



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)

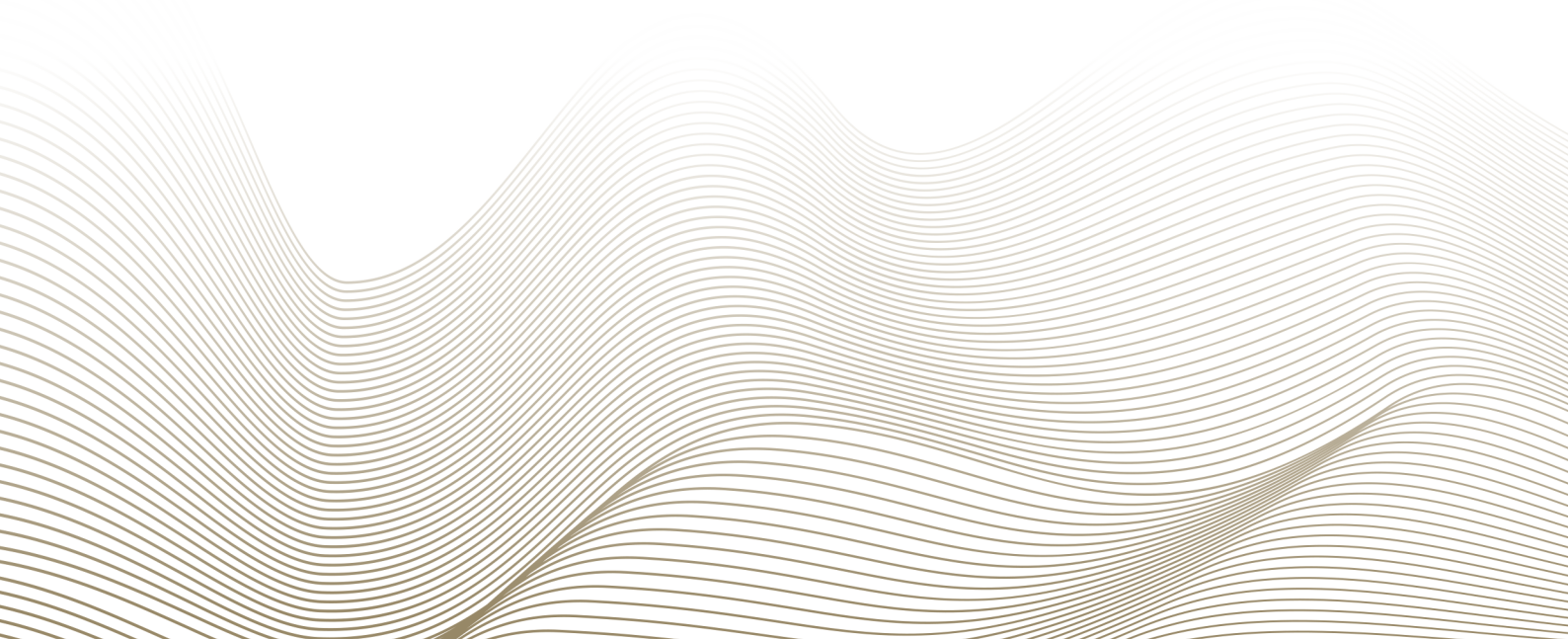
Stock Code : 2528



ANNUAL REPORT 2023

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fan Wing Ting (*Chairman*)
Ms. Chen Xingyi (*Chief Executive Officer*)
Mr. Kevin Trantallis
Mr. Fong Yat Ming
Ms. Fan Tammy

Independent Non-executive Directors

Mr. Yu Chun Kau
Mr. Ng Kam Tsun
Mr. Sze Irons, *B.B.S., J.P.*

BOARD COMMITTEES

Audit Committee

Mr. Yu Chun Kau (*Chairman*)
Mr. Ng Kam Tsun
Mr. Sze Irons, *B.B.S., J.P.*

Remuneration Committee

Mr. Yu Chun Kau (*Chairman*)
Ms. Chen Xingyi
Mr. Sze Irons, *B.B.S., J.P.*

Nomination Committee

Mr. Fan Wing Ting (*Chairman*)
Mr. Yu Chun Kau
Mr. Sze Irons, *B.B.S., J.P.*

AUTHORISED REPRESENTATIVES

Mr. Kevin Trantallis
Ms. Fan Tammy

COMPANY SECRETARY

Mr. Kevin Trantallis

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

Suite 1204, 12/F., Tower 6
The Gateway, Harbour City
Tsim Sha Tsui, Kowloon
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
China Merchants Bank Co., Ltd.

COMPANY WEBSITE

www.forward-fashion.com

STOCK CODE

02528

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

On behalf of the board (the “**Board**”) of Directors of the Group, I hereby present to our shareholders and investors the audited consolidated results of the Group for the year ended 31 December 2023.

For the year ended 31 December 2023, the Group recorded a revenue of HKD1,007.8 million (2022: HKD959.9 million), representing a year-on-year increase of 5.0%. Gross Margin percentage was at 46.4% (2022: 47.3%) and the Group incurred a net loss of HKD19.8 million (2022: HKD36.5 million loss).

The past year has been more challenging than expected. The retail industry in Greater China has faced numerous headwinds, including economic uncertainties and evolving consumer preferences and spending habits. In response, we continued streamlining our business and closed non-profitable stores while focusing on locations that demonstrate better growth potential.

On the other hand, we recognized the need to diversify our business and continued to explore new growth opportunities beyond traditional retail. We strategically expanded into the food and beverage sector, kids entertainment arcade sector and also created a rather unique concept that integrates art and retail by curating a collection of renowned artists and hosting exhibitions. By leveraging our expertise in customer service, we aim to create unique experiences for our customers and at the same time expand and diversify our revenue streams.

Looking ahead, we anticipate that 2024 will remain extremely challenging. The high interest rate environment and the Geo-political tensions in the Middle East have created an environment of uncertainty, impacting global economic stability. Such factors also affect consumer sentiment. However, we are well-prepared to face these challenges. We have implemented rigorous risk management strategies which include diversifying our supply chains and closely monitoring market trends. Furthermore, we remain agile and adaptable to changing circumstances, enabling us to seize emerging opportunities and mitigate potential risks. We remain committed to our core values of integrity, innovation and customer-centricity.

On behalf of the Board of Directors of the Company, I would like to express my gratitude to our shareholders, business partners, customers and employees for their unwavering support and dedication. Together, we can overcome challenges and position Forward Fashion as a resilient and dynamic player in the retail industry. I am confident that our strategic initiatives, coupled with our strong team and market insights, will enable us to navigate the complexities of the current business environment and deliver sustainable value to our shareholders.

Mr. Fan Wing Ting

Chairman

Hong Kong, 27 March 2024

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 m² in 2022 to 31,772 m² in 2023, mainly in Taiwan by closing down the under-performance stores.

MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of revenue by sales channels:

	2023		2022		Change (%)
	HKD million	% of revenue	HKD million	% of revenue	
Retail					
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)
	899.5	89.3	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	1,007.8	100.0	959.9	100.0	5.0

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 31/12/2022	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		
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	1,007.8	100.0	959.9	100.0	5.0

MANAGEMENT DISCUSSION AND ANALYSIS

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 m², 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

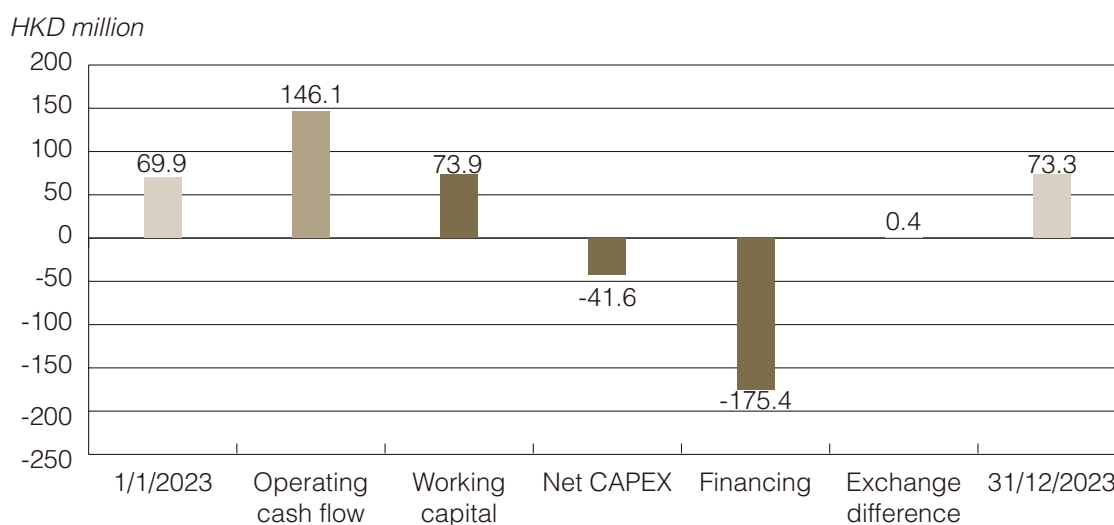
FINANCIAL

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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**”).

MANAGEMENT DISCUSSION AND ANALYSIS

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 HK\$ million	Utilised amount up to 31 December 2023 HK\$ million	Unutilised balance as at 31 December 2023 HK\$ million	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	–	
	100.0	140.0	117.3	22.7	

It was disclosed in the Prospectus that the net proceeds will be applied by the Group in an expected timetable ended 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Fan Wing Ting (范榮庭), aged 68, is the founder, Chairman, Executive Director and Controlling Shareholder of the Group. He was first appointed as a Director on 16 May 2019 and was re-designated as an Executive Director on 26 July 2019. He is also the Chairman of the Group's Nomination Committee. He is primarily responsible for the overall strategic planning and management, administration and overall direction of the Group's business operations.

Mr. Fan has served the Group for over 10 years. Mr. Fan is instrumental in the Group's business expansion and oversaw the integration of the Group's multi-brand store strategy such as *UM*, *UM Junior* and *WF Fashion* that showcases an assortment of high-end fashion apparel and luxury lifestyle products selected from the Group's collection of international brands, designer labels and its in-house brand *UM*, *UM • IXOX* and *IXOX* apparel products. Under his leadership, the Group continues to expand its brand portfolio and retail network to increase the Group's market presence in Mainland China, Macau, Hong Kong and Taiwan.

Mr. Fan obtained an Individual Dental Practitioner Certificate of the Guangdong Province in the PRC in April 1986. He was admitted as a member of The American Chamber of Commerce in Macau in November 2017.

Mr. Fan is the father of Ms. Fan Tammy and the uncle of Mr. Fong Yat Ming.

Ms. Chen Xingyi (陳幸儀), aged 47, was appointed as an Executive Director on 26 July 2019. Ms. Chen is also the Chief Executive Officer of the Group and a member of the Group's Remuneration Committee. She is responsible for the overall strategic planning, management and administration of the Group's business operations.

Ms. Chen has served the Group for over 10 years. She joined the Group in March 2005 as an operation manager and also as Mr. Fan Wing Ting's secretary at the Shenzhen office of Wide Spread (China) Limited. She was subsequently promoted as the general manager of Shouwei Trading (Shenzhen) Co., Ltd in January 2011 and was further promoted as the chief operating officer of the Group in January 2013. Since January 2016, she has been the Chief Executive Officer of the Group.

Ms. Chen obtained an associate college academic credential in Business English from the Shenzhen Polytechnic (深圳職業技術學院) in the PRC in June 1998. She obtained her Business English Certificate 1 and Business English Certificate 2 from the University of Cambridge Local Examinations Syndicate in October 1996 and in September 1997, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Kevin Trantallis (陳漢榮), aged 49, was first appointed as a Director on 16 May 2019 and was re-designated as an Executive Director, the Chief Financial Officer and the Company Secretary of the Group on 26 July 2019. Mr. Trantallis joined the Group in April 2015 as a finance director of World First Holdings Limited (the “**World First Holdings**”). He is responsible for financial management of the Group’s business operations.

Mr. Trantallis has over 20 years of experience in the fashion industry. From May 1996 to April 1999, he was employed by Barro Group Pty. Limited as an assistant accountant in Australia. From April 1999 to April 2001, he worked as a financial analyst at 7-Eleven Stores Pty. Ltd. in Australia. He also worked at Prada Asia Pacific Limited from November 2001 to September 2004, with his last position as a treasury analyst. From September 2004 to February 2011, he worked at Christian Dior Far East Limited initially as a business analyst and was subsequently promoted as a general manager (Guam & Saipan in the United States) in December 2007. From March 2011 to July 2013, he served as an executive officer to the chairman at i.t apparels Limited, a subsidiary of I.T Limited, a company previously listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 0999). Before joining the Group, he was the head of controlling at Hugo Boss Hong Kong Ltd. from October 2013 to October 2014.

Mr. Trantallis graduated from The University of Melbourne in Australia with a Bachelor of Commerce Degree in March 1996. He subsequently obtained a Master’s Degree of Business Administration from The University of Melbourne in Australia in June 2002. In 2007, he further completed his Master’s Degree of Arts in Fashion and Textiles (Global Fashion Management) (with credit) from The Hong Kong Polytechnic University. He was admitted as a certified practising accountant of CPA Australia in August 2001 and was admitted as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in July 2004.

Mr. Fong Yat Ming (方日明), aged 38, was appointed as an Executive Director on 26 July 2019. He is responsible for marketing strategy of the Group’s business operations.

Mr. Fong has served the Group for over 10 years. He joined the Group in August 2007 as an operation assistant of Macau Ieng Nam Limited (“**Macau Ieng Nam**”) and was promoted as a senior buyer and a regional manager trainee in September 2009 and in March 2010, respectively. He was further promoted as a regional manager of Macau Ieng Nam in March 2011. Since March 2017, he serves as a regional director and acting general manager of Macau Ieng Nam.

Mr. Fong graduated from The University of Nottingham in the United Kingdom with a Bachelor of Arts Degree with honours in Finance, Accounting and Management in July 2007.

Mr. Fong is the nephew of Mr. Fan Wing Ting and the cousin of Ms. Fan Tammy.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Fan Tammy (范麗君), aged 36, was appointed as an Executive Director on 26 July 2019. She is responsible for business development of the Group's business operations.

Ms. Fan has served the Group for over 10 years. She joined the Group in July 2011 as the head of strategy of World First Holdings.

Ms. Fan completed the AEM Business Management Certificate Program from the Cornell University in the United States of America in July 2009. She subsequently obtained a Bachelor of Arts in Economics Degree from the University of Southern California in the United States of America in May 2010. Ms. Fan also studied in Fashion Marketing from the Parsons School of Design in the United States of America.

Ms. Fan is the daughter of Mr. Fan Wing Ting and the cousin of Mr. Fong Yat Ming.

Independent non-executive Directors

Mr. Yu Chun Kau (余振球), aged 51, was appointed as an Independent Non-executive Director on 17 December 2019. He is the Chairman of the Group's Audit Committee and Remuneration Committee and a member of the Nomination Committee. He is responsible for providing independent advice to the Board.

Mr. Yu has over 25 years of experience in the accounting, corporate finance, compliance and auditing. He started his career at a major international accounting firm in 1994 and then worked for various Hong Kong listed companies and multinational corporations as executive director, chief financial officer and company secretary. Mr. Yu has been an independent non-executive director of Ruifeng Power Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2025) since December 2017 and an independent non-executive director of JiaChen Holding Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1937) from December 2019 to September 2021. He is the chief financial officer of Jacobson Pharma Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2633) since January 2019 and has been appointed as the company secretary since April 2021. Mr. Yu is the company secretary of JBM (Healthcare) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2161) since November 2023.

Mr. Yu graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree with first class honour in December 1994. In June 2005, he also obtained a Master of Corporate Governance Degree from the Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong). Mr. Yu was admitted as a fellow member of The Association of Chartered Certified Accountants in November 2002. He was admitted as a fellow member and registered as a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in July 2005 and in October 2002, respectively. In March 2007, he was admitted as a senior international finance manager of the International Financial Management Association. In April 2015, he was also admitted as a fellow member of The Institute of Chartered Accountants in England and Wales. In September 2016, he was admitted as both a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and as a fellow member of The Chartered Governance Institute.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Kam Tsun (伍鑑津), aged 50, was appointed as an Independent Non-executive Director and a member of the Group's Audit Committee on 19 November 2021. Mr. Ng has over 25 years of experience in finance and accounting. He has served in various listed companies in Hong Kong and was responsible for financial management, corporate financing, mergers and acquisitions, investor relations management and corporate governance, through which he accumulated extensive experience. Mr. Ng served as (i) the chief financial officer, the company secretary and the authorised representative of Fulum Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1443) from September 2015 to December 2021; (ii) an independent non-executive director, the chairman of the audit committee, a member of the remuneration committee and a member of the nomination committee of Wan Leader International Limited, a company listed on the GEM of the Stock Exchange (stock code: 8482) during the period from August 2018 to June 2021; and (iii) an independent non-executive director, the chairman of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of Hao Bai International (Cayman) Limited, a company listed on the GEM of the Stock Exchange (stock code: 8431) from September 2021 to December 2022.

Mr. Ng became a member of CPA Australia and The Hong Kong Institute of Certified Public Accountants (HKICPA) since July 2002 and December 2002, respectively. Furthermore, he was admitted as a fellow member of CPA Australia and the HKICPA in December 2010 and September 2009, respectively. Mr. Ng graduated from the Monash University in Australia with a Bachelor of Business in January 2003. He subsequently obtained a Master of Management Degree from the Shanghai University of Finance and Economics in March 2006. In November 2014, Mr. Ng further completed his Master of Laws Degree from The Chinese University of Hong Kong.

Mr. Sze Irons (施榮懷), **B.B.S., J.P.**, aged 62, was appointed as an Independent Non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Group on 1 July 2022.

Mr. Sze has extensive experience in investment and corporate management. He serves as an independent non-executive director in various listed companies in Hong Kong. He serves as (i) an independent non-executive director, a member of the audit committee and a member of the remuneration committee of Continental Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 513) since October 2008; (ii) an independent non-executive director of Chevalier International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 25) since November 2016 and has been appointed as a member of the audit committee since February 2019; (iii) an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of Best Mart 360 Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2360) since December 2018; (iv) an independent non-executive director, a member of the audit committee, a member of the remuneration committee and a member of the nomination committee of Redco Healthy Living Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2370) since March 2022; (v) an independent non-executive director of Tongda Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0698) since May 2023; (vi) an independent non-executive director, the chairman of the nomination committee and a member of the audit committee of ST International Holdings Company Limited, a company listed on the GEM of the Stock Exchange (stock code: 8521) from April 2018 to December 2023; (vii) an independent non-executive director, the chairman of the nomination committee, a member of the audit committee and a member of the remuneration committee of Jianzhong Construction Development Limited, a company listed on the Main Board of the Stock Exchange (stock code: 589) from February 2020 to November 2023.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sze was appointed as a Justice of the Peace and awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region (“**HKSAR**”) in 2011 and 2015 respectively. He is currently a member of The 13th National Committee of the Chinese People’s Political Consultative Conference* (“**CPPCC**”) (中國人民政治協商會議全國委員會) and a member of the Standing Committee of The 14th National Committee of the CPPCC; a Standing Committee Member of the Beijing Municipal Committee of the CPPCC* (中國人民政治協商會議北京市委員會常務委員); the Permanent Honorary President of the HKCPPCC (Provincial) Members Association Limited* (港區省級政協委員聯誼會永遠名譽會長); a member of the Labour Advisory Board of the Government of the HKSAR; the Permanent Honorary President of the Chinese Manufacturers’ Association of Hong Kong; the Deputy Secretary General of The Hong Kong Coalition; the chairman of the Mainland Business Advisory Committee of the Hong Kong Trade Development Council; a council member of the Hong Kong Repertory Theatre; a member of the University Court of The Hong Kong Polytechnic University; President of Federation of Hong Kong Beijing Organisations; and Vice President and Secretary of Friends of Hong Kong Association. Mr. Sze was also elected as a member of the Election Committee of the Chief Executive of the HKSAR in 2016.

Mr. Sze graduated from the University of Wisconsin – La Crosse in the United States of America with a Bachelor of Science Degree in May 1985.

* For identification purposes only

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure.

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.

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.

DIRECTORS’ INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 37 of the Notes to the Consolidated Financial Statements, no contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2023 or at any time during the year ended 31 December 2023.

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 REPORT

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters.

The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this annual report.

The Board currently consists of eight Directors who include five Executive Directors and three Independent Non-executive Directors. The biographical information of the Directors is set out under the section headed "Directors and Senior Management" in this annual report.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received a confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are considered to be independent pursuant to the Listing Rules.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Fan Wing Ting is the Chairman of the Board and Ms. Chen Xingyi is the Chief Executive Officer of the Company. Mr. Fan Wing Ting is in charge of the management of the Board and strategic planning of the Group. Ms. Chen Xingyi is responsible for the overall business operation and formulating business plans. The Company considered that the division of responsibilities between the Chairman and Chief Executive Officer is clearly established.

Non-executive Director and Independent Non-executive Directors

The Independent Non-executive Directors are appointed for a specific term and they are also subject to the retirement by rotation at least once every three years in accordance with the articles of association of the Company (the "**Articles of Association**").

The three Independent Non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of legal, accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board.

Directors' Continuous Professional Development

All Directors participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains sound and advances. Directors provide their records of training to the Company from time to time. During the year, all Directors had read materials updating new practices, rules and regulations to keep themselves updated on the roles, functions and duties of a listed company director.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board adopted a Board Diversity Policy on 17 December 2019 which sets out the approach to achieve diversity on the Board.

Purpose

The Policy aims to set out the modus operandi to ensure that the Board possesses the appropriate skills, experience and diversity of perspectives necessary to enhance the effectiveness and performance of the Board and to maintain high standards of corporate governance.

General Policy

With a view to enhancing the effectiveness and performance of the Board and strengthening the business development of the Company, the Company believes that it is important to promote diversity at the Board level.

In determining the Board's composition, Board diversity shall consider various factors which include, gender, skills, age, professional experience, knowledge, independence, cultural and educational background, ethnicity and length of service. All appointments to the Board shall be based on merits and the positive contributions that the proposed candidates will bring to the Board, the Company, its subsidiaries and/or its affiliated companies.

Measurable Objectives

To achieve gender diversity, selection of candidates will be based on a range of diversity perspectives with reference to the Company's business model and specific needs which includes gender, skills, age, professional experience, knowledge, independence, cultural and educational background, ethnicity and length of service. The ultimate decision will be based on merits and the contribution that the selected candidates will bring to the Board.

Succession planning to achieve gender diversity

In particular, in achieving gender diversity on the Board, the Company shall:

- (a) have an appropriate balance of gender diversity with reference to stakeholders' expectation and international and local recommended best practices;
- (b) identify and select female individuals with a diverse range of skills, experience and knowledge in different fields from time to time and maintain a list of these female individuals who possess qualities to become Board members in order to develop a pipeline of potential successors to the Board;
- (c) continue to take steps to promote gender diversity at all levels, including at the senior management levels; and
- (d) provide career development opportunities and resources in training female staff with the aim of promoting them to the senior management levels or the Board level so that the Company will have a pipeline of female senior management and potential successors to the Board.

CORPORATE GOVERNANCE REPORT

Continuous Monitoring

The Nomination Committee will monitor the implementation of this Policy by conducting review of the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to this Policy when making recommendation on any Board appointments. The Nomination Committee will also ensure that Board diversity is considered as part of the evaluation of the Board's effectiveness.

For the year ended 31 December 2023, the Directors were satisfied, in general, with diversity of the Board and each Board Committee in accordance with the Board Diversity Policy. The Board has reviewed this Policy and concluded that it is effective.

Workforce Diversity

The Group aims to provide a diversified work environment to the workforce and provide equal opportunity to all employees and will not discriminate on grounds of gender, race, age, nationality, religion and sexual orientation and any other aspects of diversity. As of 31 December 2023, a total number of 1,174 employees were hired by the Group, comprising 78% female and 22% male. The Board will continue to monitor and review the workforce diversity in accordance with the Listing Rules.

Mechanisms for ensuring independent views and input to the Board

To ensure that independent views are available to the Board, the Board is committed to assess the independence of the Board on an ongoing basis with regard to relevant factors such as the ability to provide constructive challenge for management and the Board and to express one's views which are independent of the management or other fellow Directors.

The Company has established several channels to encourage the Independent Non-executive Directors ("**INEDs**") to express their views in an open manner and in a confidential manner. INEDs are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings and general meetings. They may also have meetings with the Chairman privately. They may seek assistance from the Company's Company Secretary and, where necessary, independent advice from external professional advisers at the Company's expense.

The Nomination Committee will assess the independence of all the INEDs by reference to the independence criteria set out in the Listing Rules to ensure that they can continue to exercise independent judgement.

For the year ended 31 December 2023, the Board considers that the INEDs are independent in character and judgement, and they also meet the independence criteria set out in Rule 3.13 of the Listing Rules. The Board has reviewed this Policy and concluded that it is effective.

CORPORATE GOVERNANCE REPORT

Board Meetings

The Board holds board meetings regularly and at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and propose matters to be discussed in the meeting. The Board held a meeting on 27 March 2024 and, amongst other matters, considered and approved the 2023 Consolidated Financial Statements and Independent Auditor's Report.

The attendance record of each Director at the Board meeting and Board Committee meetings of the Company held during the year ended 31 December 2023 and up to the date of this annual report is set out in the table below:

Name of Directors	Number of attendance
<i>Executive Directors</i>	
Mr. Fan Wing Ting (<i>Chairman</i>)	5/5
Ms. Chen Xingyi (<i>Chief Executive Officer</i>)	4/4
Mr. Kevin Trantallis	4/4
Mr. Fong Yat Ming	4/4
Ms. Fan Tammy	4/4
<i>Independent Non-executive Directors</i>	
Mr. Yu Chun Kau	5/5
Mr. Ng Kam Tsun	5/5
Mr. Sze Irons	5/5

General Meetings

One general meeting has been held in 2023.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee (established on 25 August 2023) to oversee particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference. Most of the terms of reference of the Board committees are posted on the website of the Company (www.forward-fashion.com) and the website of the Stock Exchange (www.hkexnews.hk) and are available to the Shareholders upon request.

Audit Committee

The Audit Committee operates under the terms of reference approved by the Board. It is the Board's responsibility to ensure that an effective internal control and risk management framework exists within the entity. This includes internal controls, risk management to deal with both the effectiveness and efficiency of significant business processes, safeguarding of assets, maintenance of proper accounting records, and reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has delegated to the Audit Committee the responsibility for the establishment and the maintenance of a framework of internal controls, risk management and ethical standards for the Group's management. The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. Yu Chun Kau (Chairman), Mr. Ng Kam Tsun and Mr. Sze Irons. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2023.

During the year ended 31 December 2023, two Audit Committee meetings were held. The attendance record of each member of the Audit Committee is set out in the table below:

Members of the Audit Committee	Number of attendance
Mr. Yu Chun Kau (<i>Chairman</i>)	2/2
Mr. Ng Kam Tsun	2/2
Mr. Sze Irons	2/2

Remuneration Committee

The primary duties of the Remuneration Committee are to (i) develop and review the policies and the structure of the remuneration for the Directors and senior management; (ii) evaluate the performance of, and make recommendations on the remuneration packages and long-term incentive compensation or equity plans for, the Directors and senior management; (iii) evaluate and make recommendations on employee benefit arrangements; (iv) to ensure that share options and/or share awards granted by the Company (if any) are in accordance with Chapter 17 of the Listing Rules, where applicable; and (v) to review and/or approve matters relating to share scheme under Chapter 17 of Listing Rules.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2023, one Remuneration Committee meeting was held. The attendance record of each member of the Remuneration Committee is set out in the table below:

Members of the Remuneration Committee	Number of attendance
Mr. Yu Chun Kau (<i>Chairman</i>)	1/1
Ms. Chen Xingyi	1/1
Mr. Sze Irons	0/1

Nomination Committee

The primary functions of the Nomination Committee are to make recommendations to the Board in relation to the appointment and removal of Directors and senior management and on matters of succession planning. In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge, reputation and gender. The Nomination Committee will discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2023, one Nomination Committee meeting was held. The attendance record of each member of the Nomination Committee is set out in the table below:

Members of the Nomination Committee	Number of attendance
Mr. Fan Wing Ting (<i>Chairman</i>)	1/1
Mr. Yu Chun Kau	1/1
Mr. Sze Irons	0/1

Nomination Policy

The Board has on 31 March 2021 adopted a Nomination Policy in accordance with the CG Code, which sets out the procedure for the election, appointment and re-appointment of Directors (the "**Nomination Policy**"). The Nomination Policy specifies certain selection criteria and the Board succession planning consideration.

The Nomination Policy is reproduced as follows.

1. In carrying out its duties, the Nomination Committee shall give adequate consideration to the following principles:
 - (a) in relation to Board composition – the Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. It should include a balanced composition of Executive and Independent Non-executive Directors so that there is a strong independent element on the Board and independent judgment can be effectively exercised. Independent Non-executive Directors should be of sufficient calibre and number for their views to carry weight; and

CORPORATE GOVERNANCE REPORT

- (b) in relation to appointment, re-election and removal of Directors – there should be a formal, considered and transparent procedure for selection, appointment and reappointment of Directors, as well as plans in place for orderly succession for appointments (if considered necessary). It should ensure that changes to the Board composition can be managed without undue disruption. All Directors should be subject to reelection at regular intervals in accordance with the Articles of Association.
2. The criteria to be applied in considering whether a candidate is qualified shall be his/her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board (which includes but not limited to diversity in gender, age, experience, cultural and educational background, expertise, skills and know-how) as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:
- (a) participating in Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;
 - (b) taking the lead where potential conflicts of interests arise as Independent Non-executive Directors;
 - (c) serving on the Audit, Remuneration, Nomination and other governance committees, if invited;
 - (d) giving the Board and any committees on which he/she serves the benefit of his/her skills, expertise, varied backgrounds and qualifications through attendance and participation;
 - (e) monitoring or scrutinising the Company’s performance in achieving agreed corporate goals and objectives;
 - (f) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate; and
 - (g) if the candidate is proposed to be appointed as an Independent Non-executive Director, his/her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

Director Nomination Procedure

Subject to the provisions of the Articles of Association and the Listing Rules, if the Board determines that an additional or replacement Director is required, the Nomination Committee will deploy multiple channels for identifying suitable candidates, including referral from Directors, the Shareholders, management, advisors of the Company and external executive search firms.

Where a retiring Director, being eligible, offers himself/herself for re-election, the Nomination Committee will consider and, if appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to the Shareholders prior to a general meeting in accordance with the Listing Rules.

CORPORATE GOVERNANCE REPORT

Shareholders of the Company may nominate a person to stand for election as a Director at a general meeting in accordance with the Articles of Association and applicable laws and regulations. The procedures for such proposal are stated on pages 29 to 30 of this annual report.

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

Environmental, Social and Governance Committee

The primary duties of the Environmental, Social and Governance Committee are (i) formulate and review the objectives, strategies, goals, target and management policies of the Group's ESG; (ii) review and assess the adequacy and effectiveness of the management framework for ESG matters of the Company; (iii) review the Group's ESG-related risk management and internal control systems; (iv) review the Group's ESG performance (e.g. key performance indicators) annually to ensure compliance with relevant ESG policies and procedures, as well as applicable laws and regulations.

During the year ended 31 December 2023, a resolution has been passed by this Committee to approve the adoption of terms of reference of Environmental, Social and Governance Committee; and to approve a set of ESG policies to illustrate the approaches and objectives of managing key environmental aspects with the Group, including (1) Environmental, Social and Governance (ESG) Policy, (2) Community Engagement Policy, (3) Environmental Policy, (4) ESG Risk Management Policy and (5) Climate Change Policy.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the Independent Auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 56 of this annual report.

CORPORATE CULTURE

The Board has laid down the Group's purposes, values and strategy and has ensured that they aligned with the Group's culture. The Group is committed to adopt a proactive and prudent operating strategy to introduce to its customers high-quality fashion brands and to enrich the number and diversity of fashion brands offered by the Group. The Group will continue to adopt a cautious approach in exploring potential investments and business opportunities to achieve sustainable growth and to deliver attractive and sustainable returns to the Shareholders.

Among the Company's core values, the Group places strong emphasis on employee relations and the culture of ethical conduct and integrity by instilling the element of integrity into every aspect of our businesses. Our Directors, management and staff are required to act lawfully, ethically and responsibly, which are part and parcel of the Company's culture. In promoting and maintaining this culture, relevant trainings are conducted from time to time to strengthen the requisite standards and the norms in respect of ethics and integrity of our business. This culture of integrity has also been stated in the Employee Handbook and embedded in various policies such as the Anti-Corruption Policy and the Whistleblowing Policy. A healthy corporate culture is important to good corporate governance which is crucial for achieving sustainable long-term success of the Group.

CORPORATE GOVERNANCE REPORT

ANTI-CORRUPTION POLICY

The Company is committed to observing and upholding high standards of business integrity, honesty, fairness, impartiality, and transparency in its business dealings.

With such commitment in mind, the Company has established and adopted an Anti-Corruption Policy to strengthen the standards of conduct of its Directors and employees and to ensure that our Directors and employees adhere to high standard of business ethics and comply with the applicable laws and regulations of the jurisdictions in which the Group operates. This Policy outlines the Group's expectation on maintaining high standards of ethics and integrity, and the framework on prevention, detection, treatment and reporting of any suspected fraud, corruption and irregularities.

The Group conducts periodic internal monitoring and assessments on bribery and corruption risks to ensure bribery and corrupt activities are prevented.

WHISTLEBLOWING POLICY

The Company has adopted a Whistleblowing Policy to facilitate the achieving of high standards of openness, probity, and accountability. This Policy creates a system for a Director, an employee or a third party (who includes customers, suppliers, subcontractors) to report to the Group any suspected fraud, malpractice, misconduct, or irregularity. A Director, an employee or a third party who has legitimate concern can report to the Group by mail or email or by attending the Group's office. The Group will endeavor to protect the whistleblower from detriments and all reports will be kept confidential.

During the year under review, no incident of fraud or misconduct that has material effect on the Group's financial statements and overall operations has been reported. The Audit Committee of the Company will continue to review this Policy periodically to ensure its effectiveness.

DIVIDEND POLICY

The Company has adopted a dividend policy which stated that in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder's value. The Board may determine and pay to the Shareholders such interim dividends and special dividends as it considers appropriate and recommend the payment of final dividends which are required to be approved by the Shareholders of the Company in general meetings.

In determining/recommending the frequency, amount and form of any dividend in any financial year/period, the Board shall consider the following factors:

- the actual and expected financial performance of the Group;
- economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;
- the Group's business strategies and operations, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;
- the current and future liquidity position and capital requirements of the Group; and
- any other factors that the Board deems appropriate.

The Company does not have any pre-determined dividend payout ratio.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

An analysis of the remuneration paid or payable to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit and non-audit services provided to the Group for the year ended 31 December 2023 is set out below:

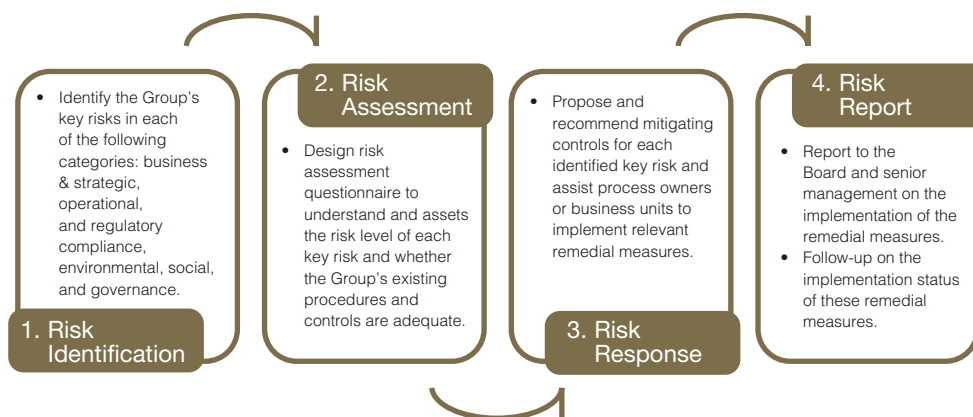
Services rendered	Service Category Fees Paid/Payable HKD'000
Audit service	2,452

The non-audit services mainly include professional services on consultation services on employee stock ownership plans.

RISK MANAGEMENT AND INTERNAL CONTROL

A sound and effective system of risk management and internal control is designed to achieve the Group's strategic objectives and safeguard shareholder investments and the Group's assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve strategic objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board acknowledges its responsibility to establish, maintain, and review the effectiveness of the Group's risk management and internal control systems, where management is responsible for the design and implementation of the risk management and internal control systems to manage risk. With the support from the Audit Committee, the Board monitors the Group's risk exposures, oversees the actions of management and monitors the overall effectiveness of the risk management and internal control systems on an ongoing basis. Management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal control. Policies and procedures form the basis and set forth the control standards required for functioning of the Group's business entities. These policies and procedures covered various aspects, including operations, finance & accounting, human resources, regulatory & compliance, delegation of authority, etc.



CORPORATE GOVERNANCE REPORT

An annual enterprise-wide risk assessment has been performed to evaluate the nature and extent of the risks to which the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified a number of key risks that may impact the Group's strategic objectives in responding to the changes in the business and external environment. These risks are prioritised according to the likelihood of their occurrence and the significance of their impact on the business of the Group.

INTERNAL AUDIT

The Group has engaged Internal Audit Function which reports to the Audit Committee. The Internal Audit Function is independent from operation management in performing internal audit reviews. Audits are conducted according to the internal audit plan approved by the Audit Committee to review the Group's major operational, financial, compliance and risk management controls. During the process of the internal audits, the Internal Audit Function will identify internal control deficiencies and weaknesses and proposed recommendations for improvements. Internal audit findings and control deficiencies are communicated to Internal Audit Function and the management, who is responsible for ensuring the deficiencies are rectified within a reasonable period. A follow-up review is also performed to ensure the remedial actions are implemented.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard shareholder investments and the Group assets. For the year ended 31 December 2023, the Board along with the Audit Committee has conducted a comprehensive review of the Company's risk management and internal control systems. The review has covered the fiscal year of 2023 and all material controls, including operational, financial and compliance controls, and considered the changes in the nature and extent of significant risks as well as the Company's ability to respond to changes in its business and the external environment. The Board considers that the Company has complied with the risk management and internal control provisions of the CG Code, and considers such systems are effective and sufficient. The Board has also reviewed the resources of accounting, internal audit and financial reporting functions, staff qualifications and experience, training programs and related budgets, as well as procedures related to financial reporting and compliance with the Listing Rules, and considered them effective and sufficient.

INSIDE INFORMATION

The Group is aware of its obligation under relevant sections of the Securities and Futures Ordinance and Listing Rules regarding disclosure of inside information/price sensitive information. The Company has implemented procedures and internal controls for the handling and dissemination of inside information, including:

- having procedures to preserve the confidentiality of price-sensitive and/or inside information relating to the Group;
- communicating such procedures to all Directors, senior management and relevant employees who are likely to have access to inside information, and reminding them from time to time that they are required to comply with such procedures; and
- conducting its affairs with close regard to the disclosure requirement under the Listing Rules and the related guidance.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Kevin Trantallis, who is the Company Secretary of the Company, reports directly to the Board and is responsible for, inter alia, providing updated and timely information to all Directors from time to time. During the year ended 31 December 2023, he has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential in enhancing investor relations and investor understanding of the Group's business performance and strategies, hence a Shareholders Communication Policy has been adopted. An amended Shareholders Communication Policy has been adopted by a board resolution passed on 15 March 2024 ("**the Policy**") and post on the Company's website at www.forward-fashion.com.

As stated in the Policy, the Company has established the following channels of communication with its Shareholders:

- Corporate communications (as defined in Rule 1.01 of the Listing Rules) such as annual and interim reports, announcements and circulars are available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.forward-fashion.com;
- Shareholders with registered email addresses will receive relevant notification by email when Corporate Communications is published;
- Shareholders may obtain Corporate Communications in printed form from the Company upon request through Tricor Investor Services Limited, the Hong Kong Branch Share Registrar;
- The Company's website information will be updated from time to time to inform the Shareholders and investors of the latest development of the Company;
- The annual general meetings and extraordinary general meetings provide an opportunity for communication between the Shareholders and the Board; and
- The Shareholders may put forward their enquires to the Company's principal place of business in Hong Kong and to at www.forward-fashion.com by post or by email.

The Board has reviewed the implementation and effectiveness of this Policy and concluded that it is effective.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the website of the Company and the website of the Stock Exchange after each general meeting.

CORPORATE GOVERNANCE REPORT

Convening an Extraordinary General Meeting

Pursuant to article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the voting rights (on a one share one vote basis) in the paid up capital of the Company at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolutions specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/themselves may convene a physical meeting at only one location which will be the Principal Meeting Place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or Companies Acts of the Cayman Islands for the Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, the Shareholders may send written enquiries to the Company.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Suite 1204, 12/F., Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong
(For the attention of the Board of Directors)

Email: ir@forward-fashion.com

For the avoidance of doubt, the Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CONSTITUTIONAL DOCUMENTS

By a special resolution passed at the annual general meeting of the Company held on 1 June 2023, the Company has adopted an amended and restated memorandum of association and articles of association to, among other things, comply with the Core Shareholder Protection Standards set out in Appendix A1 (previously known as Appendix 3) to the Listing Rules, reflect certain updates in relation to the applicable laws of the Cayman Islands and the Listing Rules and make other housekeeping amendments. Please refer to the announcement of the Company dated 30 March 2023, and the circular of the Company dated 20 April 2023 for further details.

The latest versions of the constitutional documents are available on the websites of the Company and the Stock Exchange.

Save as disclosed above, there was no change to the Company's constitutional documents during the year ended 31 December 2023.

REPORT OF THE DIRECTORS

The directors of the Company (the “**Directors**”) are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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 in Mainland China, Macau, Hong Kong and Taiwan. Particulars of the principal subsidiaries of the Company are set out in Note 41 to the consolidated financial statements respectively.

An analysis of the Group’s performance for the year by geographical segment is set out in Note 5 to the consolidated financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 59 to 60.

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).

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Thursday, 6 June 2024.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Friday, 31 May 2024 to Thursday, 6 June 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 30 May 2024.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group’s future business development are set out in the section headed “Message from the Chairman” as well as the section headed “Management Discussion and Analysis” of this annual report respectively. Discussions on the Group’s relationships with its key stakeholders are also set out in the section headed “Message from the Chairman” of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material respects with the applicable laws and regulations that have a significant impact on the business and operation of the Group. During the year, there is no material breach of or non-compliance with the applicable laws and regulations by the Group.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its adverse environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

The environment, social and governance report of the Company for the year ended 31 December 2023 containing the information required under Appendix 27 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) will be published on the website of the Company and the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in accordance with the provisions of the Listing Rules.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past five years ended 31 December 2023 are set out on page 144 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 27 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity, Note 28 and Note 40 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 December 2023, the reserves of the Company available for distribution to the shareholders of the Company amounted to approximately HKD734 million (2022: HKD236 million).

RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with the relevant rules and regulations in the Mainland China, Macau, Hong Kong and Taiwan.

TAX RELIEF AND EXEMPTION

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements has been entered into by the Company during the year ended 31 December 2023 or subsisted at the end of the year.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

Mr. Fan Wing Ting (*Chairman*)
Ms. Chen Xingyi (*Chief Executive Officer*)
Mr. Kevin Trantallis
Mr. Fong Yat Ming
Ms. Fan Tammy

Independent Non-executive Directors

Mr. Yu Chun Kau
Mr. Ng Kam Tsun
Mr. Sze Irons

EMOLUMENTS POLICY

The Group remunerates its employees, including the Directors, on the basis of their merit, qualifications and competence. The Group's employees are subject to regular job performance reviews which determine their promotion prospects and compensation. Subject to the Group's profitability, the Group may also provide discretionary bonuses to its employees as an incentive for their contribution to the Group.

Details of the remuneration of the Directors for year ended 31 December 2023 are set out in Note 38 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors and Independent Non-executive Directors has entered into a service contract or an appointment letter with the Company. The term of the service contract for the Executive Directors is three years, while the Independent Non-executive Directors have a term of two years. The service contracts or appointment letters are effective from the date of their appointment and until terminated by either party giving not less than three months' notice in writing to the other. All of them are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association. Their emoluments are determined by the Board by reference to their experience, responsibilities and duties with the Company and shall be reviewed annually by the Remuneration Committee.

REPORT OF THE DIRECTORS

NON-COMPETITION UNDERTAKING

In order to avoid any potential competition arising between the Group and the Controlling Shareholders, Mr. Fan Wing Ting and Gold Star Fashion Limited (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the deed of non-competition with the Company on 17 December 2019 (the “**Deed of Non-competition**”). Pursuant to the Deed of Non-competition, each of the Covenantors jointly, severally, unconditionally and irrevocably warrants and undertakes to the Company (for itself and as trustee for each of its subsidiaries) that from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on the Stock Exchange; (ii) the date on which the Covenantors cease to be a Controlling Shareholder; or (iii) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued share capital of the Company, he/she/it will not, and will use his/her/its best endeavours to procure any Covenantor and his/her/its close associates (as defined in the Listing Rule and excluding the Company and its subsidiaries) (“**Controlled Person(s)**”) and any Covenantor and/or any company directly or indirectly controlled by any Covenantor, excluding any member of the Group (“**Controlled Company(ies)**”) not to, either on his/her/its own or in conjunction with any person, body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, for profit or not, among other things, carry on, participate in, hold, engage in, be interested in, acquire or operate (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise), or provide any form of assistance to any person, firm or company (except members of the Group) to conduct the business or activity which, directly or indirectly, compete or likely to compete with the business carried on or contemplated to be carried on by the Company or any of its subsidiaries in Mainland, Hong Kong, Macau and Taiwan and such other places as the Company or any of its subsidiaries may conduct or carry on business from time to time.

Each of the Covenantors further undertakes that if any Controlled Company(ies) is offered or becomes aware of any business opportunity (the “**New Business Opportunity**”) which directly or indirectly engages in or owns any business or activity which, directly or indirectly, competes or is likely to compete with the business carried on or contemplated to be carried on by the Group, he/she/it shall notify the Group in writing, and he/she/it shall not, and shall procure that his/her/its Controlled Person(s) or Controlled Company(ies) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by the Company. The Board of Directors (including the Independent Non-executive Directors) will be responsible for reviewing and considering whether or not to take a New Business Opportunity referred by a Covenantor or Controlled Company(ies).

During the year ended 31 December 2022, the Company had received notice in writing from Mr. Fan Wing Ting in respect of a New Business Opportunity relating to investment in the Chinese Brands Platform (the “**CB Platform**”) which intends to invest in clothing brand projects, including start-up clothing brand projects, for the purpose of cultivating the development of designer brands in China, which might compete with the existing and future business of the Group and which were offered to or came to be the knowledge of Mr. Fan Wing Ting. The Board of Directors (including the independent non-executive Directors) reviewed and considered whether or not to accept the New Business Opportunity relating to the CB Platform referred by Mr. Fan Wing Ting, and it was resolved that due to the high risk and funding requirement of the potential investment in the CB Platform, the Company would not invest in it and the New Business Opportunity relating to the CB Platform was unanimously rejected by the Board of Directors. After receiving the non-acceptance notice from the Company, Mr. Fan Wing Ting decided to engage in the New Business Opportunity along with Ms. Chen Xingyi and became interested in the CB Platform through the entities as set out below in the section headed “Directors’ Interests in Competing Business”.

REPORT OF THE DIRECTORS

The Company has received an annual written declaration signed by each of the Controlling Shareholders declaring, inter alia, that he/it had complied with the Deed of Non-competition during the year ended 31 December 2023 for disclosure in this annual report (the “**Annual Confirmation**”).

The Independent Non-executive Directors have reviewed the Annual Confirmation and the implementation of the Deed of Non-competition during the year ended 31 December 2023 and confirm that they are not aware of any non-compliance of the Deed of Non-competition by the Controlling Shareholders during the financial year ended 31 December 2023.

The Independent Non-executive Directors have reviewed the status of compliance and declared that they are not aware of any non-compliance of the Deed of Non-competition by the Covenantors during the financial year ended 31 December 2023.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2023, interests of Directors of the Company in competing businesses required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of director	Name of company	Nature of competing businesses	Nature of interest
Mr. Fan Wing Ting	深圳致尚品牌管理有限責任公司	Fashion retail in China through the CB Platform	Director & Shareholder
	榮信貿易（深圳）有限責任公司	Fashion retail in China through the CB Platform	Shareholder
Ms. Chen Xingyi	深圳致尚品牌管理有限責任公司	Fashion retail in China through the CB Platform	Shareholder
	榮信貿易（深圳）有限責任公司	Fashion retail in China through the CB Platform	Shareholder

Having considered the size and scope of the above businesses, the Board believes that there is unlikely to be any significant competition with the business of the Group. Although Mr. Fan Wing Ting serves as a director of 深圳致尚品牌管理有限責任公司, he is not involved with the day-to-day operations of the projects that it invests in. The Board is of the view that the Group is capable of carrying on the business of the Group independent of, and at arm’s length from the businesses of the above companies. When making decisions on the Group’s business and in the performance of their duties as Directors of the Company, the above Directors have acted and will act in the best interest of the Group and its shareholders.

Save as disclosed above, as at 31 December 2023, none of our Directors had any interest in any business which competes or is likely to compete, either directly or indirectly with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company’s Articles of Association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) pursuant to the written resolutions of the Company’s shareholders and Directors passed on 17 December 2019 which took effect upon on 13 January 2020 (the “**Listing Date**”). The following is a summary of the principal terms of the Share Option Scheme:

1. *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide an incentive or reward for the Grantees (as defined below) for their contribution or potential contribution to the Group.

2. *Participants of the Share Option Scheme and the basis of determining the eligibility of the participants*

The Board may, subject to and in accordance with the provisions of the Share Option Scheme and the Listing Rules, at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including Directors) of the Company or any of its subsidiaries, and any suppliers, customers, consultants, agents and advisors who, in the sole opinion of the Board has contributed or will contribute to the Group (collectively, the “**Eligible Participants**”) and whom the Board may in its absolute discretion select and subject to such conditions as it may think fit.

3. *Life of the Share Option Scheme*

The Share Option Scheme shall be valid and effective for a period ending on the tenth anniversary of the Listing Date (the “**Scheme Period**”), after which time no further option will be granted, but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

4. *Grant of options*

(a) *Making of offer*

An offer shall be made to an Eligible Participant by an offer document in such form as the Board may from time to time determine (the “**Offer Document**”), requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

(b) *Acceptance of offer*

An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Eligible Participant (the “**Grantee(s)**”) and to have taken effect upon the issue of an option certificate after the duplicate Offer Document comprising acceptance of the option duly signed by the Grantee, together with a remittance in favour of the Company of HKD1.00 by way of consideration for the grant of the option is received by the Company on or before the last day for acceptance set out in the Offer Document. The remittance is not in any circumstances refundable and shall be deemed as part payment of the Exercise Price (as defined below). Once accepted, the option is granted as from the date on which it was offered to the Grantee (the “**Offer Date**”).

REPORT OF THE DIRECTORS

(c) Restrictions on time of grant

- (i) No grant of options shall be made after any inside information has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:
- (1) the date of the Board meeting as shall have been notified to the Stock Exchange for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules);
 - (2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the actual date of the results announcement for such year, half year, quarterly or interim period (as the case may be). The period during which no option may be granted will cover any period of delay in the publication of a results announcement;
 - (3) for so long as the shares of the Company (the "**Share(s)**") are listed on the Stock Exchange, no options may be granted to a Director on any day which financial results of the Company are published;
 - (4) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (5) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year.

(d) Grant to connected persons

Any grant of options to a connected person must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is also a proposed Grantee (as defined below) of the options, the vote of such independent non-executive Director shall not be counted for the purposes of approving the grant).

REPORT OF THE DIRECTORS

(e) Grant to substantial shareholders and independent non-executive directors

Without prejudice to sub-paragraph 4(c) above, any grant of options to a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates shall be subject to, in addition to the approval of the Company's independent non-executive Directors in sub-paragraph (d) above, the issue of a circular by the Company to its shareholders and the approval of the Company's shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) under the Share Option Scheme or any other scheme in the twelve (12) months period up to and including the Offer Date:

- (i) would represent in aggregate more than 0.1%, or such other percentage as may from time to time be provided under the Listing Rules, of the Shares in issue on the Offer Date; and
- (ii) would have an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date, in excess of HKD5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

(f) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under sub-paragraph 4(e) above, the Grantee, his associates and all core connected persons of the Company must abstain from voting. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the Articles and the relevant provisions of the Listing Rules.

(g) Performance target

The Board has the discretion to require a particular Grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There is no specific performance targets stipulated under the terms of the Share Option Scheme and the Board currently has no intention to set any specific performance targets on the exercise of any options granted or to be granted under the Share Option Scheme.

5. *Exercise price*

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "**Exercise Price**") shall, subject to any adjustment pursuant to paragraph 7 below, be determined by the Board in its sole discretion but in any event shall be at least the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

REPORT OF THE DIRECTORS

(iii) the nominal value of a Share;

provided that for the purpose of determining the Exercise Price under sub-paragraph 5(ii) above where the Shares have been listed on the Stock Exchange for less than five business days preceding the Offer Date, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each business day falling within the period before the listing of the Shares on the Stock Exchange.

6. *Maximum number of Shares available for subscription*

(a) Scheme limit

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue upon Listing upon Listing (the "**Scheme Limit**"). For the purpose of calculating the Scheme Limit, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(b) Renewal of scheme limit

The Company may seek approval by the Company's shareholders in general meeting for renewing the Scheme Limit provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of the Company under the Scheme Limit as renewed from time to time must not exceed 10% of the total number of Shares in issue as at the date of the Company's shareholders' approval. Options previously granted under the Share Option Scheme, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed. For the purpose of seeking the approval of the Company's shareholders under this sub-paragraph 6(b), a circular containing the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to the Company's shareholders.

(c) Grant of options beyond scheme limit

The Company may seek separate approval by the Company's shareholders in general meeting for granting options beyond the Scheme Limit provided that the options in excess of the Scheme Limit are granted only to Eligible Participants who are specifically identified by the Board before such approval is sought.

For the purpose of seeking the approval of the Company's shareholders under this sub-paragraph (6) (c), the Company must send a circular to the Company's shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

REPORT OF THE DIRECTORS

(d) Maximum number of Shares issued pursuant to the Share Option Scheme

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted under any schemes of the Company or subsidiaries if such grant will result in this 30% limit being exceeded.

(e) Grantee's maximum holding

Unless approved by the Company's shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his options during any twelve (12) months period up to the Offer Date exceed 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any twelve (12) months period up to and including the date of such further grant exceed 1% of the total number of Shares in issue, such further grant must be separately approved by the Company's shareholders in general meeting with such Grantee and his close associates (or associates if the Grantee is a connected person) abstaining from voting. The Company must send a circular to the Company's shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Exercise Price) of the options to be granted to such Grantee must be fixed before the Company's shareholders' approval. The date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Exercise Price.

(f) Adjustment

The number of Shares subject to the Share Option Scheme shall be adjusted in such manner as the Company's independent financial advisor shall certify to the Board to be appropriate, fair and reasonable in accordance with paragraph 7 below but in any event shall not result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and the other schemes exceed the limit set out in sub-paragraph 6(d).

REPORT OF THE DIRECTORS

7. *Capital restructuring*

(a) Adjustment of options

In the event of any capitalisation issue, rights issue, open offer (if there is a price dilutive element), subdivision or consolidation of Shares, or reduction of capital of the Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- (i) the number of Shares subject to any outstanding option;
- (ii) the Exercise Price; and/or
- (iii) the number of Shares subject to the Share Option Scheme;

as the approved independent financial advisor shall at the request of the Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable provided that any such alterations shall be made on the basis that a Grantee shall have as near as possible the same proportion of the equity capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all the issuers relating to share option scheme) as that to which the Grantee was previously entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate Exercise Price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustment to the Exercise Price and number of Shares should be made to the advantage of the Eligible Participants without specific prior approval of the Company's shareholders.

(b) Independent financial advisor confirmation

On any capital reorganisation, independent financial advisor shall certify in writing to the Board that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes and/or such other requirement prescribed under the Listing Rules from time to time.

8. *Cancellation of options*

Any cancellation of options granted but not exercised must be approved in writing by the Grantees of the relevant options. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph 9. Where the Company cancels options, the grant of new options to the same Grantee may only be made under the Share Option Scheme within the limits set out in sub-paragraphs 6(a), 6(b), and 6(e).

REPORT OF THE DIRECTORS

9. *Assignment of options*

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or attempt to do so (except that the Grantee may nominate a nominee, in whose name the Shares issued pursuant to the Share Option Scheme may be registered).

10. *Rights attached to the Shares*

Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of issue. Accordingly, such Shares will entitle the holders to have the same voting, dividend, transfer and other rights, and to participate in all dividends or other distributions paid or made on or after the date on which the allottee is registered as a member (the "**Registration Date**") other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until completion of registration of the Grantee or his nominee as the holder of such Share on the register of members of the Company.

Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

11. *Exercise of options*

Unless otherwise provided in the respective Grantee's Offer Document, an option may be exercised by a Grantee at any time or times during the period notified by the Board during which the Grantee may exercise his option(s) (the "**Option Period**") provided that:

- (a) in the event of the Grantee ceasing to be an Eligible Participant for any reason other than his death, ill-health, injury, disability or the termination of his relationship with the Company and/or any of its subsidiaries on one or more of the grounds specified in sub-paragraph 12(v) below, the Grantee may exercise the option up to his entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of thirty (30) days (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a Grantee who is an Eligible Participant by reason of his employment with the Company or any of its subsidiaries, the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not);
- (b) in the case of a Grantee ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of its subsidiaries under sub-paragraph 12(e) has occurred, the Grantee or the personal representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise his option in full (to the extent not already exercised);

REPORT OF THE DIRECTORS

- (c) if a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), the Company shall use its best endeavours to procure that such offer is extended to all the Grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them as Shareholders). If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes, or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within fourteen (14) days after the date on which such general offer becomes or is declared unconditional;
- (d) if a compromise or arrangement between the Company and the Company's shareholders and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Act, the Company shall give notice thereof to all the Grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it dispatches to Shareholders and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to noon (Hong Kong time) on the Business Day immediately preceding the date of the general meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there is more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension; and
- (e) in the event a notice is given by the Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all Grantees and thereupon, each Grantee (or in the case of the death of the Grantee, his personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already lapsed or exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid.

REPORT OF THE DIRECTORS

12. *Lapse of options*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in sub-paragraphs 11(b) to (e) above;
- (iii) the date of the commencement of the winding-up of the Company in respect of the situation contemplated in sub-paragraph 11(e);
- (iv) the date the scheme or compromise referred to in sub-paragraph 11(d) above becomes effective;
- (v) the date on which the Grantee ceases to be an Eligible Participant by reason of his resignation or dismissal, or by reason of the termination of his relationship with the Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of the Company and/or any of its subsidiaries (if so determined by the Board) on any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of the Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;
- (vi) the date that is thirty (30) days after the date on which a Grantee is terminated by the Company and/or any of its subsidiaries by reasons other than termination of employment on grounds under sub-paragraph 12(v);
- (vii) the date on which a Grantee commits a breach of paragraph 9 above or the options are cancelled in accordance with paragraph 8 above; or
- (viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Document, if any.

13. *Alteration of the Share Option Scheme*

The terms and conditions of the Share Option Scheme and the regulations for the administration and operation of the Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be), in respect of matters contained in Rule 17.03 of the Listing Rules, including without limitation, the definitions of "Eligible Participant", "Expiry Date", "Grantee" and "Option Period" contained in the Share Option Scheme; or

REPORT OF THE DIRECTORS

- (b) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme), or any change to the authority of the Board in respect of alternation of the Share Option Scheme, must be made with the prior approval of the Company's shareholders in general meeting at which any persons to whom or for whose benefit the Shares may be issued under the Share Option Scheme and their respective associates shall abstain from voting provided that no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with:
- (i) the consent in writing of the Grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or
 - (ii) the sanction of a special resolution.

Written notice of any alterations made in accordance with this paragraph shall be given to all Grantees.

14. Termination

The Company may by ordinary resolution in general meeting or the Board at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered or granted. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

For the year ended 31 December 2023, no share option has been granted, exercised, expired, cancelled or lapsed and there is no outstanding share option under the Share Option Scheme. Therefore the weighted average closing price of the shares immediately before the dates on which the options were exercised or vested pursuant to Rule 17.07(1) (d) of the Listing Rules is not available.

Pursuant to Rule 17.07(2) of the Listing Rules, the total number of share options available for grant under the Share Option Scheme as at 1 January 2023 and 31 December 2023 were 40,000,000 and 40,000,000 respectively.

Pursuant to Rule 17.09(3) of the Listing Rules, the total number of share options available for grant under the Share Option Scheme as at 31 December 2023 was 40,000,000 shares, representing approximately 10% of the 400,000,000 ordinary shares of the Company at issue as at 31 December, 2023, being the date of this annual report.

Pursuant to Rule 17.09(9) of the Listing Rules, as at 31 December, 2023, the remaining life of the Share Option Scheme is 7 years and one month..

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year set out in Note 37 to the financial statements included transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied with.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Group had entered into the following continuing connected transactions:

Renovation Services Agreement executed on 23 December 2019

Name of connected person	Nature of transaction	2023 HKD'000	2022 HKD'000
SJ Synergy Engineering Company Limited (晟杰工程有限公司) (“SJ Synergy Engineering”)	Provision of fitting-out services to the Group in Macau	-	1,265
Total transaction amount		-	1,265

Note: According to the Renovation Services Agreement, subcontracting fees for the services to be provided by SJ Synergy Engineering were determined with reference to the price at which comparable types of the services were provided by independent subcontractors to the Group under normal commercial terms in the ordinary course of its business and such price shall be no less favourable to the Group than is available from independent subcontractors.

SJ Synergy Engineering is a limited company incorporated in Macau which is principally engaged in the provision of fitting-out works and is owned as to 96% by Mr. Fan Rongxiong, the brother of Mr. Fan, and 4% by Ms. Zhang Xiaoming, the spouse of Mr. Fan Rongxiong. Mr. Fan is an Executive Director and the Controlling Shareholder. By virtue of Mr. Fan Rongxiong holding over 50% interest in SJ Synergy Engineering, SJ Synergy Engineering is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

SJ Synergy Holdings is a limited company incorporated in Hong Kong which is principally engaged in the provision of fitting-out works and is owned as to 100% by Mr. Fan Rongxiong, the brother of Mr. Fan. Mr. Fan is an Executive Director and the Controlling Shareholder. By virtue of Mr. Fan Rongxiong holding over 50% interest in SJ Synergy Holdings, SJ Synergy Holdings is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

Name of connected person	Nature of transaction	2023 HKD'000	2022 HKD'000
Wise Fortune Company Limited 卓智富達一人有限公司 (“Wise Fortune”)	Loan	1,889	1,967
Shun Ao Investment Company Limited 順澳投資有限公司 (“Shun Ao Investment”)	Loan	226	335
深圳致尚品牌管理有限責任公司 (“深圳致尚”)	Sales of management services	1,337	2,961
Total transaction amount		3,452	5,263

REPORT OF THE DIRECTORS

Wise Fortune is a company incorporated in Macau which is principally engaged in commercial industry in Macau and is wholly owned by Mr. Fan. Mr. Fan is an Executive Director and the Controlling Shareholder. By virtue of Mr. Fan holding over 30% interest in Wise Fortune, Wise Fortune is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

Shun Ao Investment is a company incorporated in Macau which is principally engaged in real estate industry in Macau and is owned as to 50% by Mr. Fan, 25% by Ms. Fan Po Yuk, the sister of Mr. Fan and 25% by Mr. Fong Yat Ming, the nephew of Mr. Fan. Mr. Fan is an Executive Director and the Controlling Shareholder. By virtue of Mr. Fan holding over 30% interest in Shun Ao Investment, Shun Ao Investment is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

深圳致尚 is a company incorporated in Shenzhen which is principally engaged in investment activities in China and is owned as to 80% by 榮信貿易(深圳)有限責任公司. 榮信貿易(深圳)有限責任公司 is owned as to 75% by Mr. Fan and 25% by Ms. Chen Xingyi. Mr. Fan is the sole Director and the Substantial Shareholder of 深圳致尚. By virtue of Mr. Fan holding over 30% interest in 深圳致尚, 深圳致尚 is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

Cooperation Agreement executed on 15 April 2015 among Twelve S.A., White S.R.L. and World First International Holdings Limited, as further supplemented on 3 October 2016 and 10 September 2018

Name of connected person	Nature of transaction	2023 HKD'000	2022 HKD'000
White S.R.L.	Promotion, marketing and distribution of the Neil Barrett brand ready-to-wear products and accessories (with the exception of underwear, perfumes, glasses, sunglasses, children clothing, skiwear, watches, beachwear, jewels and homewear) (the "Products") in Macau and the PRC; and the purchase of the Products by NB China Limited (盈冠商貿有限公司) ("NB China") from White S.R.L.	19,058	22,919
深圳創雅品牌管理有限責任公司	Consignment services for distribution of the Lynn Gong brand ready-to-wear products and accessories in the PRC.	475	0
深圳樺尚品牌管理有限責任公司	Purchase and distribution of the Chaw Rising brand ready-to-wear products and accessories in the PRC.	692	0
Total transaction amount		20,225	22,919

Note: According to the Cooperation Agreement, the selling price, payment schedule and method, and other specific terms or conditions (if any) shall be fixed by the relevant parties in the purchase order on a case-by-case basis. The annual cap for the financial year ended 31 December 2023 is HK\$64,000,000.

White S.R.L. is a company incorporated in Italy which is principally engaged in fashion business. As White S.R.L. is indirectly wholly-owned by Twelve S.A. which is holding 40% equity interest in NB China, a non wholly-owned subsidiary of the Company, it is an associate of Twelve S.A. Accordingly, White S.R.L. is a connected person of the Company under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

Review of Continuing Connected Transactions

Pursuant to Rule 14A.55 of the Listing Rules, the continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) on normal commercial terms or better; and (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's Auditor has been engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Pursuant to Rule 14A.56 of the Listing Rules, the Auditor has issued its unqualified letter confirming that nothing has come to its attention that causes it to believe that the continuing connected transactions: (i) have not been approved by the Board; (ii) for the transactions involve the provision of goods or services by the Group, were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the respective annual cap of each of the Company's continuing connected transactions.

One-off Transactions

The following transactions have been entered into by the Group which constitute one-off transactions prior to the Listing.

Tenancy Agreement

Name of related party	Term of lease agreements	Monthly rent	Annual rent
Office Tenancy Agreement with Mr. Fan and Ms. Cheng King Ling executed on 30 January 2019	1/2/2019–31/1/2024	RMB159,130	RMB1,909,560
Warehouse Tenancy Agreement with Ms. Cheng King Ling executed on 17 April 2020	29/2/2020–28/2/2023	RMB10,117	RMB121,404

The Directors confirmed that the rents in respect of the above tenancy agreements (the "Tenancy Agreements") have been determined after arm's length negotiations between the parties with reference to the then prevailing market conditions and rental rate of similar properties in the vicinity. In this connection, the Company has engaged an independent property valuer, to assess the fairness of the rent and the terms of the Tenancy Agreements. The independent property valuer is of the opinion that the terms of the Tenancy Agreements (including rental and duration) are fair and reasonable and the rents payable thereunder reflected the prevailing market rate as at the date of commencement of the respective tenancy agreement.

Mr. Fan is the Company's Executive Director and Controlling Shareholder, and Ms. Cheng is the spouse of Mr. Fan. As such, each of Mr. Fan and Ms. Cheng is a connected person of the Company under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

In accordance with IFRS 16 “Leases”, the Group has recognized the value of the right-of-use assets on its balance sheet in connection with the transactions contemplated under the Tenancy Agreements, as such, the transactions contemplated thereunder would be regarded as acquisitions for the purposes of the Listing Rules.

The transactions contemplated under the Tenancy Agreements are one-off transactions entered into by Shenzhen Shouwei prior to Listing. Such transaction will not, following the Listing, constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules, and will not be subject to further requirements under the Listing Rules. The Group will comply with the relevant requirements under Chapter 14A of the Listing Rules should there be any material change to the terms thereof if the Group enters into any other connected transaction in relation thereto after the Listing.

OTHER INFORMATION

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 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:

- 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.

REPORT OF THE DIRECTORS

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:

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

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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company has been entered into or existed during the year ended 31 December 2023.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group acknowledges the importance to maintain good relationship with its employees and customers for the achievement of its short-term and long-term business objectives.

For the year ended 31 December 2023, there was no serious and material dispute between the Group and its employees, customers and suppliers.

REPORT OF THE DIRECTORS

MAJOR SUPPLIERS AND CUSTOMERS

The Group's customers are primarily retail customers in Greater China. None of the Group's customers accounted for 5% or more of the Group's total revenue for the year ended 31 December 2023 and the Group did not rely on any single customer.

During the year ended 31 December 2023, the Group's largest supplier and five largest suppliers accounted for 25.1% (2022: 26.1%) and 68.6% (2022: 69.0%) of the Group's total purchases respectively. None of the Directors or any of their respective associates or any shareholder which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers during the year ended 31 December 2023.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company or any of its subsidiaries was a party and in which any controlling shareholders had a material interest subsisted at the end of the year or at any time during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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.

USE OF PROCEEDS FROM THE LISTING

Details of the use of proceeds from the Listing is set out in the section headed "Management Discussion and Analysis – Use of Proceeds" of this annual report.

CHARITABLE DONATION

During the year ended 31 December 2023, the Group did not make any charitable donation (2022: Nil).

CORPORATE GOVERNANCE

Save as disclosed in the Corporate Governance Report, the Company had complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix C1 of the Listing Rules during the year ended 31 December 2023.

Details of the corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section of this annual report.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float as required under the Listing Rules.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Mr. Yu Chun Kau, Mr. Ng Kam Tsun and Mr. Sze Irons. Mr. Yu Chun Kau is the chairman of the Audit Committee. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2023.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. Fan Wing Ting

Chairman

Hong Kong, 27 March 2024

INDEPENDENT AUDITOR'S REPORT

To the Member of Forward Fashion (International) Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Forward Fashion (International) Holdings Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 59 to 143, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of inventories
- Impairment of property, plant and equipment and right-of-use assets

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of inventories

Refer to Accounting Policies Note 42.8, Critical Estimates and Judgements in Note 4.1(a) and Note 19 "Inventories" to the consolidated financial statements.

As at 31 December 2023, the net inventory balance was approximately HKD308.2 million which represented approximately 33.8% of the Group's total assets.

As described in the Accounting Policies in Note 42.8 to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value.

Management determined the net realisable value of the inventories based upon the ageing analysis of the inventories focusing on seasonality and market conditions, which involved significant management judgement and was difficult to estimate in the apparel industry.

We focused on the evaluation of management's valuation assessment of inventories because of the significant balance of the Group's inventories, and the fact that the estimation of net realisable value is subject to high degree of estimation uncertainty. The inherent risk in relation to the valuation of inventories is considered significant due to subjectivity of significant assumptions used.

Our procedures in relation to management's valuation assessment of inventories included:

- Understood and evaluated the management's internal control and assessment process of valuation of inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;
- Tested on a sample basis, the inventory items categorised into different seasons of the year to gain comfort over the categorisation and ageing of inventory, and recalculated the mathematical accuracy of the provision percentage applied;
- Assessed the reasonableness of the provisions by challenging management's projections on current trends and demand for the remaining inventories, with reference to historical sales experience. We also assessed the reasonableness of the inventory provisions by comparing inventory items to actual post year end sales, on sample basis.

Based on the procedures performed, we considered the management's judgement in estimating the valuation of inventories at 31 December 2023 to be supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Cont'd)

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment of property, plant and equipment and right-of-use assets

Refer to Accounting Policies Note 42.5 and Note 42.19, Critical Estimates and Judgements in Note 4.1(b), Note 13 "Property, plant and equipment" and Note 14 "Right-of-use assets" to the consolidated financial statements.

As at 31 December 2023, the Group had property, plant and equipment and right-of-use assets of approximately HKD135.6 million and HKD175.1 million which represented approximately 14.9% and 19.2% of the Group's total assets, respectively.

The Group has material operational leasehold improvements and right-of-use assets used in the retail stores which are subject to impairment test when there are impairment indicators, including when trading performance of the retail stores is below expectation.

The Group considered each retail store to be a cash generating unit ("CGU") and determined the recoverable amount of a CGU using the value in use model. Value in use was calculated by preparing discounted cash flows for the CGU, which involved significant management judgement with respect to the assumptions used including revenue growth rates, gross margins and store costs such as rent, employment costs and general operating costs and the discount rate.

We focused on the evaluation of management's impairment assessment of property, plant and equipment and right-of-use assets due to the size of the Group's property, plant and equipment and right-of-use assets and the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment of property, plant and equipment and right-of-use assets is considered significant due to subjectivity of significant assumptions used.

Our procedures in relation to management's impairment assessment of property, plant and equipment and right-of-use assets included:

- Understood and evaluated management's key controls over the Group's impairment assessment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;
- Challenged the appropriateness of the impairment indicators set by management based on our knowledge of the business and market information;
- Discussed with management the possibility that the retail stores within expectation may be subject to impairment loss and corroborated management's position by comparing to the historical performance of these retail stores and understanding of their business plan;
- Checked, on a sample basis, whether retail stores with impairment indicators were identified for impairment testing;
- Checked for consistency between the cash flow forecasts and the Board approved budgets;
- Reconsidered the appropriateness of the impairment assessment methodology used by management; and
- Challenged the key assumptions used in the value-in-use calculations by applying our knowledge of the business and industry, comparing the cash flow forecasts with the historical actual performance results of the stores, discussing business plans with senior management, performing market research on revenue growth rates, gross margins and store costs, and involving our valuation experts to evaluate the discount rate.
- Based on the procedures performed, we considered that the management's judgement and assumptions made in relation to impairment assessment of property, plant and equipment and right-of-use assets at 31 December 2023 to be supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Forward Fashion (International) Holdings Company Limited Annual Report 2023 (the “**annual report**”) other than the consolidated financial statements and our auditor's report thereon and Environmental, Social and Governance Report 2023 (the “**ESG report**”). We have obtained some of the other information including corporate information, directors and senior management, corporate governance report, report of the directors prior to the date of this auditor's report. The remaining other information, including the ESG report, management discussion and analysis, the message from the chairman and the five years financials, are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the ESG report, management discussion and analysis, the message from the chairman and five years financials, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wilson Chan.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 December	
		2023 HKD'000	2022 HKD'000
Revenue	5	1,007,801	959,900
Cost of sales	5	<u>(539,996)</u>	<u>(505,658)</u>
Gross profit		467,805	454,242
Selling and marketing expenses	8	(391,404)	(371,721)
General and administrative expenses	8	(98,422)	(94,251)
Other income	6	18,858	3,259
Other gains/(losses) – net	7	3,280	<u>(7,437)</u>
Operating profit/(loss)		117	<u>(15,908)</u>
Finance income	10	1,236	391
Finance costs	10	(19,597)	<u>(18,931)</u>
Finance costs – net		(18,361)	(18,540)
Loss before income tax		(18,244)	(34,448)
Income tax expenses	11	(1,550)	<u>(2,057)</u>
Loss for the year		(19,794)	<u><u>(36,505)</u></u>
Loss is attributable to:			
Equity holders of the Company		(16,852)	(33,137)
Non-controlling interests		(2,942)	<u>(3,368)</u>
		(19,794)	<u><u>(36,505)</u></u>
Losses per share for loss attributable to equity holders of the Company			
Basic and diluted losses per share (HKD)	12	(0.04)	<u>(0.08)</u>

The notes on pages 66 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December	
		2023	2022
		HKD'000	HKD'000
Loss for the year		(19,794)	(36,505)
Other comprehensive loss for the year			
Change in the fair value of equity investment at fair value through other comprehensive income		(1,113)	(9,985)
Currency translation differences	28	(2,032)	(11,563)
Other comprehensive loss for the year, net of tax		(3,145)	(21,548)
Total comprehensive loss for the year		(22,939)	(58,053)
Total comprehensive loss for the year is attributable to:			
Equity holders of the Company		(20,165)	(55,499)
Non-controlling interests		(2,774)	(2,554)
		(22,939)	(58,053)

The notes on pages 66 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of 31 December	
		2023	2022
	<i>Notes</i>	HKD'000	HKD'000
Assets			
Non-current assets			
Property, plant and equipment	13	135,600	128,352
Right-of-use assets	14	175,123	150,713
Intangible assets	15	5,509	8,109
Financial asset at fair value through other comprehensive income	16	602	1,715
Investment in insurance contract	17	–	34,843
Deferred tax assets	18	16,187	20,979
Prepayments	22	13,031	18,780
Other receivables and deposits	23	24,592	28,404
		<hr/>	
Total non-current assets		370,644	391,895
		<hr/>	
Current assets			
Inventories	19	308,219	274,114
Trade receivables	21	47,953	40,285
Prepayments	22	24,827	28,615
Amounts due from related parties	37	1,088	3,939
Other receivables and deposits	23	23,477	33,688
Restricted cash	25	16,359	17,987
Term deposits with initial term of over three months	26	46,303	50,058
Cash and cash equivalents	24	73,298	69,881
		<hr/>	
Total current assets		541,524	518,567
		<hr/>	
Total assets		912,168	910,462
		<hr/>	
Equity			
Share capital	27	4,000	4,000
Share premium	27	859,232	859,232
Reserves	28	(601,667)	(599,088)
Accumulated losses		(32,752)	(15,166)
		<hr/>	
Capital and reserve attributable to equity holders of the Company		228,813	248,978
		<hr/>	
Non-controlling interests		(10,169)	(7,395)
		<hr/>	
Total equity		218,644	241,583
		<hr/> <hr/>	

The notes on pages 66 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of 31 December	
		2023	2022
	Notes	HKD'000	HKD'000
Liabilities			
Non-current liabilities			
Borrowings	29	22,672	45,291
Lease liabilities	30	96,584	70,688
Provisions	31	11,113	9,955
Other non-current liabilities	33	12,774	6,269
Deferred tax liabilities	18	2,117	6,271
Other payables	34	12,690	12,091
Total non-current liabilities		157,950	150,565
Current liabilities			
Trade and other payables	34	208,073	161,350
Amounts due to related parties	37	155,902	182,915
Other current liabilities	33	9,005	18,061
Contract liabilities	35	4,665	4,533
Lease liabilities	30	89,588	91,564
Provisions	31	8,412	6,369
Income tax liabilities		3,129	8,819
Borrowings	29	56,800	44,703
Total current liabilities		535,574	518,314
Total liabilities		693,524	668,879
Net assets		218,644	241,583

The notes on pages 66 to 143 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 59 to 143 were approved by the Board of Directors on 27 March, 2024 and were signed on its behalf.

Mr. Fan Wing Ting

Ms. Chen Xingyi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Notes	Attributable to equity holders of the Company (Accumulated losses)/ retained earnings				Sub-total HKD'000	Non- controlling interests HKD'000	Total equity HKD'000
	Share capital HKD'000	Share premium HKD'000	Reserve HKD'000	HKD'000			
Balance at 1 January 2022	4,000	859,232	(576,952)	18,197	304,477	(4,841)	299,636
Total comprehensive loss for the year							
Loss for the year	-	-	-	(33,137)	(33,137)	(3,368)	(36,505)
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	(9,985)	-	(9,985)	-	(9,985)
Other comprehensive (loss)/income for the year	28	-	(12,377)	-	(12,377)	814	(11,563)
		-	(22,362)	(33,137)	(55,499)	(2,554)	(58,053)
Transactions with equity holders of the Company:							
Dividends and distributions	-	-	-	-	-	-	-
Appropriation to reserve	28	-	226	(226)	-	-	-
		-	226	(226)	-	-	-
Balance at 31 December 2022	4,000	859,232	(599,088)	(15,166)	248,978	(7,395)	241,583

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Notes	Attributable to equity holders of the Company (Accumulated losses)/ retained earnings				Sub-total HKD'000	Non- controlling interests HKD'000	Total equity HKD'000
	Share capital HKD'000	Share premium HKD'000	Reserve HKD'000	HKD'000			
Balance at 1 January 2023	4,000	859,232	(599,088)	(15,166)	248,978	(7,395)	241,583
Total comprehensive loss for the year							
Loss for the year	-	-	-	(16,852)	(16,852)	(2,942)	(19,794)
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	(1,113)	-	(1,113)	-	(1,113)
Other comprehensive (loss)/income for the year	28	-	(2,200)	-	(2,200)	168	(2,032)
	-	-	(3,313)	(16,852)	(20,165)	(2,774)	(22,939)
Transactions with equity holders of the Company:							
Dividends and distributions	-	-	-	-	-	-	-
Appropriation to reserve	28	-	734	(734)	-	-	-
	-	-	734	(734)	-	-	-
Balance at 31 December 2023	4,000	859,232	(601,667)	(32,752)	228,813	(10,169)	218,644

The notes on pages 66 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December	
		2023 HKD'000	2022 HKD'000
Cash flows from operating activities			
Cash generated from operations	36	225,909	231,298
Income tax paid		(5,863)	(1,082)
		220,046	230,216
Cash flows from investing activities			
Investment in deposit with maturity over 3 months		3,755	19,942
Interest income received		1,236	391
Proceeds from disposal of property, plant and equipment and intangible assets		11,158	6,678
Purchase of intangible assets		(809)	(5,357)
Purchase of property, plant and equipment		(56,989)	(62,574)
		(41,649)	(40,919)
Cash flows from financing activities			
Proceeds from borrowings		73,026	124,996
Interest paid		(11,047)	(9,594)
Repayment of amounts due to related parties		(27,063)	(7,750)
Repayment of borrowings		(83,548)	(164,598)
Payment of lease liabilities		(126,770)	(180,902)
		(175,402)	(237,848)
Net increase/(decrease) in cash and cash equivalents		2,995	(48,551)
Cash and cash equivalents at beginning of the year		69,881	115,891
Effect on exchange rate difference		422	2,541
		73,298	69,881
Cash and cash equivalents at end of the year	24	73,298	69,881

The notes on pages 66 to 143 are an integral part of these consolidated financial statements.

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**”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (Cont'd)

(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:

		Effective for annual periods beginning on or after
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 Sale 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is HKD whereas functional currency of the subsidiaries operate in the People's Republic of China (the "PRC") is Renminbi ("RMB") and the subsidiaries operate in Macau is Macau Patacas ("MOP"). The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

The Group's subsidiaries in the PRC operate mainly in the PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities that are denominated in the currencies other than RMB.

The Group's Hong Kong and Macau subsidiaries are exposed to foreign exchange risk arising from recognised financial assets and liabilities denominated in United States Dollars ("USD") and Euros ("EUR"). For the years ended 31 December 2023, if HKD had strengthened/weakened by 5% against USD and EUR with all other variables held constant, post-tax profit for the years would have been approximately HKD1,549,000 lower/higher (2022: HKD1,842,000 lower/higher), and HKD1,743,000 lower/higher (2022: HKD835,000 lower/higher), respectively, mainly as a result of net foreign exchange gains on translation of USD-denominated and EUR-denominated borrowings, accounts payable, other payables, financial asset at FVOCI and cash and cash equivalents.

The Group did not hedge against any fluctuation in foreign currencies during the years ended 31 December 2022 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than interest-bearing short-term deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of short-term deposits are not expected to change significantly.

For the years ended 31 December 2022 and 2023, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the post-tax loss would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year ended 31 December	
	2023	2022
	HKD'000	HKD'000
(Increase)/decrease in post-tax loss		
– 0.5% higher	(231)	(270)
– 0.5% lower	231	270

The interest rates and terms of repayment of borrowings of the Group are disclosed in Note 29.

(b) Credit risk

Credit risk arises from cash and cash equivalents, term deposits with initial term of over three months, restricted cash, trade receivables, other receivables and deposits and amounts due from related parties.

(i) Risk management

To manage this risk, deposits with banks are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions.

For cash and cash equivalents (excluding cash on hand) and deposits with banks, they are all deposited or traded with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(b) Credit risk (Cont'd)

(i) Risk management (Cont'd)

For trade receivables, the Group has policies in place to ensure that sale of goods are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

For other receivables and deposits and amounts due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and deposits and amounts due from related parties. Based on historical settlement records and past experience, the directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables and deposits and amounts due from related parties.

(ii) Impairment of financial assets

Cash and cash equivalents (excluding cash on hand), term deposits with initial term of over three months, restricted cash, trade receivables, and other receivables and deposits are subject to the expected credit loss ("ECL") model.

Impairment of cash and cash equivalents and deposits in banks

While cash and cash equivalents and deposits in banks, are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing. The expected loss rates are based on the ageing profiles of trade receivable. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(b) Credit risk (Cont'd)

(ii) Impairment of financial assets (Cont'd)

Impairment of trade receivables (Cont'd)

On that basis, the loss allowance as at 31 December 2023 was determined as follows for trade receivables:

	Within 3 months	Over 3 months and within 6 months	Over 6 months and within 1 year	Over 1 year	Total
31 December 2023					
Expected loss rate	0.31%	5.13%	22.56%	100%	
Gross carrying amount (HKD'000)					
– Trade receivables	47,926	78	133	132	48,269
Loss allowance (HKD'000)					
– Trade receivables	(150)	(4)	(30)	(132)	(316)
31 December 2022					
Expected loss rate	0.38%	5.38%	21.27%	100%	
Gross carrying amount (HKD'000)					
– Trade receivables	40,203	130	141	267	40,741
Loss allowance (HKD'000)					
– Trade receivables	(152)	(7)	(30)	(267)	(456)
			Trade receivables		
			2023		2022
			HKD'000		HKD'000
Opening loss allowance at 1 January			(456)		(679)
Decrease in loss allowance recognised in profit or loss during the year			140		223
Closing loss allowance at 31 December			(316)		(456)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(b) Credit risk (Cont'd)

(ii) Impairment of financial assets (Cont'd)

Impairment of trade receivables (Cont'd)

Trade receivables is written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Impairment losses on trade receivables and contract assets are presented as net impairment losses charged against operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment of other receivables and deposits

Management considers that the credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit loss which is immaterial and no loss allowance was made as at 31 December 2023 and 2022.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the business of the Group, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or have available funding through adequate amount of credit facilities to meet the Group's liquidity requirements.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

As at 31 December 2023, the Group held cash and cash equivalents of HKD73,298,000 (2022:HKD69,881,000) (Note 24), trade receivables of HKD47,953,000 (2022: HKD40,285,000) (Note 21) and undrawn borrowing facilities amounting to HKD228,457,000 (2022: HKD217,935,000) that are expected to generate cash inflows for managing liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

The table below sets out the Group's financial liabilities grouped into relevant maturity groupings based on their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HKD'000	Between 1 year and 2 years HKD'000	Between 2 years and 5 years HKD'000	Over 5 years HKD'000	Total HKD'000	Carrying amount HKD'000
As of 31 December 2023						
Trade and other payables (excluding other taxes payable, salaries payable)	173,985	-	12,690	-	186,675	186,675
Amounts due to related parties	155,902	-	-	-	155,902	155,902
Borrowings and interest payables	58,359	5,356	16,069	2,391	82,175	79,472
Lease liabilities and interest expenses	94,714	56,082	47,555	-	198,351	186,172
Total	482,960	61,438	76,314	2,391	623,103	608,221
As of 31 December 2022						
Trade and other payables (excluding other taxes payable, salaries payable)	130,834	-	12,091	-	142,925	142,925
Amounts due to related parties	182,915	-	-	-	182,915	182,915
Borrowings and interest payables	48,016	7,700	22,083	19,442	97,241	89,994
Lease liabilities and interest expenses	99,567	46,769	32,709	-	179,045	162,252
Total	461,332	54,469	66,883	19,442	602,126	578,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing, lease liabilities, loan from third parties and amounts due to related parties less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts. For the years ended 31 December 2022 and 2023, the gearing ratio of the Group were as follows:

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Net debt (<i>Note 36</i>)	316,072	333,154
Total capital	534,716	584,722
Gearing ratio	59%	57%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 Fair value estimation

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements At 31 December 2023	Level 3 HKD'000
Financial asset	
Equity security – an unlisted company	602
Financial asset at FVOCI	602
Recurring fair value measurements At 31 December 2022	Level 3 HKD'000
Financial asset	
Equity security – an unlisted company	1,715
Financial asset at FVOCI	1,715

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 Fair value estimation (Cont'd)

(i) Fair value hierarchy (Cont'd)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices
- discounted cash flow analysis

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 December 2022 and 2023:

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Financial asset at fair value through profit or loss ("FVPL")		
At 1 January	-	1,444
Fair value gains (<i>Note 7</i>)	-	(1,444)
	<hr/>	<hr/>
At 31 December	-	-
	<hr/> <hr/>	<hr/> <hr/>
Total losses included in the statement of comprehensive income	<hr/> <hr/>	(1,444)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 Fair value estimation (Cont'd)

(iii) Fair value measurements using significant unobservable inputs (level 3) (Cont'd)

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Financial asset at FVOCI		
At 1 January	1,715	11,700
Fair value losses	(1,117)	(10,024)
Currency translation differences	4	39
	<hr/>	<hr/>
At 31 December	602	1,715
	<hr/> <hr/>	<hr/> <hr/>
Total losses included in the other comprehensive income	(1,113)	(9,985)
	<hr/> <hr/>	<hr/> <hr/>

(iv) Valuation processes

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every year. External valuation experts will be involved when necessary.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets are determined using a capital asset pricing model to calculate a post-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 Fair value estimation (Cont'd)

(v) Valuation inputs and relationships to fair value

Description	Fair value at 31 December		Unobservable inputs	As at 31 December		Relationship of unobservable inputs to fair value	Sensitivity analysis
	2023	2022					
	HKD'000	HKD'000					
Financial asset at FVOCI	602	1,715	Discount rate	25%	25%	The higher the discount rate, the lower the fair value.	As at 31 December 2023, an increase in the discount rate by 100 bps would decrease the FV by HKD39,000 (2022: HKD156,000).
						The lower the discount rate, the higher the fair value.	As at 31 December 2023, a decrease in the discount rate by 100 bps would increase the FV by HKD47,000 (2022: HKD187,000).
			Terminal growth rate	3%	3%	The higher the terminal growth rate, the higher the fair value.	As at 31 December 2023, an increase in the terminal growth rate by 100bps would increase the FV by HKD8,000 (2022:HKD47,000).
						The lower the terminal growth rate, the lower the fair value.	As at 31 December 2023, an decrease in the terminal growth rate by 100 bps would decrease the FV by HKD8,000 (2022:HKD39,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 *Critical accounting estimates and judgements*

(a) Net realisable value of inventories

The Group makes provision for inventories based on an assessment of the net realisable value, which was determined based upon ageing analysis of the inventories focusing on seasonality and market conditions. Provision for inventories is recorded where events or changes in circumstances indicate that the carrying amount of inventories will not be fully realised. The identification and quantification of inventory provisions requires the use of judgement and estimates. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and write-downs of inventories in the year in which such estimates have been changed. Management reassesses these estimates at the end of each period.

(b) Impairment on property, plant and equipment and right-of-use assets

At the end of each period, the Group reviews the internal and external sources of information to identify indications that property, plant and equipment and right-of-use assets may be impaired. The Group considered each retail store to be a cash generating unit ("CGU") and determined the recoverable amount of a CGU using the value in use model. Management judgement is required in the area of impairment on property, plant and equipment and right-of-use assets, particularly in assessing whether: (1) an event has occurred that may affect asset values; (2) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (3) the cash flow is discounted using an appropriate rate. An impairment loss of property, plant and equipment and right-of-use assets is established when there is objective evidence that the carrying amount of property, plant and equipment and right-of-use assets exceeds its recoverable amount.

The Group has material operational leasehold improvements and right-of-use assets used in the retail stores which are subject to impairment test when there is impairment indicator. In assessing whether there is any indication that an asset might be impaired, management considers both the external and internal sources of information including that trading performance of the retail stores is below expectation. Management has performed discounted cash flow analysis on the retail stores with impairment indicators and the recoverable amounts were determined based on value-in-use calculations of these retail stores. Key assumptions used in the calculations including the revenue growth rate, gross margin, store costs such as rent, payroll costs and general operating costs and discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ESTIMATES AND JUDGEMENTS (Cont'd)

4.1 Critical accounting estimates and judgements (Cont'd)

(c) Current and deferred income taxes

The Group is subject to income taxes in certain jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognised based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Cont'd)

The segment information for the years ended 31 December 2022 and 2023 are as follows:

	Year ended 31 December 2023			
	Mainland China	Macau	HK and others	Total
	HKD'000	HKD'000	HKD'000	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)
Loss before income tax expenses				(18,244)
Income tax expense				(1,550)
Loss for the year				(19,794)
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Cont'd)

	Year ended 31 December 2022			
	Mainland China HKD'000	Macau HKD'000	HK and others HKD'000	Total 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	449,835	438,387	71,678	959,900
Cost of sales	(235,354)	(232,820)	(37,484)	(505,658)
Selling and marketing expenses	(170,559)	(166,255)	(34,907)	(371,721)
Segment result	43,922	39,312	(713)	82,521
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				(18,540)
Loss before income tax expenses				(34,448)
Income tax expense				(2,057)
Loss for the year				(36,505)
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	698	(8,713)	114	(7,901)
Segment non-current assets	92,581	274,835	24,479	391,895
Segment current assets	216,014	250,430	52,123	518,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Cont'd)

(a) Revenue by business line and nature

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

(b) Timing of Revenue Recognition

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

Accounting policies of revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates, returns and discounts and after eliminating sales within the Group. The Group recognises revenue when it transfers control of the goods or services to a customer.

(i) Sales of goods – retail

The Group operates a chain of retail outlets for selling a lot of different brands of luxury apparel and accessories. Sales are recognised when the Group sells the apparel and accessories to the customer.

Payment of the transaction price is due immediately when the customer purchases the apparel and accessories and takes delivery in store. Although the end customer has a right of return within 7 days, based on accumulated experience, the returns were insignificant for years and it is highly unlikely that a significant reversal in the cumulative revenue recognised will occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Cont'd)

(b) *Timing of Revenue Recognition (Cont'd)*

Accounting policies of revenue recognition (Cont'd)

(ii) **Sales of goods – wholesale**

The Group sells limited brands of luxury apparel and accessories in the wholesale market. Sales are recognised when control of the apparel and accessories has been transferred, being when the goods are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the wholesalers' acceptance of the goods.

Delivery occurs when the wholesaler has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Costs to obtain a contract as incurred are expensed as the expected amortisation period is one year or less.

(iii) **Store management and consignment service**

The Group provides store management service to other retail customers over a specific period of time and earns a variable fee calculated based on an agreed percentage of the store turnover. There is no minimum management fee entitled by the Group, e.g. fixed per day. The management fee is recognised and billed to customers based on the actual store turnover in that month. The Group also earns consignment fee as calculated based on a percentage of each sales transaction for sale of consignment goods placed in its retail stores to end customers. The Group has no legal ownership of consignment goods and is an agent to sell the goods for the owners.

As a practical expedient, the Group elects not to disclose the information for remaining performance obligation of store management and consignment service as the contract have an original expected duration of less than one year or the portion with variable consideration.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 OTHER INCOME

	Year ended 31 December	
	2023	2022
	HKD'000	HKD'000
Subsidies (a)	18,796	–
Government grants (b)	62	3,259
	18,858	3,259
	18,858	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.

7 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 (<i>Note 17</i>)	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
	3,280	(7,437)
	3,280	(7,437)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSES BY NATURE

	Year ended 31 December	
	2023 HKD'000	2022 HKD'000
Change in inventories	503,911	472,139
Depreciation of right-of-use assets (Note 14)	121,961	152,886
Employee benefit expenses (Note 9)	201,828	180,938
Depreciation of property, plant and equipment (Note 13)	39,842	28,471
Variable lease expenses (Note 14)	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 (Note 13)	1,828	2,889
Repair and maintenance	6,179	5,935
Amortisation of intangible assets (Note 15)	2,782	4,556
Delivery expenses	2,743	2,983
Office expenses	4,818	5,286
Impairment loss on right-of-use assets (Note 14)	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
	1,029,822	971,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended 31 December	
	2023	2022
	HKD'000	HKD'000
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
	201,828	180,938
	201,828	180,938

(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 38. The emoluments payable to the remaining one (2022: one) individuals during the year are as follows:

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

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2023	2022
HKD1,000,001 – 1,500,000	1	1
	1	1
	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 FINANCE INCOME AND COSTS

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

11 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended 31 December	
	2023 HKD'000	2022 HKD'000
Current income tax	1,172	514
Deferred income tax related to the temporary differences (Note 18)	378	1,543
	1,550	2,057

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE (Cont'd)

(a) *Income tax expense (Cont'd)*

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 December 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE (Cont'd)

(b) Numerical reconciliation of income tax expense

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

12 LOSSES PER SHARE

(a) Basic losses per share

	Year ended 31 December	
	2023	2022
Losses attributable to equity holders of the Company (HKD'000)	(16,852)	(33,137)
Weighted average number of ordinary shares in issue	400,000,000	400,000,000
Basic losses per share (HKD) (Note)	(0.04)	(0.08)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings HKD'000	Leasehold improvements HKD'000	Vehicle HKD'000	Office furniture and equipment HKD'000	Computer and electronic equipment HKD'000	Total HKD'000
At 31 December 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	76,498	44,461	204	1,581	4,479	127,223
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	74,855	48,847	132	975	3,543	128,352
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	74,855	48,847	132	975	3,543	128,352
Year ended 31 December 2023						
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	73,215	57,101	60	1,227	3,997	135,600
At 31 December 2023						
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	73,215	57,101	60	1,227	3,997	135,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter
Building	50 years
Vehicle	5 years
Office furniture and equipment	3–5 years
Computer and electric equipment	3–4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

See note 42.5 for the other potentially accounting policies relevant to property, plant and equipment.

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 statement of profit or loss as follows:

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

14 RIGHT-OF-USE ASSETS

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Retail stores	170,573	142,022
Vehicle	–	–
Office	4,550	8,691
	175,123	150,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 RIGHT-OF-USE ASSETS (Cont'd)

	Retail stores	Vehicle	Office	Total
	HKD'000	HKD'000	HKD'000	HKD'000
At 31 December 2021				
Cost	499,370	4,415	39,691	543,476
Accumulated depreciation and impairment	(267,251)	(4,047)	(20,930)	(292,228)
Net book amount	232,119	368	18,761	251,248
Year ended 31 December 2022				
Opening net book amount	232,119	368	18,761	251,248
Additions	73,182	–	–	73,182
Depreciation	(143,024)	(368)	(9,494)	(152,886)
Provision for impairment loss	(6,276)	–	–	(6,276)
Early termination	(11,020)	–	–	(11,020)
Exchange differences	(2,959)	–	(576)	(3,535)
Closing net book amount	142,022	–	8,691	150,713
At 31 December 2022				
Cost	316,032	4,414	14,620	335,066
Accumulated depreciation and impairment	(174,010)	(4,414)	(5,929)	(184,353)
Net book amount	142,022	–	8,691	150,713
Year ended 31 December 2023				
Opening net book amount	142,022	–	8,691	150,713
Additions	165,245	–	2,334	167,579
Depreciation	(115,862)	–	(6,099)	(121,961)
Provision for impairment loss	(1,879)	–	–	(1,879)
Early termination	(18,593)	–	(324)	(18,917)
Exchange differences	(360)	–	(52)	(412)
Closing net book amount	170,573	–	4,550	175,123
At 31 December 2023				
Cost	356,941	4,414	20,035	381,390
Accumulated depreciation and impairment	(186,368)	(4,414)	(15,485)	(206,267)
Net book amount	170,573	–	4,550	175,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 RIGHT-OF-USE ASSETS (Cont'd)

The statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December	
	2023	2022
	HKD'000	HKD'000
Expense relating to variable lease payments not included in lease liabilities (<i>Note 8</i>)	41,714	31,005
Depreciation charge of right-of-use assets	121,961	152,886
Interest expenses (included in finance cost) (<i>Note 10</i>)	8,550	9,337

The Group leases various properties to operate its businesses and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. No extension option and no residual value guarantee are included in such property and equipment leases across the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, some of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 5% increase in sales across all stores in the Group with such variable lease contracts, for the years ended 31 December 2023 would increase total lease payments by approximately HKD2,086,000 respectively (2022: HKD1,550,000).

The total cash outflows for leases payment including lease liabilities, interest expenses on leases and variable lease payments, for the year ended 31 December 2023 were approximately HKD164,847,000, respectively (2022: HKD210,018,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS

	Goodwill HKD'000	Trademark HKD'000	Software HKD'000	License rights HKD'000	Total HKD'000
At 31 December 2021					
Cost	688	7,966	5,903	16,966	31,523
Accumulated amortisation	(688)	(7,966)	(2,732)	(12,571)	(23,957)
Net book amount	–	–	3,171	4,395	7,566
Year ended 31 December 2022					
Opening net book amount	–	–	3,171	4,395	7,566
Additions	–	–	5,357	–	5,357
Amortisation	–	–	(1,710)	(2,846)	(4,556)
Disposals	–	–	–	–	–
Provision for impairment loss <i>(Note)</i>	–	–	–	–	–
Exchange differences	–	–	(258)	–	(258)
Net book amount	–	–	6,560	1,549	8,109
At 31 December 2022					
Cost	688	7,966	10,926	17,471	37,051
Accumulated amortisation	(688)	(7,966)	(4,366)	(15,922)	(28,942)
Net book amount	–	–	6,560	1,549	8,109
Year ended 31 December 2023					
Opening net book amount	–	–	6,560	1,549	8,109
Additions	–	–	809	–	809
Amortisation	–	–	(1,738)	(1,044)	(2,782)
Disposals	–	–	(560)	–	(560)
Provision for impairment loss <i>(Note)</i>	–	–	–	–	–
Exchange differences	–	–	(67)	–	(67)
Net book amount	–	–	5,004	505	5,509
At 31 December 2023					
Cost	688	7,966	10,920	8,865	28,439
Accumulated amortisation	(688)	(7,966)	(5,916)	(8,360)	(22,930)
Net book amount	–	–	5,004	505	5,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS (Cont'd)

Amortisation of the Group's intangible assets has been recognised in the consolidated statement of profit or loss as follows:

	Year ended 31 December	
	2023 HKD'000	2022 HKD'000
Cost of sales	1,044	2,845
Administrative expenses	1,738	1,711
	2,782	4,556

Note: Goodwill and trademark arose from the acquisition of a business engaging in the production, development, import and sale of skincare and cosmetic products business ("**SwissPro business**") during the year ended 31 December 2020. In preparing the consolidated financial statements for the year ended 31 December 2021, the Group determined the impairment assessment on the intangible asset on annual basis by reference from the recoverable amount which is referenced to the external valuer. In the impairment assessment, the Group prepared a cash flow projection for SwissPro Business, in which the revenue generated in 2021 is significantly lower than the projection previously budgeted. The SwissPro business operated for more than two year and making losses during the years. The Group foresaw it is uncertain whether the sales target of SwissPro business could be met.

As the recoverable amount of SwissPro business was below its carrying amount, an impairment loss in property, plant and equipment and intangible assets of approximately HKD488,000 and HKD7,591,000 in FY2021 had been recognised in the consolidated statement of profit or loss respectively. Management did not consider any reversal of impairment in trademark in 2023 based on the actual and forecastable performance of SwissPro Business.

Amortisation methods and periods

(i) Software

Costs associated with maintaining the software programs are recognised as an expense as incurred. Separately acquired software are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(ii) License rights

License rights have a definite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any. They are initially measured at fair value of the consideration given to acquire at the time of the acquisition. The consideration given represents the capitalised present values of the fixed minimum periodic payments to be made in subsequent years in respect of the acquisition of the license rights.

(iii) Goodwill

Goodwill is measured as described in Note 42.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS (Cont'd)

Amortisation methods and periods (Cont'd)

(iii) Goodwill (Cont'd)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(iv) Trademarks

Trademark acquired in a business combination is recognised at fair value at the acquisition date. It has an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. Therefore, the trademark would not be amortised until its useful life is determined to be finite. It would be tested for impairment annually or whenever there is an indication that it may be impaired.

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Software	4–5 years
License rights	3–7 years

The useful life of license rights are determined based on the contract term of the license granted to the Group.

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification of financial assets at fair value through other comprehensive income

On 9 July 2021, the Group made an investment of USD1.5 million (approximately equivalent to HKD11.7 million) in an unlisted company which is registered in the Cayman Islands. The investment was made by way of a subscription for 1,503,759 shares which represents 1% shareholding of the company. The fair value is within level 3 of the fair value hierarchy (Note 3.3 (i)). During year ended 31 December 2023, there was not material change in the fair value of the investment.

The fair value through other comprehensive income designation was made because the investment is an equity securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. During the year ended 31 December 2023, there was no transfer of any cumulative gain or loss within equity relating to this investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Cont'd)

(b) *Equity investments at fair value through other comprehensive income*

	Year ended 31 December	
	2023 HKD'000	2022 HKD'000
At beginning of the year	1,715	11,700
Fair value losses recognised in other comprehensive income	(1,117)	(10,024)
Currency translation differences	4	39
	<u>602</u>	<u>1,715</u>

On disposal of the equity investment, any related balance within the FVOCI reserve is reclassified to retained earnings.

(c) Fair value and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

The financial asset at FVOCI is denominated in USD. For an analysis of the sensitivity of the foreign exchange risk, see Note 3.1 (a)(i).

17 INVESTMENT IN INSURANCE CONTRACT

	Investment in insurance contract HKD'000
Balance as at 1 January 2022	33,723
Foreign exchange loss	13
Net increase in cash surrender value credited to profit or loss	<u>1,107</u>
Balance as at 31 December 2022	34,843
Foreign exchange gain	63
Net increase in cash surrender value credited to profit or loss	717
Redemption	<u>(35,623)</u>
Balance as at 31 December 2023	<u><u>-</u></u>

The investment in insurance contract represented the investments in life insurance product issued by HSBC Life (International) Limited to one director, Ms. Fan Tammy, of the Company, at the amount of USD4 million (equivalent to approximately HKD31 million). In 2022, it was pledged for the bank loans of Macau Ieng Nam (a subsidiary of the Group) from the Hongkong and Shanghai Banking Corporation Limited. The effective date of the insurance was 22 September 2015 with a sum insured of USD11,200,000. In September 2023, the insurance contract has been redeemed in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Deferred income tax assets		
– to be recovered after more than 12 months	2,791	6,188
– to be recovered within 12 months	13,396	14,791
	16,187	20,979
Deferred income tax liabilities		
– to be recovered after more than 12 months	(2,117)	(6,271)
	14,070	14,708

The net movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2023	2022
	HKD'000	HKD'000
At beginning of the year	14,708	17,358
Charged to consolidated statement of profit or loss (<i>Note 11</i>)	(378)	(1,543)
Exchange differences	(260)	(1,107)
	14,070	14,708

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 DEFERRED INCOME TAX (Cont'd)

The movement in deferred income tax assets and liabilities during the period without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets

	Depreciation and amortisation	Inventory- provision	Other current/ non-current liabilities	Lease liabilities	Tax losses	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At 1 January 2022	52	2,120	8,178	43,616	6,763	60,729
Charged/(credited) to consolidated statement of profit or loss	(26)	(119)	(2,075)	(14,677)	726	(16,171)
Exchange differences	-	(157)	(562)	(1,282)	(365)	(2,366)
At 31 December 2022	26	1,844	5,541	27,657	7,124	42,192
Charged/(credited) to consolidated statement of profit or loss	(26)	(553)	(822)	2,943	(393)	1,149
Exchange differences	-	(21)	(74)	(253)	(46)	(394)
At 31 December 2023	-	1,270	4,645	30,347	6,685	42,947

Deferred income tax liabilities

	Withholding tax on undistributed profits	Right-of-use assets	Depreciation and amortisation	Total
	HKD'000	HKD'000	HKD'000	HKD'000
At 1 January 2022	44	40,929	2,398	43,371
Credited to consolidated statement of profit or loss	(13)	(18,562)	3,948	(14,627)
Exchange differences	80	(1,153)	(186)	(1,259)
At 31 December 2022	111	21,214	6,160	27,485
Credited to consolidated statement of profit or loss	(5)	5,651	(4,119)	1,527
Exchange differences	(1)	(105)	(29)	(135)
At 31 December 2023	105	26,760	2,012	28,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 DEFERRED INCOME TAX (Cont'd)

Deferred income tax liabilities (Cont'd)

The Group has the following unrecognised tax losses:

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Unused tax losses for which no deferred tax asset has been recognised – without expiration date	57,027	30,472
Unused tax losses for which no deferred tax asset has been recognised – with expiration date	161,745	141,835
Potential tax benefit	33,261	29,899
	161,745	141,835

Tax losses carried forward with expiration date expire in the following years:

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
2021	–	282
2022	–	1,335
2023	89,494	89,494
2024	463	463
2025	26,814	26,814
2026	23,447	23,447
2027	21,527	–
	161,745	141,835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INVENTORIES

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Fashion wears and accessories	296,520	281,560
Electronic devices	15,670	8,349
Skincare and cosmetic products	10,966	10,933
Food and beverages	115	–
Less: provision for impairment	(15,052)	(26,728)
	308,219	274,114
Inventory measured at cost	274,077	242,727
Inventory measured at net realisable value	34,142	31,387
	308,219	274,114

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 statement 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As of 31 December	
	<i>Notes</i>	2023	2022
		HKD'000	HKD'000
Financial assets			
Financial assets at amortised cost			
Trade receivables	21	47,953	40,285
Other receivables and deposit (excluding value-added tax recoverable)	23	44,892	56,162
Term deposits with initial term of over three months	26	46,303	50,058
Cash and cash equivalents	24	73,298	69,881
Restricted cash	25	16,359	17,987
Amounts due from related parties	37	1,088	3,939
		229,893	238,312
Financial asset at fair value			
Financial asset at fair value through other comprehensive income	16	602	1,715
		230,495	240,027
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables (excluding other taxes payable, salaries payable)	34	186,675	142,925
Amounts due to related parties	37	155,902	182,915
Borrowings	29	79,472	89,994
Lease liabilities	30	186,172	162,252
		608,221	578,086

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE RECEIVABLES

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Trade receivables		
Due from third parties	48,269	40,741
Less: provision for impairment of trade receivables	(316)	(456)
	<hr/>	<hr/>
Net trade receivables	47,953	40,285
	<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 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
	HKD'000	HKD'000
RMB	31,432	27,432
MOP	11,611	5,685
HKD	4,910	5,556
EUR	–	1,354
TWD	–	258
	<hr/>	<hr/>
	47,953	40,285
	<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 2022 and 2023, the ageing analysis of the trade receivables based on invoice date is as follows:

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
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	132	267
	<hr/>	<hr/>
	48,269	40,741
	<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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 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
	<hr/> 24,827	<hr/> 28,615
 Included in non-current assets		
– Prepayments for leasehold improvement and furniture	5,132	10,173
– Prepayments for franchising fee	7,899	8,607
	<hr/> 13,031	<hr/> 18,780
	<hr/> 37,858	<hr/> <hr/> 47,395

23 OTHER RECEIVABLES AND DEPOSITS

	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
	<hr/> 23,477	<hr/> 33,688
 Included in non-current assets		
– Rental deposits	24,592	28,404
	<hr/> 48,069	<hr/> <hr/> 62,092

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CASH AND CASH EQUIVALENTS

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Cash at bank and in hand	73,298	69,881

Cash and cash equivalents are denominated in the following currencies:

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Cash at bank and in hand		
– RMB	31,556	29,352
– HKD	26,706	26,469
– MOP	8,186	12,479
– USD	3,198	984
– TWD	2,687	16
– EUR	965	581
	73,298	69,881

25 RESTRICTED CASH

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Restricted cash	16,359	17,987

Restricted cash mainly includes the security deposits for issuance of letters of credit by banks denominated in HKD and the security deposits for bank loans denominated in HKD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Term deposits with initial term of over three months	46,303	50,058

27 SHARE CAPITAL

	Number of shares	Nominal value of shares HKD'000	Share premium HKD'000
As at 31 December 2021 and 2022	400,000,000	4,000	859,232
As at 31 December 2022 and 2023	400,000,000	4,000	859,232

On 13 January 2020, the shares of the Company were listed on the Stock Exchange. In connection with the listing completed on 13 January 2020, the Company issued a total of 100,000,000 ordinary shares at a price of HKD2.0 per share for a total proceeds of HKD200,000,000.

Upon completion of the initial public offering in January 2020, the Company issued a total of 100,000,000 ordinary shares at par value of HKD0.01 each for cash consideration of HKD2.0 each, and raised gross proceeds of approximately HKD200,000,000. The respective share capital amount was approximately HKD1,000,000 and share premium arising from the issuance was approximately HKD171,232,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB27,767,000 were treated as a deduction against the share premium arising from the issuance.

On 13 January 2020, a total of 299,999,400 shares were allotted and issued, credited as fully paid, at par to the holder of shares on the register of members of the Company in proportion to their shareholdings by way of capitalisation of the sum of HKD2,999,994 standing to the credit of the share premium account of the Company, and the shares allotted and issued rank pari passu in all respects with the existing issued shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 RESERVES

	Capital reserve HKD'000	Statutory reserve HKD'000	FVOCI reserve HKD'000	Currency translation differences HKD'000	Total HKD'000
At 1 January 2022	(582,796)	5,642	–	202	(576,952)
Transfer to statutory reserves (<i>Note</i>)	–	226	–	–	226
Changes in the fair value of equity investments at fair value through other comprehensive income	–	–	(9,985)	–	(9,985)
Currency translation differences	–	–	–	(12,377)	(12,377)
At 31 December 2022	(582,796)	5,868	(9,985)	(12,175)	(599,088)
At 1 January 2023	(582,796)	5,868	(9,985)	(12,175)	(599,088)
Transfer to statutory reserves (<i>Note</i>)	–	734	–	–	734
Changes in the fair value of equity investments at fair value through other comprehensive income	–	–	(1,113)	–	(1,113)
Currency translation differences	–	–	–	(2,200)	(2,200)
At 31 December 2023	(582,796)	6,602	(11,098)	(14,375)	(601,667)

Note:

Statutory reserve

In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

Also, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their Respective Reserve Fund. The percentage of net profit to be appropriated to the Reserve Fund is not less than 10% of the net profit. When the balance of the Reserve Fund reaches 50% of the registered capital, such transfer needs not be made. With approvals obtained from respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

In addition, in accordance with Macau Commercial Code, the entity incorporated in Macau should set aside a minimum of 25% of the entity's profit after tax to the legal reserve until the balance of the reserve reaches a level equivalent to 50% of the entity's capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 BORROWINGS

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

(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 (Note 17)	–	18,919
Pledged by buildings (Note 13)	36,893	45,764
	79,472	89,994

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 BORROWINGS (Cont'd)

- (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	–
	79,472	89,994

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

	As of 31 December	
	2023	2022
Bank borrowings	4.48%	3.01%

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 BORROWINGS (Cont'd)

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

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

30 LEASE LIABILITIES

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Current	89,588	91,564
Non-current	96,584	70,688
	186,172	162,252

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 PROVISIONS

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Non-current		
Make good provision	11,113	9,955
Current		
Make good provision	8,412	6,369
	19,525	16,324

32 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Call option

	Year ended 31 December	
	2023	2022
	HKD'000	HKD'000
At the beginning of the year	-	1,444
Fair value gains on the financial liabilities at fair value through profit or losses (Note 3.3)	-	(1,444)
	-	-
At the end of the year	-	-

Pursuant to the cooperation arrangement of NB China Limited (“NB China”) came into in 2015, a subsidiary of the Group, the Group agrees to grant to the minority shareholder of NB China the right to exercise a first call option of nine percentage of the shares held by the Group in NB China on the seventh year counted from 2015. The price of buy back will be calculated on full year earnings before interest, taxes, depreciation and amortisation (“EBITDA”) and basing on a twice multiple of EBITDA (in Hong Kong Dollars). The Group agrees to grant to the minority shareholder of NB China the right to exercise a second call option of the balance or a percentage of the shares held by the Group in NB China on the ninth year counted from 2015. The percentage of the second call option should be discussed by both parties in order to be mutually agreed on the amount of percentage of the number of shares. The price of buy back will be calculated on full year EBITDA and basing on a three and a half times multiple of EBITDA (in Hong Kong Dollars).

The Group designated the call option as financial liabilities at fair value through profit or loss and initially recognised the call option at fair value. In subsequent period, such call option are measured at fair value with changes in fair values recognised in profit or loss. Transactions costs relating to the issuance of the call option is charged to profit or loss immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 OTHER CURRENT AND NON-CURRENT LIABILITIES

	Year ended 31 December	
	2023 HKD'000	2022 HKD'000
At 1 January	24,330	39,275
Receipt (<i>Note</i>)	13,574	13,006
Recognised in consolidated statement of profit or loss	(15,871)	(25,870)
Exchange difference	(254)	(2,081)
	21,779	24,330
At 31 December	21,779	24,330
Current	9,005	18,061
Non-current	12,774	6,269
	12,774	6,269

Note: The other current and non-current liabilities include decoration subsidy received from the franchisors and shopping malls, plus rental support for Bose stores.

Accounting policies of subsidies from franchisors and shopping malls

Subsidies from the franchisors for reimbursement of rental and stores decoration without any commitment of future purchases from franchisors are included in other current/non-current liabilities and are credited to profit or loss under “cost of sales” on a straight-line basis over the expected leasing term of related stores or franchise period.

Subsidies from the shopping malls for reimbursement of stores decoration are included in other current/non-current liabilities and are credited to profit or loss under “selling and marketing expenses” on a straight-line basis over the expected leasing term of related stores.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 TRADE AND OTHER PAYABLES

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Current		
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>
Non-current		
Operating support fund (b)	12,690	12,091
	<u>12,690</u>	<u>12,091</u>
	<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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 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	
	2023	2022
	HKD'000	HKD'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Wholesale contract	4,665	4,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 CASH FLOW INFORMATION

(a) Reconciliation from profit/(loss) before income tax to cash generated from operating activities:

	Year ended 31 December	
	2023 HKD'000	2022 HKD'000
Loss before income tax expense	(18,244)	(34,448)
Adjustment for:		
Depreciation and amortisation (Note 8)	164,585	185,913
Finance expense (Note 10)	19,597	18,931
Impairment of property, plant and equipment and right-of-use assets (Note 8)	3,707	9,165
(Reversal of)/impairment provision for inventories (Note 8)	(11,676)	7,901
Net loss on disposals of property, plant and equipment (Note 7)	3,084	1,961
Interest income (Note 10)	(1,236)	(391)
Gains on the derecognition of right-of-use assets and lease liabilities (Note 7)	(7,120)	(910)
Fair value gains on financial liabilities at fair value through profit or losses (Note 7)	–	(1,444)
Net changes in cash surrender (Note 7)	(717)	(1,107)
	151,980	185,571
Decrease in other receivables and deposit	11,079	16,020
Increase in trade and other payables	82,452	2,146
Increase in contract liabilities	136	637
Reversal in provision	3,202	6,946
Increase in amounts due to related parties	50	–
Decrease in other current/non-current liabilities	(2,805)	(17,025)
(Increase)/decrease in trade receivables	(7,841)	9,075
Decrease in restricted cash	1,628	8,229
Increase in inventories	(23,304)	(23,533)
Decrease in prepayment	6,481	37,429
Decrease in amounts due from related parties	2,851	5,803
	225,909	231,298
Cash generated from operations		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 CASH FLOW INFORMATION (Cont'd)

- (a) Reconciliation from profit/(loss) before income tax to cash generated from operating activities: (Cont'd)

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment and intangible assets comprise:

	Year ended 31 December	
	2023	2022
	HKD'000	HKD'000
Net book amount – property, plant and equipment (<i>Note 13</i>)	13,682	8,640
Net book amount – Intangible assets (<i>Note 15</i>)	560	–
Net loss on disposal of property, plant and equipment (<i>Note 7</i>)	(3,084)	(1,961)
	<hr/>	<hr/>
Proceeds from disposal of property, plant and equipment and intangible assets	11,158	6,679
	<hr/> <hr/>	<hr/> <hr/>

For the years ended 31 December 2022 and 2023, the Group did not have any material non-cash investing and financing activities.

- (b) This section sets out an analysis of net debt and the movements in net debt for each of the periods presented:

	Year ended 31 December	
	2023	2022
	HKD'000	HKD'000
Cash and cash equivalents	73,298	69,881
Loan from related parties (<i>Note 37(e)(ii)</i>)	(123,726)	(150,789)
Borrowing – repayable within one year	(56,800)	(44,703)
Borrowing – repayable after one year	(22,672)	(45,291)
Lease liabilities – repayable within one year	(89,588)	(91,564)
Lease liabilities – repayable after one year	(96,584)	(70,688)
	<hr/>	<hr/>
Net debt	(316,072)	(333,154)
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents	73,298	69,881
Gross debt – fixed interest rates	(336,645)	(341,297)
Gross debt – variable interest rates	(52,725)	(61,738)
	<hr/>	<hr/>
Net debt	(316,072)	(333,154)
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 CASH FLOW INFORMATION (Cont'd)

(c) Reconciliation of liabilities arising from financing activities is as follows:

	Other assets		Liabilities from financing activities				Total
	Cash	Loan from related parties – due within 1 year	Borrowing – due within 1 year	Borrowing – due after 1 year	Lease liabilities – due within 1 year	Lease liabilities – due after 1 year	
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
As at 1 January 2022	115,891	(158,539)	(98,617)	(30,979)	(148,065)	(119,376)	(439,685)
Cash flows	(48,551)	13,992	32,775	10,179	180,902	–	189,297
Foreign exchange adjustments	2,541	–	–	–	1,918	1,371	5,830
Interest expense	–	(6,242)	(1,418)	(1,934)	–	(9,337)	(18,931)
Non-cash movement:							
Addition in lease	–	–	–	–	–	(79,097)	(79,097)
Early termination	–	–	–	–	–	9,432	9,432
Other non-cash movement	–	–	22,557	(22,557)	(126,319)	126,319	–
As at 31 December 2022	69,881	(150,789)	(44,703)	(45,291)	(91,564)	(70,688)	(333,154)
As at 1 January 2023	69,881	(150,789)	(44,703)	(45,291)	(91,564)	(70,688)	(333,154)
Cash flows	2,995	33,323	(10,554)	25,863	126,770	–	178,397
Foreign exchange adjustments	422	–	–	–	333	267	1,022
Interest expense	–	(6,260)	(3,121)	(1,666)	–	(8,550)	(19,597)
Non-cash movement:							
Addition in lease	–	–	–	–	–	(168,064)	(168,064)
Early termination	–	–	–	–	–	25,324	25,324
Other non-cash movement	–	–	1,578	(1,578)	(125,127)	125,127	–
As at 31 December 2023	73,298	(123,726)	(56,800)	(22,672)	(89,588)	(96,584)	(316,072)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 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 41.

(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	
	2023	2022
	HKD'000	HKD'000
Salaries, wages and bonus	6,658	7,259
Pension cost – defined contribution plan	76	75
Other social security costs, housing benefits and other employee benefits	85	816
	6,819	8,150
	6,819	8,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS (Cont'd)

(d) Transactions with other related parties

The following transactions occurred with related parties:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS (Cont'd)

(e) *Year end balances with related parties*

(i) Due from related parties

Particulars of amounts due from related parties are as follows:

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

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

	2023	2022
	HKD'000	HKD'000
HKD	1,088	722
RMB	-	3,093
EUR	-	124
	1,088	3,939
	1,088	3,939

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS (Cont'd)

(e) Year end balances with related parties (Cont'd)

(ii) Due to related parties

	As of 31 December	
	2023	2022
	HKD'000	HKD'000
Loans from related parties – non-trade		
Mr. Fan	84,919	95,576
Shun Ao Co. Ltd.	–	8,086
Zhuo Zhi Fu Da	38,807	47,127
Amounts due to related parties – trade		
SJ Synergy Engineering Company Limited	31,229	31,229
SJ Synergy Holdings Limited	897	897
Purchase of service – trade		
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 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS (Cont'd)

(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
Lease liabilities		
Controlling shareholder of the Company	1,851	4,050
Year ended 31 December		
	2023	2022
	HKD'000	HKD'000
Interest of lease liabilities		
Controlling shareholder of the Company	234	360

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) *Directors' and chief executive's emoluments*

Remuneration of every director is set out below:

	Year ended 31 December 2023				
	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	Total HKD'000
Chairman:					
Mr. Fan Wing Ting	-	2,400	-	-	2,400
Executive directors:					
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
Independent non-executive directors:					
Mr. Yu Chun Kau	-	240	-	-	240
Mr. Ng Kam Tsun	-	240	-	-	240
Mr. Sze Irons	-	240	-	-	240
	-	7,378	76	85	7,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 BENEFITS AND INTERESTS OF DIRECTORS (Cont'd)

(a) Directors' and chief executive's emoluments (Cont'd)

	Year ended 31 December 2022				
	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	Total HKD'000
Chairman:					
Mr. Fan Wing Ting	–	2,400	–	–	2,400
Executive directors:					
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
Independent non-executive directors:					
Mr. Yu Chun Kau	–	240	–	–	240
Mr. Cheung Chun Yue	–	120	–	–	120
Mr. Ng Kam Tsun	–	240	–	–	240
Mr. Sze Irons	–	120	–	–	120
Chief executive:					
Ms. Fung Sze Nga (Note a)	–	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 BENEFITS AND INTERESTS OF DIRECTORS (Cont'd)

(a) *Directors' and chief executive's emoluments (Cont'd)*

- (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.

39 CONTINGENT LIABILITIES

As of 31 December 2023, the Group did not have any material contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As of 31 December 2023 HKD'000	As of 31 December 2022 HKD'000
Assets		
Non-current assets		
Investment in subsidiaries	691,000	691,000
Current assets		
Cash and cash equivalents	178	223
Prepayment	493	320
Amounts due from group companies	162,768	166,371
Total current assets	163,439	166,914
Total assets	854,439	857,914
Equity		
Equity attributable to equity holders of the Company		
Share capital	4,000	4,000
Share premium	859,232	859,232
Accumulated losses	(47,899)	(44,286)
Total equity	815,333	818,946
Liabilities		
Current liabilities		
Trade and other payables	2,574	2,436
Amounts due to group companies	36,532	36,532
Total current liabilities	39,106	38,968
Total liabilities	39,106	38,968
Total equity and liabilities	854,439	857,914

The balance sheet of the Company was approved by the Board of Directors on 27 March 2024 and were signed on its behalf.

Mr. Fan Wing Ting
Director

Ms. Chen Xingyi
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

(b) Reserve movement of the Company

	Share premium	Accumulated losses
	HKD'000	HKD'000
At 31 December 2021	859,232	(40,335)
Loss for the year	–	(3,951)
At 31 December 2022	859,232	(44,286)
Loss for the year	–	(3,613)
At 31 December 2023	859,232	(47,899)

41 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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 SUBSIDIARIES (Cont'd)

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 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%
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 SUBSIDIARIES (Cont'd)

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 %
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 SUBSIDIARIES (Cont'd)

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements. Accounting policies of revenue recognition, depreciation methods and useful lives of property, plant, and equipment, and amortisation methods and periods of intangible assets have been stated in related notes. These policies have been consistently applied to all the years presented, unless otherwise stated.

42.1 Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains/losses on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

42.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill in the consolidated financial statements.

42.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Cont'd)

42.4 Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in HKD, which is the Company's functional currency and presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates. The Company's primary subsidiaries were incorporated in the PRC, Macau and Hong Kong, and these subsidiaries considered RMB, MOP and HKD as their functional currency, respectively.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of position presented are translated at the closing rate at the date of that statement of financial position; and
- income and expenses for each consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income/(loss).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Cont'd)

42.4 Foreign currency translation (Cont'd)

(iii) Group companies (Cont'd)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

42.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the periods in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 42.6).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in the consolidated statement of profit or loss.

42.6 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Cont'd)

42.7 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Cont'd)

42.7 Investments and other financial assets (Cont'd)

(iii) Measurement (Cont'd)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Cont'd)

42.7 Investments and other financial assets (Cont'd)

(iv) Impairment

The Group has the following types of financial assets subject to expected credit loss model:

- trade receivables for sales of goods or provision of services;
- other receivables and deposits;
- restricted cash;
- Term deposits with initial term of over three months; and
- cash and cash equivalents.

While cash and cash equivalents, term deposits and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

Impairment of other receivables and amounts due from related parties is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

42.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Inventories consist mainly of retail goods and the net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Cont'd)

42.9 Trade and other receivables

Trade receivables are amounts due from customers for services performed or merchandise sold in the ordinary course of business. Majority of other receivables are rental deposits, staff advance and value-added tax recoverable. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment. See Note 3.1 for a description of the Group's impairment policy for trade and other receivables.

42.10 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash at bank and in hand, and term deposits with financial institutions that with original maturity less than 3 months are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

42.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

42.12 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Cont'd)

42.13 Borrowings and borrowing cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

42.14 Current and deferred income tax

The tax expense or credit for the period is the tax payable or recoverable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Cont'd)

42.14 Current and deferred income tax (Cont'd)

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis, or to relies the asset and settle the liability simultaneously.

42.15 Employee benefits

(i) Short-term benefit obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees rendered the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Cont'd)

42.15 Employee benefits (Cont'd)

(ii) Pension obligations

In accordance with the rules and regulations in the PRC, the employees of the Group based in the PRC participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired employees based in the PRC payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

For other defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Housing funds, medical insurances and other social insurances

The employees of the Group based in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(iv) Employee leave entitlement

Employee entitlement to annual leave are recognised when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(v) Bonus plan

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Cont'd)

42.16 Provisions

Provisions for legal claims are recognised when the Group has a present legal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Make good provisions has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, when the Group is required to restore the leased premises of its retail stores to their original condition at the end of the respective lease terms.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

42.17 Contract liabilities

Certain wholesale customers are required to pay down deposit upon entering into a contract, and such advance payment from customers are classified as contract liabilities and are recognised as revenue at the point in time when the good are transferred to the wholesale customer.

42.18 Subsidies and rebates from suppliers

Cash discount and on time payment discounts for purchase from suppliers is recognised as a reduction in cost of inventories or cost of sales when the inventory is sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Cont'd)

42.19 Leases

The Group leases various properties. Rental contracts are typically made for fixed periods of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise information technology equipment and small items of office furniture with value below HKD10,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Cont'd)

42.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment, and other non-current assets are included in the current liabilities and are credited to consolidated statement of profit or loss on a straight-line basis over the expected lives of the related assets.

FIVE YEARS FINANCIALS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December				
	2019	2020	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	1,513,817	884,463	1,228,307	959,900	1,007,801
Gross Profit	787,867	396,286	651,120	454,242	467,805
Profit/(loss) for the year	37,771	(136,360)	31,631	(36,505)	(19,794)
Adjusted net profit/(loss) for the year	65,164	(134,335)	31,631	(36,505)	(19,794)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2019	2020	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,308,366	1,280,263	1,129,372	910,462	912,168
Total liabilities	1,070,306	1,016,353	829,736	668,879	693,524
Total equity	238,060	263,910	299,636	241,583	218,644

Note: Adjusted net profit is derived by adding listing expenses from the net profit for the year.