually recovered and customer consumption willingness has increased. Compared to 2022, the number of visitors to Macau and the total visitor expenditure have increased and GDP in Mainland China has also increased. However, the conflicts in Europe and in the Middle East have added to global market uncertainty and many customers are still spending very cautiously.

The Group will continue to maintain stringent cost control measures and act swiftly to adapt to the ongoing challenging retail environment. The Group will also continue to assess and invest prudently in new projects so to sustain a positive business development and to enhance the interests of the Group and its 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 2023, the Company has used approximately 83.8% 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 2023:

	Percentage to total amount %	Planned use of the Net Proceeds <i>HK\$ million</i>	Utilised amount up to 31 December 2023 <i>HK\$ million</i>	Unutilised balance as at 31 December 2023 <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	11.9	21.7	On or before 31 December 2024
Set up and implement Centralised Retail Management System	10.8	15.1	14.1	1.0	On or before 31 December 2024
Strengthen the Group's online sales	5.7	8.0	8.0	–	
	<u>100.0</u>	<u>140.0</u>	<u>117.3</u>	<u>22.7</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 COVID-19 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 2024 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 of Directors. 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 Rules Governing the Listing of Securities on the Stock Exchange (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 2023.

## **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 2023, the Group employed around 1,174 employees (31 December 2022: 1,080). The total staff costs for 2023 were HKD201.8 million (2022: HKD180.9 million), a yoy increase of 11.6%.

## **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 2023 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 2023 (2023 interim dividend (in lieu of a final dividend): Nil).

### **Purchase, sale and redemption of listed securities**

During the year ended 31 December 2023, 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 2023, 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 Listing Rules were as follows:

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares held/ interested</b>	<b>Approximately percentage of shareholding in the Company</b>
Mr. Fan Wing Ting (“ <b>Mr. Fan</b> ”) ( <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 2023, 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:

<b>Shareholders</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares held/ interested</b>	<b>Approximately percentage of shareholding in the Company</b>
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 C3 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 2023.

### **Arrangements to purchase shares or debentures**

During the year ended 31 December 2023, 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 2023, 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 2023 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 C1 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 2023. 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 2023.

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

Hong Kong, 27 March 2024

*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.*