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 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Chau Kwok Keung
Mr. Yu Chun Kau
Mr. Cheung Chun Yue, Anthony

BOARD COMMITTEES

Audit Committee

Mr. Chau Kwok Keung (*Chairman)*
Mr. Yu Chun Kau
Mr. Cheung Chun Yue, Anthony

Remuneration Committee

Mr. Yu Chun Kau *(Chairman)*
Mr. Cheung Chun Yue, Anthony
Ms. Chen Xingyi

Nomination Committee

Mr. Fan Wing Ting *(Chairman)*
Mr. Yu Chun Kau
Mr. Cheung Chun Yue, Anthony

AUTHORIZED REPRESENTATIVES

Mr. Kevin Trantallis
Ms. Fan Tammy

COMPANY SECRETARY

Mr. Kevin Trantallis

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

Suite 1204, 12/F, Tower 6
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Tsim Sha Tsui, Kowloon
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
639 Avenida Da Praia Grande
Macau

Bank of China (Hong Kong) Limited
No.21 Ma Tau Wai Road
Hung Hom
Hong Kong

China Merchants Bank Co., Limited
City Sunshine Garden
Tairan Ninth Road, Futian District
Shenzhen
China

COMPLIANCE ADVISOR

China Industrial Securities International
Capital Limited
7/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

COMPANY WEBSITE

www.forward-fashion.com

STOCK CODE

02528

MESSAGE FROM THE CHAIRMAN

On behalf of the Board of Directors of the Company, I am pleased to report to all shareholders of the Company the annual report of the Group for the year ended 31 December 2019.

In 2020, the Group has commenced a new chapter in the history of its development. The Group has been listed on The Stock Exchange of Hong Kong Limited since the 13th of January 2020 (the "Listing") and gained access to the international capital markets. I would like to express my sincere appreciation to the Group's investors for their trust in the Group's management team throughout the Listing and Global Offering process and casting a vote of confidence in the prospects of the Group.

For the year ended 31 December 2019, the revenue of the Group amounted to HK$1,514 million, representing an increase of 12.6% as compared with HK$1,345 million for the year ended 31 December 2018. The business operations of the Group in Macau continued to be the major revenue contributor to the Group, generating 57.4% of the Group's revenue for the year ended 31 December 2019. The net profit for the year amounted to HK$37.8 million (2018: HK$108.6million).

As the US-China trade war continued to intensify over 2019, the Group witnessed a wide range of macroeconomic changes that had negatively impacted the Group's business. To respond to the challenges under the macroeconomic environment, the Group focused on balancing profitability and cash flow by eliminating slow-moving inventories and providing provision against the future uncertainties. Proactively, the Group offered attractive discounts and promotions to the Group's customers to turn inventory into cash.

On the positive side, the business operations of the Group generated a stable net cash inflow from operating activities of HK$339 million for the year ended 31 December 2019, representing an increase of 14.4% as compared with that of the year ended 31 December 2018.

Looking into the first half of 2020, with the hit of the Covid-19 global pandemic ("Pandemic"), the Directors expect the overall economy and retail market to be on the weaker side compared with the past few years. Nevertheless, the radical containment strategies imposed across Greater China have shown remarkable efficiency and effectiveness in the control of the spread of the Pandemic. The Directors are hopeful that the Greater China region and the world will move past the shadow of the Pandemic and begin moving towards recovery in the second half of the year.

Looking forward, the development of the PRC market is promising. In addition to the strong retail network the Group has already developed, the development of the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") and the increasing urbanization and living standards of the middle-class population in the PRC are expected to stimulate the demand for the Company's products.

In the long run, the Directors aim to leverage the Group's experience in the Greater Bay Area to further expand the retail network in the Greater China region. The Directors believe that the Group can draw on its successful experience in Macau to expand the store network in other selected PRC cities where the demand for high quality fashion merchandise is substantial. The Group will explore opportunities for strategic partnerships, alliances and investment opportunities in order to extend the network into the regions and market segments where the Group currently does not have any business presence.

MESSAGE FROM THE CHAIRMAN

The year of 2020 will be the first year of business operations following the Listing on The Stock Exchange of Hong Kong Limited. I believe that the Group will be able to leverage on its strengths and the increased corporate profile and transparency as a Hong Kong listed company to continue to expand the business.

Last but not the least, I would like to take this opportunity to extend my deep gratitude to all members of the Board, the Group's business partners and our colleagues for their contribution and dedicated efforts to the continuous business development of the Group.

Mr. Fan Wing Ting
Chairman

Hong Kong, 31 March 2020

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 2019, the Group operated 215 self-operated retail stores in Greater China, of which 182 retails stores are mono-brand stores operated under the brand name of the merchandise to cater for the brand's target customers and 33 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 2019, the Group's brand portfolio had 114 brands, of which 111 brands were international brands owned by third-party brand owners or their master/authorised licensors and three were its own brands, namely, *UM*, *UM•IXOX* and *IXOX*.

Amidst the intensifying China-US trade tension, the GDP growth in Mainland China slowed down to 6.1% in 2019, or 50 basic points lower than that in 2018 and the growth rate of consumer goods consumption in Mainland China skidded to 7.9%, or 100 basic points lower than that in 2018. Among the consumer goods, the growth rate of the retail value of apparel, footwear and textile merchandises ("Apparel") dipped to 2.9% in 2019 from 8.0% in 2018. The average growth rates of the retail value of Apparel in Mainland China in the first seven months of 2019 and last five months of 2019 were 3.5% and 2.9%, respectively, compared to 9.9% and 6.7% of same corresponding periods in 2018, respectively. The deceleration of economic growth in Greater China also impacted negatively the spending of visitors, who were mostly from the Mainland China, in Macau. The visitor per-capita spending of Macau dropped by 16.4% year-over-year ("yoy") while the retail value of Apparel of Hong Kong contracted 14.1% yoy in 2019. As such the Group recorded an overall negative same-store-sales growth rate of about 9.5% for 2019, compared with the growth rate of 2.8% for 2018.

Against these backdrops, the Group managed to boost its revenue to HK$1,513.8 million, or a 12.6% growth from 2018, by increasing the average sales floor area (being the average of opening and closing total sales floor area of the Group's retail stores of the respective year) to 33,690 sq.m. in 2019, or a 11.8% increase from 2018 and by undertaking more promotional activities and discounts in 2019. The Group had registered a growth in revenue of 17.9% from the year-ago period for the seven months ended 31 July 2019 while the growth of revenue for the five months from August to December 2019 declined to 5.7% versus that in 2018. To the best knowledge of the Directors, such slowdown was mainly driven by the deceleration of economic performance in Greater China and the warmer winter season in 2019 as compared with the winter season in 2018.

To respond to the challenges under the macroeconomic background, the Group focused on balancing the profitability and cash flow by maintaining inventory turnover day at 182 days versus 180 days in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased to HK$1,513.8 million for 2019, representing a 12.6% increase from 2018, which was mainly due to the growth in the sales of the Group's self-operated retail stores in Macau and Mainland China, resulting from a combined effect in the increase of average sales floor area, to 33,690 sq.m., or a 11.8% increase from 2018, and the increase in the number of brands operated by the Group in its mono-brand stores to 29 brands, a net increase of one brand from 2018. The growth rate of revenue for 2019 was 13.5% lower than that of 2018, which was mainly due to the declining number of visitors and the drop of the average spending per visitor recorded in Macau.

Breakdown of revenue by sales channels:

	2019		2018		
	HK$ million	**% of revenue**	HK$ million	% of revenue	Change (%)
Retail					
Mono-brand stores	**1,186.3**	**78.4**	1,073.7	79.8	10.5
Multi-brand stores	**236.7**	**15.6**	204.4	15.2	15.8
Online sales	**2.5**	**0.1**	0.5	–	357.1
	1,425.5	**94.1**	1,278.6	95.0	11.5
Store management & consignment services	**64.0**	**4.3**	29.3	2.2	118.6
Wholesale	**24.3**	**1.6**	37.0	2.8	(34.1)
Total	**1,513.8**	**100.0**	1,344.9	100.0	12.6

The revenue of HK$1,425.5 million generated from the Group's retail channels accounted for 94.1% of the total revenue in 2019, or 0.9% lower than that in 2018. Among the revenue generated from retail channels in 2019, 99.8% was generated from the sales of the Group's self-operated retail stores and the rest was generated from online sales. The revenue generated from the Group's mono-brand retail stores increased to HK$1,186.3 million, representing a yoy increase of 10.5%. The revenue generated from the Group's multi-brand retail stores increased to HK$236.7 million in 2019, representing a yoy increase of 15.8%.

The revenue generated from the Group's provision of store management services increased to HK$64.0 million in 2019, representing an increase of 118.6% from 2018. The increase was primarily due to the consignment fee of HK$31.5 million generated from the consignment sales of *CK CALVIN KLEIN* products in Mainland China in 2019 on a temporary basis and the increase in store management service fees as a result of the increase in rental expenses reimbursed by the customers. The decrease in revenue from wholesale to HK$24.3 million in 2019, or a 34.1% decrease from 2018, was primarily attributable to the decrease in purchase orders from one of the Group's sub-distributors in Mainland China in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	No. of retail stores				Sales floor area (m^2)						
	As at 31/12/2018	Open	Close	As at 31/12/2019	As at 31/12/2018	Open	Close	As at 31/12/2019	Average	No of same stores	Same store growth
											%
Macau	62	17	(15)	64	9,434	2,989	(2,133)	10,290	9,862	38	(12.0)
Mainland China	153	18	(28)	143	22,641	3,164	(4,006)	21,799	22,220	82	(4.9)
HK & Taiwan	6	4	(2)	8	1,416	470	(86)	1,800	1,608	2	(20.5)
Total/Overall	221	39	(45)	215	33,491	6,623	(6,225)	33,889	33,690	122	(9.5)

Revenue by geographical areas:

	2019		2018		
	HK$ million	**% of revenue**	HK$ million	% of revenue	Change (%)
Macau	**869.1**	**57.4**	774.3	57.5	12.2
Mainland China	**571.5**	**37.8**	506.5	37.7	12.8
HK & Taiwan	**73.2**	**4.8**	64.1	4.8	14.3
Total	**1,513.8**	**100.0**	1,344.9	100.0	12.6

Macau

The revenue generated from retail stores in Macau for 2019 increased to HK$869.1 million, representing an increase of 12.2% from 2018. The growth rate decelerated from that of 33.2% in 2018, which was mainly attributable to the decline in visitor per-capita spending in Macau, which was in turn primarily attributable to the increase in same-day visitors who normally spend less having outweighed the corresponding increase in overnight visitors who normally spend more during their stay in Macau.

The business of the Group's retail stores in Macau benefited from the increase in number of visitors to Macau especially from Mainland China in 2019 albeit declining average spending per visitor. Against this backdrop, the Group's revenue increased due to the corresponding increase in the average sales floor area to 9,862 sq.m., representing a yoy growth of 12.4%, streamlining of the number of brands of products that the Group sold through its mono-brand stores in Macau from 20 brands in 2018 to 19 brands in 2019 and the increase in the number of brands of products the Group sold through its multi-brand stores in Macau from 48 brands in 2018 to 98 brands with a net increase of four multi-brand stores in 2019. The Group also offered more promotion and discounts at its retail stores in Macau to stimulate its sales in 2019 comparing with that of 2018 to attract more lower-spending visitors, especially during November and December of 2019 when the growth of visitors to Macau recorded a negative growth comparing with the same period a year ago. As such, the average monthly sales per sq.m. for 2019 decreased by 0.1% to HK$7,070 and the same store growth in Macau recorded a negative rate of 12.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

Mainland China

The revenue generated from Mainland China recorded HK$571.5 million in 2019, representing a yoy growth of 12.8%. The business of the Group's retail stores in Mainland China benefited from the growth of economy and the increase in disposable income per capita in Mainland China in 2019 albeit in a slower pace compared with that of 2018. Against this macroeconomic background, the Group increased the sales by increasing the average sales floor area to 22,220 sq.m. in 2019, representing a yoy growth of 9.1% and the number of brands of products it sold through mono-brand stores from 14 brands in 2018 to 15 brands in 2019. The Group also offered more promotion and discount to attract and entail higher consumer spending. As such, the average monthly sales per sq.m. for 2019 only increased by 0.3% to HK$1,925 and the same store growth rate in Mainland China recorded a negative rate of 4.9%.

Hong Kong and Taiwan

The revenue generated from the sales in Hong Kong and Taiwan recorded a mild growth to HK$73.2 million in 2019, representing a yoy growth of 14.3%. The growth was mainly attributable to the net increase of two retail stores in Taiwan in 2019. Retail sales in Hong Kong experienced a declining trend in 2019, due to the social unrest arising from opposition to the Extradition Bill since June 2019 deterring tourists from visiting Hong Kong and/or local customers from shopping in the districts that were affected by the mass protests, which led to a weakened consumer sentiment. If any mass protests took place in the districts where the retails stores are located, the Group would be required to temporarily close the relevant retail stores or shorten their operation hours in order to ensure the safety of its staff and customers. The average monthly sales per sq.m. of retail stores in Hong Kong and Taiwan recorded a yoy decrease of 29.2% and same store sales of retail stores in Hong Kong recorded a drop of 20.5%. Against this macroeconomic background, the Group increased its revenue by increasing the average sales floor area in Hong Kong and Taiwan to 1,608 sq.m.in 2019, or a yoy increase of 61.4%.

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 HK$726.0 million in 2019, or a yoy growth of 18.1%, primarily attributable to the increase in sales of apparel products and the absorption of more staff cost and rental expenses related to store management services provided.

With the increasing percentage of cost of sales to revenue, the Group's gross profit in 2019 increased to HK$787.9 million, or yoy growth of 7.9%, and its gross profit margin decreased to 52.0%, representing a 230 basic points decrease from 2018. The increase in the Group's gross profit was mainly contributed by the increase in gross profit from Mainland China and Macau of HK$24.0 million and HK$25.2 million, respectively. The decrease in gross profit margin was mainly attributable to the decrease in gross profit margin of sales in Macau to 56.2% in 2019, representing a 360 basic points decrease from 2018 as a result of more discount offered.

Other income and other gains and losses, net

The Group had other income of HK$8.7 million in 2019 mainly comprising subsidy from a franchisor on operating loss, representing a yoy increase of 6.3%. The Group recorded net other gains of HK$8.9 million, compared with net other losses of HK$3.2 million in 2018, mainly attributable to the decrease in fair value of in financial liabilities arising from the call options granted to the minority shareholder of a subsidiary and elimination of liabilities by virtue of expiry of legal right to claim.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses

Selling and marketing expenses increased to HK$596.1 million in 2019, or a 17.0% yoy growth, primarily due to the increase in expenses related to right-of-use assets of HK$37.7 million resulting from an increase of average sales floor area to 33,690 sq.m. in 2019, or a yoy increase of 11.8%; and the increase in employee benefit expenses of HK$26.4 million, or a yoy increase of 17.8%, resulting from the increase in number of sales and marketing staff and the increase in salary, sales commission and bonus payable to the staff in 2019.

General and administrative expenses increased to HK$128.9 million in 2019, or a yoy increase of 72.8%, primarily due to the listing expenses of HK$27.4 million; and the increase in staff benefit expenses of HK$15.7 million, or a yoy increase of 37.1%, resulting from the increase in number of staff and the increase in salary and bonus payable.

Finance costs

Net finance costs increased to HK$31.7 million in 2019, or a yoy growth of 27.4%. The increase was mainly due to the increase in interest expenses on leasing liabilities of HK$3.3 million resulting from increase in average sales floor area and increase in interest expenses on borrowings of HK$3.5 million as a result of the corresponding increase in utilisation of bank borrowings in 2019.

Taxation

Income tax expense of HK$11.1 million was HK$6.9 million lower than that in 2018, albeit the effective tax rate for 2019 of 22.7% was higher than the rate of 14.2% for 2018. Such higher effective tax rate for 2019 was mainly due to non-deductible nature of the listing expenses.

Profit for the year

The Group's net profit decreased to HK$37.8 million in 2019, representing a yoy decrease of 65.2%. The Group's net profit margin decreased to 2.5% in 2019, primarily due to the shrinkage of gross profit margin by 230 basic points yoy, and the rate of increase in both selling and marketing expenses of 17.0% and general and administrative expenses of 72.8%, which included listing expenses of HK$27.4 million, having surpassed the yoy growth rate of revenue of 12.6%. Had the listing expenses been excluded, the profit for the year and net profit margin for 2019 would be HK$65.2 million and 4.3% respectively.

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; and it records higher revenue in festive seasons such as Christmas and the month before Chinese New Year and the traditional peak season in Mainland China long holidays. Normally revenue recorded in first half and second half of the year are of equal weighting as they have similar festivals and holidays.

MANAGEMENT DISCUSSION AND ANALYSIS

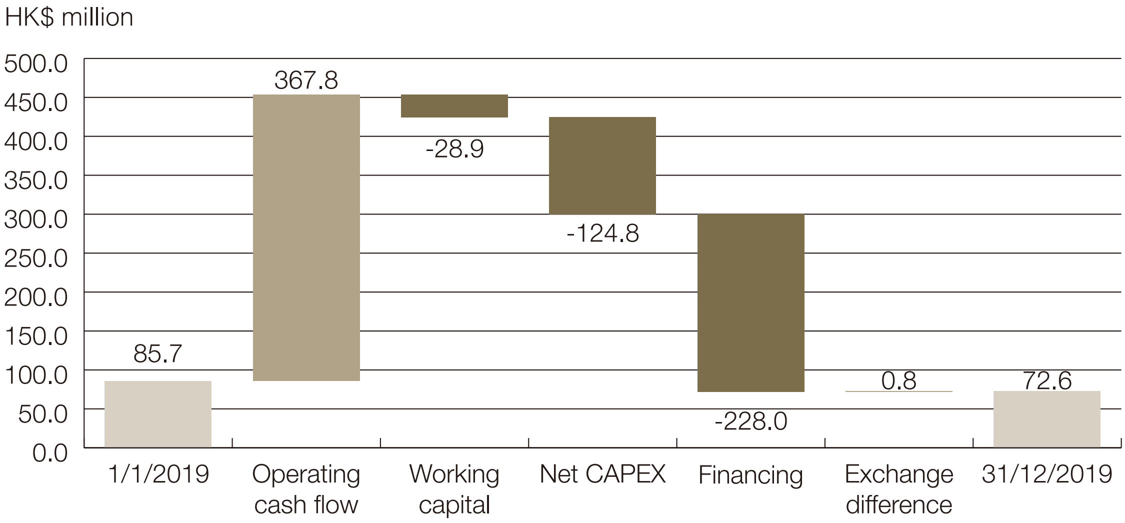
FINANCIAL

Working capital structure

The Group's net current assets amounted to HK$4.9 million as at 31 December 2019, representing a decrease of HK$43.9 million from 31 December 2018. Such decrease was primarily the result of increase in lease liabilities and bank borrowing of HK$22.2 million and HK$20.5 million, respectively.

Liquidity and financial management

The Group strives to maintain a healthy financial position and liquidity for its normal operation, development needs and ad hoc events. As at 31 December 2019, the cash and cash equivalents were HK$72.6 million, representing a decrease of HK$13.1 million comparing with 31 December 2018 as follows:



The Group's current ratio was 1.0 times as at year end, compared to that of 1.1 times as at 31 December 2018. The decrease in current ratio was mainly attributable to the increase in lease liabilities and bank borrowing coupled with the decrease in cash and cash equivalent.

The gearing ratio of the Group, which is calculated as net debt divided by total capital, was 74% as at year end compared to that of 75% as at 31 December 2018.

Pledge of assets

As at year end, a building with net book value of HK$62.4 million, restricted cash of HK$37.9 million and the investments in life insurance contract of HK$31.4 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 (2018: Nil).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2019 (2018: Nil).

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 deceleration of GDP growth of the PRC at 6.0% and the escalation of China-US trade tension albeit a pact has been signed in January this year dampens the prospect of retail in Greater China this year. The outbreak of the novel coronavirus (COVID-19) ("Epidemic") occurred in Mainland China, Hong Kong, Macau and Taiwan since January and later spread globally, which, from the Directors' point of view, has and would further hurt the apparel retail market in Greater China. The Group had temporarily suspended most retail stores in PRC, all retail stores in Macau and one retail store in Hong Kong for various periods in January and February 2020 according to the local situations and requirements. As such, the Group's revenue in January and February 2020 recorded a sharp decrease of 46.8% compared with the same period a year ago.

The Group's business could be adversely affected by the Epidemic and/or other adverse public health developments in Greater China. Such events could severely disrupt the Group's business operations by having a negative impact on consumer sentiment, the macro-economic condition as well as the financial conditions of the stock markets. Following the outbreak of the Epidemic in January 2020, various countries have since issued travel warnings to their citizens for going to Greater China; and as a result, Greater China had sharply reduced visitor traffic within itself as well as imposed travel ban or restrictions against visitors from the other countries to Greater China in an effort to control further spread of Epidemic. Following recent Epidemic outbreak in Europe and United States, governments in these countries further impose tough measures such as putting their countries or cities in strict lockdown, quarantines, restriction on movement of their people and limitation on travel among countries. The general public in Greater China have also been advised to stay at and/or work from home to reduce the risk of Epidemic spreading in the community.

MANAGEMENT DISCUSSION AND ANALYSIS

While the Group is facing the most challenging time in 2020 since its start of business in 2005, the Directors believe that the impact of the Epidemic would eventually come to an end; and Greater China, in particular, Mainland China, will embark upon major pump-priming and offer more stimuli after the Epidemic has ended whereby the Directors expect that the economy in the second half of this year can be recovered gradually. To preserve its strengths to meet the post-Epidemic growth, the Group has adopted a series of cost control measures to minimize its expenses such as negotiating with landlords for rent cutting and suppliers for more discount/more favourable terms and voluntary temporary salaries reduction starting from executive Directors and senior management of the Group.

The Group is committed to implementing the following strategies to cope with the temporary glomming retail environment in Greater China and ride on the opportunity of subsequent recovery:

- To adopt progressive marketing approach for loyal customers by offering attractive package and arrangement of visit time to avoid crowdy shopping;

- To defer the introduction of new brands and opening of retail stores to second half this year or end of the Epidemic, whichever is the earlier by seizing the market opportunity provided by those knocked out;

- To accelerate the implementation of the Centralised Retail Management System to enhance its operational efficiency; and

- To strengthen its digital marketing and online sales through existing e-shopping platform and group chat via social media.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Stock Exchange on 13 January 2020 (“Listing Date”) and the net proceeds from the global offering of its shares (the “Global Offering”) amounted to HK$140.0 million. The Group will utilise such proceeds from the Global Offering for the purpose 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 Board is not aware of any material change to the planned use of net proceeds from the Global Offering other than the timing of expansion as disclosed in the paragraph “Outlook” as at the date of this report.

DIVIDEND

In May 2019, the Group declared and paid in cash dividend of HK$1.0 million to its then shareholders.

A final dividend (“Final Dividend”) in respect of the year ended 31 December 2019 of HK$0.05 per share, amounting to a total dividend of HK$20.0 million, will be proposed at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend proposed.

The register of members will be closed from Thursday, 2 July 2020 to Monday, 6 July 2020 (both days inclusive), during which period no share transfers will be registered. The ex-dividend date will be Monday, 29 June 2020. In order to qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:30 p.m. on Tuesday, 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2019, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

The Group adopts a competitive emolument policy to attract, retain and motivate high quality individuals. Remuneration packages were reviewed regularly to reflect the market practice and employees' performance. As at year end, the Group employed around 1,564 employees. The total staff costs for 2019 was HK$254.5 million, a yoy increase of 26.5%.

EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2019:

(a) On 13 January 2020, the Company was listed on the Main Board of Stock Exchange and received net proceeds from the global offering in the amount of HK$140.0 million after deducting underwriting commission and all related expenses.

(b) Owing to the outbreak of the Epidemic across the PRC, a number of provinces and municipalities in the PRC have taken various emergency public health measures and other actions to prevent further spread of the Epidemic, including imposing restriction on the work resumption date after Chinese New Year Holidays, transportation limitation, travel ban for visitors coming to Greater China and quarantine measures. Furthermore, to prevent further spread of the Epidemic, on 4 February 2020, the Macau government announced a temporary closure of 41 casinos, which had resumed operations only on 20 February 2020.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include assessing the Group's suppliers' readiness, negotiating relief in minimum purchase amount set out in the respective distribution agreements with supplier and negotiating on rental relief with landlords. The Group will keep its contingency measures under review as the situation evolves.

Apart from disclosed above, the outbreak is expected to affect the financial results of the Group and the macro-economic environment in Macau, Mainland, Hong Kong and Taiwan, the effect of which cannot be estimated as of the date of this report. The Group will pay close attention to the development of the outbreak, perform further assessment of its impact and take relevant measures.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Fan Wing Ting (范榮庭), aged 64, 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 ten years. Mr. Fan is instrumental in the Group's business expansion and oversaw the integration of its 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 the individual dental practitioner certificate of 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 uncle of Mr. Fong Yat Ming.

Ms. Chen Xingyi (陳幸儀), aged 43, 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 ten years. She joined the Group in March 2005 as an operation manager and also as Mr. Fan's secretary at the Shenzhen office of Wide Spread. She was subsequently promoted as the general manager of Shenzhen Shouwei 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 a certificate 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 45, was first appointed as a Director on 16 May 2019 and was re-designated as an executive Director, the chief financial officer and 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. He is responsible for financial management of the Group's business operations.

Mr. Trantallis has over 15 years of experience in the fashion industry. From May 1996 to April 1999, he was employed at 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 listed on the Main Board of 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 degree in bachelor of commerce in March 1996. He subsequently obtained a degree in master of business administration from The University of Melbourne in Australia in June 2002. In 2007, he further completed his degree in master 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 34, 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 ten years. He joined the Group in August 2007 as an operation assistant of 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 has been 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 degree of bachelor of arts with honours in finance, accounting and management in July 2007.

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

Ms. Fan Tammy (范麗君), aged 32, 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 eight 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 Cornell University in the United States in July 2009. She subsequently obtained a degree in bachelor of arts in economics from University of Southern California in the United States in May 2010. Ms. Fan also completed her Fall 2010 and Spring 2011 semesters in fashion marketing from the Parsons School of Design in the United States.

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

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Chau Kwok Keung (鄒國強), aged 43, was appointed as an independent non-executive Director on 17 December 2019. Mr. Chau is the chairman of the Group's Audit Committee. He is responsible for providing independent advice to the Board.

Mr. Chau Kwok Keung, is the authorized representative and the company secretary of Comtec Solar Systems Group Limited (a company listed on Stock Exchange of HK with stock code: 712.HK) since June 2008 and has served as Executive Director and Chief Financial Officer of the company from November 2007 to January 2020. Mr. Chau was responsible for its corporate financial and general management. He was also appointed as (i) an independent non-executive director and the chairman of the audit committee of Qingdao Port International Co., Ltd., a company dual-listed on the Stock Exchange of Hong Kong (Stock Code: 6198.HK) and The Shanghai Stock Exchange (stock code: 601298.SH) from May 2014 to May 2019; (ii) an independent director of The 9 Limited, whose shares are listed by way of American Depository Shares on the NASDAQ (NASDAQ: NCTY), since October 2015; (iii) an independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Ltd., a company listed on the Stock Exchange of Hong Kong (Stock Code: 2779.HK), since Oct 2017; and (iv) an independent director of China Tobacco International (HK) Company Limited, a company listed on the Stock Exchange of Hong Kong (Stock Code: 6055.HK), since December 2018. He also acted as a member of supervisory board of RIB Software AG, a software company in Germany, which was listed in Frankfurt Stock Exchange, from May 2010 to June 2013.

Prior to joining Comtec Solar Systems Group Limited, Mr. Chau served in various positions at China.com Inc., a company listed on the Stock Exchange of Hong Kong (Stock Code: 8006.HK) from October 2005 to October 2007, including vice president of the finance department, chief financial officer, company secretary and authorised representative. Prior to joining China.com Inc., he was the deputy group financial controller of China South City Holdings Limited, a company listed on the Stock Exchange of Hong Kong (Stock Code: 1668.HK) from August 2003 to April 2005 and the financial controller of Shanghai Hawei New Material and Technology Co., Ltd. from June 2002 to August 2003. Mr. Chau was employed by Andersen & Co. initially as an experienced staff accountant and then he was subsequently promoted to be a senior consultant in the Global Corporate Finance Division of Andersen & Co. in March 2002.

Mr. Chau has been a member of the Association of Chartered Certified Accountants (ACCA) since June 2002, a Chartered Financial Analyst of CFA Institute since September 2003 and a member of Hong Kong Institute of Certified Public Accountants (HKICPA) since July 2005. Mr. Chau also obtained a certificate of Qualified Independent Director (獨立董事資格證書) from the Shanghai Stock Exchange in August 2017. Mr. Chau received a bachelor's degree in Business Administration from the Chinese University of Hong Kong in May 1998.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu Chun Kau (余振球), aged 47, was appointed as an independent non-executive Director on 17 December 2019. He is the chairman of the Group's Remuneration Committee and a member of the Group's Audit Committee and Nomination Committee. He is responsible for providing independent advice to the Board.

Mr. Yu has over 20 years of experience in the finance and management industry. From August 1994 to July 2002, he worked at KPMG with his last position as a manager. From July 2002 to November 2003, he worked as a financial controller at China Finance Investment Holdings Limited (formerly known as First Dragoncom Agro-Strategy Holdings Limited at the time of employment), a company listed on the Main Board of the Stock Exchange (stock code: 875). From December 2003 to June 2006, he worked as an assistant director at Kerry Beverages Limited. From June 2006 to February 2008, he served as the chief financial officer at the Brigantine Group. From June 2010 to December 2012, he was an executive director, chief financial officer and company secretary at China Risun Group Limited (formerly known as China Risun Coal Chemicals Group Limited at the time of employment), a company currently listed on the Main Board of the Stock Exchange (stock code: 1907).

Mr. Yu was also the chief financial officer (from June 2010 to December 2012), an executive director (from May 2011 to November 2012) and company secretary (from November 2012 to December 2012) at Sitoy Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1023). From September 2013 to December 2016, he was the vice president, chief financial officer and company secretary at Cosmo Lady (China) Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2298). He 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. He is currently a chief financial officer of a company engaged in pharmaceutical industry business, which is a subsidiary of a company listed on the Main Board of the Stock Exchange, and an independent non-executive director of JiaChen Holding Group Limited, the issued shares of which are being applied for listing on the Main Board of the Stock Exchange.

Mr. Yu graduated from The Chinese University of Hong Kong with a degree in bachelor of business administration with first class honours in December 1994. In June 2005, he also obtained a degree in master of corporate governance from The Open University of Hong Kong. He was admitted as a fellow member of The Association of Chartered Certified Accountants in November 2002. He was admitted as a fellow member and was 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 in 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 Institute of Chartered Secretaries and as a fellow member of The Institute of Chartered Secretaries and Administrators.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheung Chun Yue, Anthony (張振宇), aged 37, was appointed as an independent non-executive Director on 17 December 2019. He is a member of the Group's Audit Committee, Remuneration Committee and Nomination Committee. He is responsible for providing independent advice to the Board.

Mr. Cheung has over 10 years of experience in the finance industry. From October 2008 to April 2011, he worked as an investment manager at Gartmore Investment Management. From May 2011 to January 2014, he worked as a senior portfolio manager at Pictet Asset Management. From February 2014 to February 2016, he worked at BNP Paribas Hong Kong Branch with his last position as a portfolio manager. He served as a managing director at Hamon Asset Management Limited from March 2016 to July 2019.

Mr. Cheung has been an independent non-executive director of IPE Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0929) since June 2017 and has been an independent non-executive director of China Shineway Pharmaceutical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2877) since January 2019. He is currently a director of ExodusPoint Capital Management Hong Kong, Limited.

Mr. Cheung obtained a certificate in professional accountancy from the School of Continuing and Professional Studies, The Chinese University of Hong Kong in January 2007 and degree in bachelor of science in economics from The London School of Economics and Political Science, University of London in the United Kingdom in July 2004. He completed the Prince of Wales's Business & Sustainability Programme at the University of Cambridge Institute Sustainability Leadership (CISL) in November 2017. He also obtained his certified European environmental, social and governance analysis diploma from the European Federation of Financial Analysts Societies (EFFAS) in March 2018. He currently serves at the Hong Kong Institute of Directors (HKIoD) as the deputy chairman of the Training Committee. He is also a member of the Board of Governors at Friends of the Earth (HK).

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Fung Sze Nga, Dorothy (馮詩雅), aged 41, joined the Group in August 2017 as a junior human resources director. She is primarily responsible for the human resources and administrative operations of the Group.

Ms. Fung has over 10 years of experience in the human resources field in the apparel industry. From June 2000 to July 2006, she was employed at Giordano Limited, where she initially worked as a trainee and was subsequently promoted as a human resources officer. From July 2006 to February 2008, she worked at Swire Resources Limited, where she initially worked as a human resources officer and was subsequently promoted as a senior human resources officer. Before joining the Group, She worked at i.t apparels Limited, a subsidiary of I.T Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0999) from February 2008 to July 2017, with her last position as a senior human resources manager.

Ms. Fung graduated from The Hong Kong University of Science and Technology with a degree in bachelor of business administration in marketing in November 2000. She subsequently obtained a diploma in legal studies from The University of Hong Kong, School of Professional and Continuing Education in September 2005. In November 2011, she further obtained a degree in master of strategic human resources management from Hong Kong Baptist University.

Mr. Choi Chin Chung (蔡展忠), aged 45, joined the Group in March 2016 as a senior IT manager. He is primarily responsible for the IT operations of the Group.

Mr. Choi has over 10 years of experience in various IT roles with regional exposure within Asia Pacific. From June 1997 to October 1998, he was employed at Christian Dior Far East Limited, with his last position as an EDP assistant. From October 1998 to January 1999, he worked as an IT support specialist at Bluebell (Asia) Limited. From February 1999 to June 2000, he worked at Louis Vuitton Pacific Limited, with his last position as an IT support specialist. From June 2000 to January 2001, he worked as a consultant at Delirium (HK) Limited.

From February 2001 to November 2001, Mr. Choi worked as a project consultant at Raymark Asia Limited. From September 2002 to May 2005, he worked as an ITM officer at Mercedes-Benz China Limited. From May 2005 to December 2011, he re-joined Christian Dior Far East Limited as an assistant ITM manager. From March 2012 to December 2013, he worked at J. Choo Limited in the United Kingdom as a project manager. Before joining the Group, he served as a business operations manager (Asia) at J.Choo (Asia) Limited from January 2014 to November 2015.

Mr. Choi graduated from the City University of Hong Kong with a degree in bachelor of engineering (honours) in computer engineering in December 1996. He has been certified as a project management professional (PMP) by Project Management Institute since September 2005 and passed the Information Technology Infrastructure Library (ITIL) version 3 Foundation Examination in March 2010.

COMPANY SECRETARY

Mr. Kevin Trantallis (陳漢榮) is the Group's company secretary and also one of the executive Directors of the Company. Please refer to the paragraph headed "Executive Directors" in this section for his biographical details.

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 PRACTICES

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 as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

Since the Listing Date, the Company had complied with all of the applicable code provisions of the CG Code. 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.

As the shares of the Company (the "Shares") were only listed on the Stock Exchange since the Listing Date, the CG Code was not applicable to the Company during the year ended 31 December 2019.

SECURITIES TRANSACTIONS BY DIRECTORS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 36 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 2019 or at any time during the year ended 31 December 2019.

COMPETING INTEREST

For the year ended 31 December 2019, 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 report.

The Board currently consists of eight Directors including 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 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.

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.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board adopted a Board Diversity Policy on 17 December 2019 (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company believes that it will help strengthen the business development of the Company and enhance the effectiveness and performance of the Board. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Board delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Nomination Committee will review this Board Diversity Policy, as appropriate, to ensure the effectiveness of this Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Board Meetings

The Board intends to hold board meetings regularly 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 agenda. The Board held a meeting on 31 March 2020 and, amongst other matters, considered and approved the 2019 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 period from the Listing Date and up to the date of this annual report is set out in the table below :

Name of Directors	**Number of attendance**
Executive Directors	
Mr. Fan Wing Ting	1
Ms. Chen Xingyi	1
Mr. Kevin Trantallis	1
Mr. Fong Yat Ming	1
Ms. Fan Tammy	1
Independent Non-executive Directors	
Mr. Chau Kwok Keung	1
Mr. Yu Chun Kau	1
Mr. Cheung Chun Yue, Anthony	1

General Meetings

No general meeting was held during the period from the Listing Date and up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website (www.forward-fashion.com) and the HKEx's website (www.hkexnews.hk) and are available to 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. Chau Kwok Keung, Mr. Yu Chun Kau and Mr. Cheung Chun Yue, Anthony and Mr. Chau Kwok Keung is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2019.

During the period from the Listing Date to the date of this report, one Audit Committee meeting was held. The attendance record of each member of the Audit Committee is set out in the table below:

Name of Members of the Audit Committee	Number of attendance
Mr. Chau Kwok Keung *(Chairman)*	1
Mr. Yu Chun Kau	1
Mr. Cheung Chun Yue, Anthony	1

CORPORATE GOVERNANCE REPORT

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; and (iii) evaluate and make recommendations on employee benefit arrangements.

During the period from the Listing Date to the date of this report, one Remuneration Committee meeting was held. The attendance record of each member of the Remuneration Committee is set out in the table below:

Name of Members of the Remuneration Committee	Number of attendance
Mr. Yu Chun Kau *(Chairman)*	1
Mr. Cheung Chun Yue, Anthony	1
Ms. Chen Xingyi	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 would 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 period from the Listing Date to the date of this report, one Nomination Committee meeting was held. The attendance record of each member of the Nomination Committee is set out in the table below:

Name of Members of the Nomination Committee	Number of attendance
Mr. Fan Wing Ting *(Chairman)*	1
Mr. Yu Chun Kau	1
Mr. Cheung Chun Yue, Anthony	1

Nomination Policy

The Board has on 31 March 2020 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.

CORPORATE GOVERNANCE REPORT

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 Nonexecutive Directors should be of sufficient calibre and number for their views to carry weight; and

   (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 of the Company.

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.

CORPORATE GOVERNANCE REPORT

Director Nomination Procedure

Subject to the provisions of the Articles of Association of the Company 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, 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 shareholders prior to a general meeting in accordance with the Listing Rules.

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 of the Company and applicable laws and regulations. The procedures for such proposal are stated on page 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.

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 2019. 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 pages 54 to 55 of this annual report.

CORPORATE GOVERNANCE REPORT

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 Company's shareholders such interim dividends as it considers appropriate, and recommend the payment of final dividends which are required to be approved by 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 Company and its subsidiaries (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.

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 2019 is set out below:

Services rendered	Service Category Fees Paid/Payable HK$000
Audit service	9,639
Non-audit Services	1,274

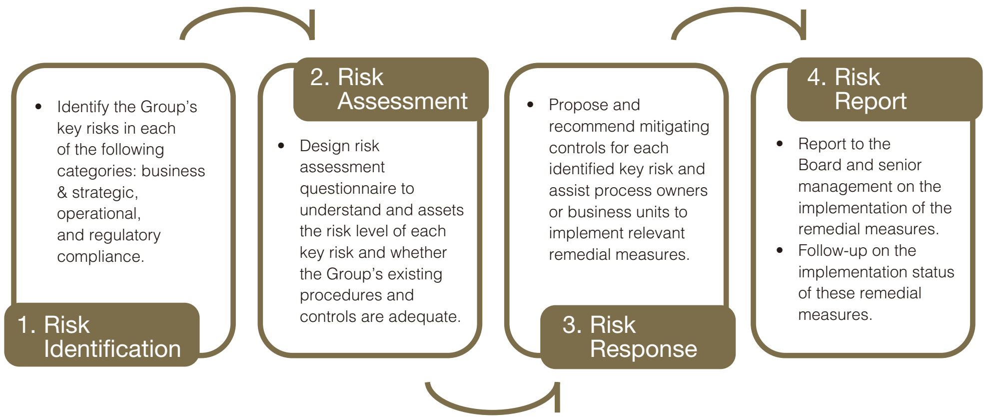
The amount of audit services fee also included the service fee in connection with the Listing of the Company. The non-audit services conducted by the Auditor mainly include professional services on tax advisory and internal control consultation services in connection with the Listing of the Company.

CORPORATE GOVERNANCE REPORT

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.



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 prioritized according to the likelihood of their occurrence and the significance of their impact on the business of the Group.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDIT

The Group has established Internal Audit Department, which reports directly to the Audit Committee. Internal Audit Department is independent from operation management and has full access to data required 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 Department will identify internal control deficiencies and weaknesses and proposed recommendations for improvements. Internal audit findings and control deficiencies are communicated to internal audit team 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 Group assets. For the year ended 31 December 2019, 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 2019 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. The Company has implemented procedures and internal controls for the handling and dissemination of inside information, including:

- having its own procedures in place 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 price-sensitive and/or 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. Since the Company was listed on the Stock Exchange on the Listing Date, Rule 3.29 of the Listing Rules was not applicable to the Company for the period from 1 January 2019 to 31 December 2019.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other extraordinary general meetings.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The Company's website (www.forward-fashion.com) provides comprehensive and accessible news and information of the company to the shareholders, other stakeholders and investors. The Company will also update the website information from time to time to inform the shareholders and investors of the latest development of the Company.

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 websites of the Company and of Hong Kong Exchanges and Clearing Limited after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 58 of the Company's articles of association, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting 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 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 shall fail to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, 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 Company's articles of association or the Cayman Islands Companies Law for 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. As regards proposing a person for election as a Director, please refer to the "Procedures for a Shareholder to Propose a Person for Election as a Director" of the Company which is posted on the Company's website.

CORPORATE GOVERNANCE REPORT

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

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, 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

In preparation for the Listing, the Company has adopted the amended and restated Memorandum and Articles of Association pursuant to a written resolution of the sole shareholder passed on 17 December 2019, which became effective on the Listing Date. Since then, the Company has not made any changes to its Memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and of the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

REORGANISATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 May 2019 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Pursuant to the completion of the Reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus to rationalize the structure of the Group in preparation for the listing of the Company's Shares on the Main Board of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group.

The Shares of the Company were listed on the Main Board of the Stock Exchange on 13 January 2020 (the "Listing Date") through Global Offering as described in the section headed "The Structure of the Global Offering" in the Prospectus.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the fashion retailing in Hong Kong, Macau and the People's Republic of China.

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 are set out in the consolidated statements of profit or loss and the consolidated statements of comprehensive income on pages 56 to 57.

DIVIDEND

In May 2019, the Group declared and paid in cash dividend of HK$1.0 million to its then shareholders.

A final dividend in respect of the year ended 31 December 2019 of HK$0.05 per share, amounting to a total dividend of HK$20.0 million, will be proposed at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend proposed.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Wednesday, 24 June 2020.

REPORT OF THE DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 19 June 2020 to Wednesday, 24 June 2020 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Thursday, 18 June 2020.

BUSINESS REVIEW

A review of the business of 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 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 report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operation of the Group.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize its 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 2019 containing the information required under Appendix 27 to the Listing Rules will be published on the Stock Exchange's website and the Company's website within three months after the publication of the Company's 2019 annual report.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated financial statements on page 56 of this report.

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past four years ended 31 December 2019 are set on page 138 of this report.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 25 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 26 and note 41 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 December 2019, the reserves of the Company available for distribution to the shareholders of the Company amounted to approximately HK$239 million (2018: HK$205 million).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association 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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RETIREMENT BENEFIT SCHEMES

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

SUBSIDIARIES

Details of the Company's principal subsidiaries as of 31 December 2019 are set out in note 42 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The list of Directors of the Company during the year and up to the date of this annual report is set out below:

Executive Directors

Mr. Fan Wing Ting
Ms. Chen Xingyi
Mr. Kevin Trantallis
Mr. Fong Yat Ming
Ms. Fan Tammy

Independent Non-executive Directors

Mr. Chau Kwok Keung
Mr. Yu Chun Kau
Mr. Cheung Chun Yue, Anthony

SHARE OPTION SCHEME

The Company has conditionally adopted 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 Listing. 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 of The Company 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.

REPORT OF THE DIRECTORS

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") 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 HK$1.00 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").

(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); and

(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.

(ii) For so long as the shares 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 and:

(1) 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

(2) 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 period up to the publication date of the results.

REPORT OF THE DIRECTORS

(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).

(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 Group'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) month 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 HK$5,000,000 (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.

(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) month 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) month 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).

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), sub-division 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;

REPORT OF THE DIRECTORS

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).

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.

REPORT OF THE DIRECTORS

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);

(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;

REPORT OF THE DIRECTORS

(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 Law, 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 despatches 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 despatches 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.

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 2019 are set out in note 37 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and INEDs, has entered into a service contract or an appointment letter with the Company for a term of three years, commencing from the Listing Date until terminated by enter 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 Memorandum of Association. Their emoluments were 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

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Memorandum 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.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year set out in note 36 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.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2019, the Group had the following continuing connected transactions:

Cooperation Services Agreement

Name of related party	Nature of transaction	**2019** **HK$'000**	2018 HK$'000
Sao Hang Investment Company Limited (首恒投資有限公司) ("Sao Hang Investment (Macau)")	Provision of retail stores and management services to the Group in Macau	**22,385**	23,156
Total transaction amount		**22,385**	23,156

The Directors confirm that the service fees payable to Sao Hang Investment (Macau) are on normal commercial terms or better to the Group and are determined after arm's length negotiations.

Sao Hang Investment (Macau) is a company incorporated in Macau which is principally engaged in the operation of shopping malls in Macau and is owned as to 96% by Mr. Fan and 4% by Ms. Fan Po Yuk, the sister of Mr. Fan. Mr. Fan is an executive Director and the Controlling Shareholder. By virtue of Mr. Fan holding over 30% interest in Sao Hang Investment (Macau), Sao Hang Investment (Macau) is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

Renovation Services Agreement

Name of related party	Nature of transaction	2019 HK$'000	2018 HK$'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	**16,264**	39,592
SJ Synergy Holdings Limited (晟杰集團有限公司) ("SJ Synergy Holdings")	Provision of fitting-out services to the Group in Macau	**1,308**	1,736
Total transaction amount		**17,572**	41,328

The Directors considered that the transactions were arrived at after arm's length negotiation and that the terms of the transactions were fair and reasonable and in the interest of the Company and the shareholders as a whole.

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.

Review of Continuing Connected Transactions

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.

REPORT OF THE DIRECTORS

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			
Mr. Fan and Ms. Cheng King Ling	1/2/2019 – 31/1/2024	RMB159,130	RMB1,909,560
Warehouse tenancy agreement			
Ms. Cheng King Ling	1/3/2015 – 28/2/2020	RMB12,140	RMB145,680

The Directors confirmed that the rents in respect of the above tenancy agreements ("Tenancy Agreements") were 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 was of the opinion that the terms of the Tenancy Agreements (including rental and duration) were 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.

In accordance with IFRS 16 "Leases", the Group has recognised 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.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the date of this report, the interests or short positions of the Directors or 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 Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") which will be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, are set out as follows:

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

Note:

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Shareholders	Capacity/Nature of interest	Number of Shares held/ interested	Approximately percentage of shareholding in the Company
Gold Star Fashion Limited *(Note 2)*	Beneficial owner	300,000,000	75%
Ms. Cheng King Ling *(Note 3)*	Interest of spouse	300,000,000	75%

Notes:

2. Mr. Fan Wing Ting owns the entire issued share capital of Gold Star Fashion Limited.

3. 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.

REPORT OF THE DIRECTORS

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time since the Listing Date was 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 were entered into or existed during the year ended 31 December 2019.

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 2019 and the Group did not rely on any single customer.

During the year ended 31 December 2019, the Group's five largest suppliers accounted for 63.5% of the Group's total purchases (2018: 64.0%). 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 2019.

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.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has always maintained sufficient public float as required under the Listing Rules throughout the period from the Listing Date up to the date of this report.

CHARITABLE DONATION

Charitable donations made by the Group amounted to HK$1.3 million for the year ended 31 December 2019 (2018: Nil).

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 2019, there was no serious and material dispute between the Group and its employees, customers and suppliers.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year ended 31 December 2019 or subsisted at the end of the year.

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 from the Listing" of this report.

CORPORATE GOVERNANCE

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

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. Chau Kwok Keung, Mr. Yu Chun Kau, Mr. Cheung Chun Yue, Anthony. Mr. Chau Kwok Keung 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 2019.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers, 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, 31 March 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders 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") set out on pages 56 to 137, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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, which include a summary of significant accounting policies.

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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 Note 18 "Inventories" and Critical Estimates and Judgements in Note 4(a) to the consolidated financial statements. As at 31 December 2019, the net inventory balance was HK$383,831 thousand , which represented approximately 29.3% of the Group's total assets. As described in the Accounting Policies in Note 2.10 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 due to the size of the Group's inventories and the inherent complexity and judgement in estimating the amount of inventory provisions required.	Our procedures in relation to management's valuation assessment of inventories included: • Understood and evaluated the key controls implemented by management in generating the inventory ageing schedule and estimating the net realisable value of inventories; • Tested a sample of inventory items categorised into different seasons of the year to gain comfort over the categorisation and ageing of inventory and recalculated, on a sample basis, 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 found that management's judgement in estimating the valuation of inventories at 31 December 2019 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 Note 13 "Property, plant and equipment", Note 14 "Right-of-use assets", Accounting policies Note 2.5 and Note 2.7, and Critical estimates and judgements in Note 4(b) to the consolidated financial statements. As at 31 December 2019, the Group had property, plant and equipment and right-of-use assets of HK$168,191 thousand and HK$374,953 thousand which represented approximately 12.9% and 28.7% 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 significant judgement and estimates used to perform the impairment review.	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 process and controls over the Group's impairment assessment; • Evaluated 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; • Assessed the appropriateness of the impairment assessment methodology used by management; and • Evaluated 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 found that the management's judgement and assumptions made in relation to impairment assessment of property, plant and equipment and right-of-use assets 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 the annual report other than the consolidated financial statements and our auditor's report thereon.

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 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, 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.

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 IFRSs 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.

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 judgement 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.

INDEPENDENT AUDITOR'S REPORT

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

- 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.

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, related safeguards.

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 Lam Sung Wan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2020

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December	
		2019	2018
	Notes	**HKD'000**	HKD'000
Revenue	*5*	**1,513,817**	1,344,865
Cost of sales	*5,8*	**(725,950)**	(614,510)
Gross profit		**787,867**	730,355
Selling and marketing expenses	*8*	**(596,118)**	(509,385)
General and administrative expenses	*8*	**(128,943)**	(74,614)
Other income	*5,6*	**8,745**	8,225
Other gains/(losses), net	*5,7*	**8,934**	(3,165)
Operating profit		**80,485**	151,416
Finance income	*10*	**380**	324
Finance costs	*10*	**(32,033)**	(25,166)
Finance costs, net		**(31,653)**	(24,842)
Profit before income tax		**48,832**	126,574
Income tax expense	*11*	**(11,061)**	(17,997)
Profit for the year		**37,771**	108,577
Profit is attributable to:			
Equity holders of the Company		**37,170**	103,941
Non-controlling interests		**601**	4,636
		37,771	108,577
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted earnings per share (HKD)	*12*	**0.12**	0.35

The notes on pages 63 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December **2019** **HKD'000**	 2018 HKD'000
Profit for the year		**37,771**	108,577
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	*26*	**(2,419)**	(5,489)
Other comprehensive loss for the year, net of tax		**(2,419)**	(5,489)
Total comprehensive income for the year		**35,352**	103,088
Total comprehensive income for the year is attributable to:			
Equity holders of the Company		**34,723**	98,551
Non-controlling interests		**629**	4,537

The notes on pages 63 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of 31 December	
		2019	2018
	Notes	**HKD'000**	HKD'000
Assets			
Non-current assets			
Property, plant and equipment	*13*	**168,191**	111,912
Right-of-use assets	*14*	**374,953**	349,555
Intangible assets	*15*	**8,635**	7,051
Investment in insurance contract	*16*	**31,355**	30,407
Deferred tax assets	*17*	**15,756**	13,035
Prepayment	*21*	**1,306**	20,819
Other receivables and deposit	*22*	**42,955**	23,326
Total non-current assets		**643,151**	556,105
Current assets			
Inventories	*18*	**383,831**	341,764
Trade receivable	*20*	**70,494**	66,846
Prepayment	*21*	**54,018**	59,801
Amount due from related parties	*36*	**–**	24,267
Other receivables and deposit	*22*	**46,359**	52,403
Restricted cash	*24*	**37,908**	35,927
Cash and cash equivalents	*23*	**72,605**	85,731
Total current assets		**665,215**	666,739
Total assets		**1,308,366**	1,222,844
Equity			
Share capital	*25*	**–**	–
Share premium	*25*	**691,000**	–
Reserves	*26*	**(592,532)**	100,237
Retained earnings		**140,226**	104,697
Capital and reserve attributable to equity holders of the Company		**238,694**	204,934
Non-controlling interest in equity		**(634)**	(1,263)
Total equity		**238,060**	203,671

The notes on pages 63 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of 31 December	
		2019	2018
	Notes	**HKD'000**	HKD'000
Liabilities			
Non-current liabilities			
Borrowings	*27*	**156,408**	133,112
Lease liabilities	*28*	**223,211**	226,001
Provisions	*29*	**2,255**	2,622
Financial liabilities at fair value through profit or loss	*30*	**5,883**	11,630
Other non-current liabilities	*31*	**13,571**	6,555
Deferred tax liabilities	*17*	**2,923**	1,618
Other payables	*32*	**5,784**	19,694
Total non-current liabilities		**410,035**	401,232
Current liabilities			
Trade and other payables	*32*	**217,810**	195,590
Amount due to related parties	*36*	**134,292**	157,399
Other current liabilities	*31*	**9,451**	4,145
Contract liabilities	*33*	**1,333**	3,203
Lease liabilities	*28*	**179,984**	157,783
Provisions	*29*	**4,116**	3,704
Income tax liabilities		**15,596**	18,901
Borrowings	*27*	**97,689**	77,216
Total current liabilities		**660,271**	617,941
Total liabilities		**1,070,306**	1,019,173
Net assets		**238,060**	203,671

The notes on pages 63 to 137 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 56 to 137 were approved by the Board of Directors on 31 March 2020 and were signed on its behalf.

Mr. Fan Wing Ting
Director

Ms. Chen Xingyi
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity holders of the Company						
	Notes	Share capital HKD'000	Share premium HKD'000	Reserve HKD'000	Retained earnings HKD'000	Sub-total HKD'000	Non-controlling interests HKD'000	Total equity HKD'000
Balance at 1 January 2018		–	–	105,251	12,430	117,681	(5,800)	111,881
Total comprehensive income for the year								
Profit for the year		–	–	–	103,941	103,941	4,636	108,577
Other comprehensive (loss) for the year	*26*	–	–	(5,390)	–	(5,390)	(99)	(5,489)
		–	–	(5,390)	103,941	98,551	4,537	103,088
Transactions with equity holders of the Company:								
Dividends and distribution	*34*	–	–	–	(11,298)	(11,298)	–	(11,298)
Appropriation to reserve	*26*	–	–	376	(376)	–	–	–
		–	–	376	(11,674)	(11,298)	–	(11,298)
Balance at 31 December 2018		–	–	100,237	104,697	204,934	(1,263)	203,671

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity holders of the Company						
	Notes	Share capital HKD'000	Share premium HKD'000	Reserve HKD'000	Retained earnings HKD'000	Sub-total HKD'000	Non-controlling interests HKD'000	Total equity HKD'000
Balance at 1 January 2019		–	–	100,237	104,697	204,934	(1,263)	203,671
Total comprehensive income for the year								
Profit for the year		–	–	–	37,170	37,170	601	37,771
Other comprehensive (loss) for the year	*26*	–	–	(2,447)	–	(2,447)	28	(2,419)
		–	–	(2,447)	37,170	34,723	629	35,352
Transactions with equity holders of the Company:								
Capital injection from shareholders		–	–	10	–	10	–	10
Effect of reserve in relation to Reorganisation		–	691,000	(691,000)	–	–	–	–
Dividends and distribution	*34*	–	–	–	(973)	(973)	–	(973)
Appropriation to reserve	*26*	–	–	668	(668)	–	–	–
		–	691,000	(690,322)	(1,641)	(963)	–	(963)
Balance at 31 December 2019		–	691,000	(592,532)	140,226	238,694	(634)	238,060

The notes on pages 63 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2019 HKD'000	2018 HKD'000
Cash flows from operating activities			
Cash generated from operations	*35*	**354,868**	303,225
Income tax paid		**(15,938)**	(6,890)
Net cash generated from operating activities		**338,930**	296,335
Cash flows from investing activities			
Interest income received		**380**	324
Proceeds from disposal of property, plant and equipment	*35*	**995**	261
Purchase of intangible assets		**(5,606)**	(3,442)
Purchase of property, plant and equipment		**(120,615)**	(90,417)
Net cash used in investing activities		**(124,846)**	(93,274)
Cash flows from financing activities			
Proceeds from borrowings		**246,366**	85,664
Interest paid		**(13,641)**	(10,118)
Dividends paid to company's shareholders		**(973)**	(11,298)
Repayment of loans from related parties		**(46,407)**	(20,561)
Repayment of borrowings		**(202,073)**	(107,339)
Loans from related parties		**43,605**	51,402
Payment for listing fee		**(6,769)**	(678)
Payment of lease liabilities		**(248,088)**	(190,824)
Net cash used in financing activities		**(227,980)**	(203,752)
Net decrease in cash and cash equivalents		**(13,896)**	(691)
Cash and cash equivalents at beginning of the year		**85,731**	84,730
Effect on exchange rate difference		**770**	1,692
Cash and cash equivalents at end of the year	*23*	**72,605**	85,731

The notes on pages 63 to 137 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 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 Macau, Mainland China, Hong Kong and Taiwan.

The ultimate holding company of the Company is Gold Star Fashion Limited ("Gold Star"), 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 Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since January 13, 2020.

The financial statements for the year ended 31 December 2019 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 2019 have been approved for issue by the Company's board of directors(the "Board") on 31 March 2020.

1.2 History and reorganisation of the Group

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the Business was principally operated by Shouwei Trading (Shenzhen) Co., Ltd, Yingliang Trading (Shenzhen) Co., Ltd, Macau Ieng Nam Limited ("Macau Ieng Nam") and Ieng Leong Company Limited ("Ieng Leong") (collectively, the "Operating Companies"), which were controlled by Mr. Fan during the years ended 31 December 2018 and 2019.

In preparation for the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a Reorganisation to transfer the Business to the Company principally through the following steps. Details of the Reorganisation are set out as below:

Incorporation of the Company

On 16 May 2019, the Company was incorporated in the Cayman Islands as a wholly-owned subsidiary of Gold Star, which controlled by Mr. Fan. On the date of incorporation, one share was allotted and issued at par to the initial subscriber (a company secretarial service provider), which was subsequently transferred to Gold Star on the same day at par.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Cont'd)

1.2 History and reorganisation of the Group (Cont'd)

Incorporation of Fortune Fashion Limited ("Fortune Fashion")

On 20 May 2019, Fortune Fashion was incorporated in the BVI as a wholly-owned subsidiary of the Company.

Incorporation of Frontline Fashion Limited ("Frontline Fashion")

On 20 May 2019, Frontline Fashion was incorporated in the BVI as a wholly-owned subsidiary of Fortune Fashion and indirect wholly-owned of the Company.

Share swap with Fortune Fashion

On 2 July 2019, the Company entered into a sale and purchase agreement with Mr. Fan, pursuant to which the entire ordinary shares in World First Holdings Limited ("World First Holdings") and Yingnan Asia Limited ("Yingnan Asia") were transferred to Fortune Fashion, in consideration of the Company issuing 100 shares and 100 shares in the Company, respectively, to Gold Star.

On 3 July 2019, the Company entered into a sale and purchase agreement with Mr. Fan, pursuant to which the entire ordinary shares in World First International Holdings Limited ("World First International") was transferred to Fortune Fashion, in consideration of the Company issuing 99 shares in the Company to Gold Star.

As a result, World First International, World First Holdings and Yingnan Asia became wholly-owned subsidiaries of Fortune Fashion and indirect wholly-owned subsidiary of the Company.

Acquisitions by World First Holdings

On 3 July 2019, the Company entered into a sale and purchase agreement with Mr. Fan, pursuant to which the entire ordinary shares in Wide Spread (China) Limited ("Wide Spread"), Sao Hang Limited ("Sao Hang") and Sao Wai Limited ("Sao Wai") were transferred to World First Holdings, in consideration of Company issuing 100 shares, 100 shares and 100 shares in the Company, respectively, to Gold Star.

As a result, Wide Spread, Sao Hang and Sao Wai became direct wholly-owned subsidiaries of World First Holdings and an indirect wholly-owned subsidiaries of the Company.

Acquisitions by Frontline Fashion and Macau Ieng Nam

On 5 July 2019, Frontline Fashion and Macau Ieng Nam entered into a sale and purchase agreement with Mr. Fan and Ms. PY Fan Po Yuk ("Ms. PY Fan"), the sister of Mr. Fan, pursuant to which entire ordinary shares in Ieng Leong, Ieng Weng Company Limited ("Ieng Weng"), Lan Yuan Company Limited ("Lan Yuan") and Sao Wai Investment Company Limited ("Sao Wai Investment") were transferred to Frontline Fashion and Macau Ieng Nam at a nominal amount of MOP24,000 and MOP1,000, respectively, for each of Ieng Leong, Ieng Weng, Lan Yuan and Sao Wai Investment.

As a result, Ieng Leong, Ieng Weng, Lan Yuan and Sao Wai Investment are owned as to 96% and 4% by Frontline Fashion and Macau Ieng Nam, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Cont'd)

1.2 History and reorganisation of the Group (Cont'd)

Acquisition by World First International

On 23 July 2019, World First International entered into a sale and purchase agreement with Mr. Fan, pursuant to which 4% of the ordinary shares in Macau Ieng Kun Company Limited ("Macau Ieng Kun") were transferred to World First International at a nominal amount of MOP1,000.

As a result, Macau Ieng Kun is owned as to 96% and 4% by NB China Limited ("NB China") and World First International, respectively, and an indirect wholly-owned subsidiary of the Company.

Acquisitions by Frontline Fashion and Fortune Fashion

On 23 July, 2019, Frontline Fashion and Fortune Fashion entered into a sale and purchase agreement with Mr. Fan and Ms. PY Fan, pursuant to which (i) Mr. Fan transferred 79% and 20% of the shares capital in Macau Ieng Nam to Frontline Fashion and Fortune Fashion at a nominal amount of MOP79,000 and MOP20,000, respectively and (ii) Ms. PY Fan transferred 1% of the shares capital in Macau Ieng Nam to Fortune Fashion at a nominal amount of MOP1,000.

As a result, Macau Ieng Nam is owned as to 79% and 21% by Frontline Fashion and Fortune Fashion, respectively, and an indirect wholly-owned subsidiary of the Company. In addition, Ieng Leong, Ieng Weng, Lan Yuan and Sao Wai Investment became an indirect wholly-owned subsidiary of the Company.

1.3 Basis of presentation

The companies now comprising the Group, engaging in the Business, were under common control of Mr. Fan, the controlling shareholder, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control.

The consolidated financial statement have been prepared by including the financial statements of the companies engaged in the Business, under the common control of Mr. Fan immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the all periods presented, or since the date when the combining companies first came under the control of Mr. Fan, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from Mr. Fan's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statement are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with IFRS and HKCO

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

(ii) Historical cost convention

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

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

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments
- Definition of Material – Amendments to IAS 1 and IAS 8

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

The Group has elected to early apply IFRS 16 consistently throughout the years ended 31 December 2019 and 2018.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Subsidiaries

2.2.1 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.

(a) Business combination

The Group applies the acquisition method to account for business combinations except for business combination under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquire at the acquisition date is remeasured to fair value at the acquisition date; any gain or loss arising from such remeasurement is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Subsidiaries (Cont'd)

2.2.1 Consolidation (Cont'd)

(a) Business combination (Cont'd)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets of the business acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

An acquisition of a business which is a business combination under common control is accounted for in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the parent to the business combination with all periods presented as if the operations of the Group and the business acquired have always been combined. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity.

(b) Changes in ownership interests without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transaction – that is, as transactions with equity owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

2.2.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("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.

2.4 Foreign currency translation

2.4.1 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 Renminbi ("RMB"), Macau Patacas ("MOP") and HKD as their functional currency, respectively.

2.4.2 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 statements of profit or loss.

2.4.3 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.5 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 statements of profit or loss during the periods in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

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.

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 2.7).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.6 Intangible assets

(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.

The Group amortises most 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.

2.7 Impairment of non-financial assets

Assets that are subject to amortisation 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 flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.8 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 fair value through other comprehensive income (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 fair value through profit or loss (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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.8 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.8 Financial assets (Cont'd)

(iv) Impairment of financial assets

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 deposit

– amount due from related parties

– restricted cash

– cash and cash equivalents

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. Note 3.1.2 details how the Group determines 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 amount 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.8 Financial assets (Cont'd)

(v) Derecognition of financial instruments

Financial assets

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

– the carrying amount of the financial asset transferred; and

– the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

Other financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, canceled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 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.

2.11 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 2.8 for a description of the Group's impairment policy for trade and other receivables.

2.12 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.

2.13 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.14 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.

2.15 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.16 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.

2.16.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting dates in the countries where the Company's subsidiaries 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Current income tax recoverables which could not be offset against current income tax liabilities of another entity were presented under current assets.

2.16.2 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 substantially 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.

2.16.3 Offsetting

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.17 Employee benefits

2.17.1 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.

2.17.2 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.

2.17.3 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 statements of financial position.

2.17.4 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.

2.17.5 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.18 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.

2.19 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.

(a) 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.

(b) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.19 Revenue recognition (Cont'd)

(b) Sales of goods – wholesale (Cont'd)

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.

(c) 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.

2.20 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.21 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.22 Subsidies and rebates from suppliers, franchisers and shopping malls

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.

Subsidies from the franchisers for reimbursement of rental and stores decoration without any commitment of future purchases from franchisers 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.

2.23 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The subsequent changes in fair value are recognised in profit or loss as no derivative is designated as a hedging instrument.

2.24 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
- 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.24 Leases (Cont'd)

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.

2.25 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.26 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 statements of profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property and equipment, and other non-current assets are included in the current liabilities and are credited to consolidated statements of profit or loss on a straight-line basis over the expected lives of the related assets.

2.27 Investment in insurance contract

The management life insurance contracts of the Group include both investment and insurance elements. The investment insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the corresponding insurance contract (cash surrender value) at the end of each reporting period, with changes in value being recognised in profit or loss.

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.

3.1.1 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 PRC is RMB and the subsidiaries operate in Macau is 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 PRC operate mainly in 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 USD and EUR. For the years ended 31 December 2019, 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 HKD1,239,000 higher/lower(2018: HKD825,000 higher/lower), and HKD552,476 higher/lower (2018: HKD1,737,000 higher/lower), respectively, mainly as a result of foreign exchange gains/losses on translation of USD-denominated and EUR-denominated borrowings, accounts payable and cash and cash equivalents.

The Group did not hedge against any fluctuation in foreign currencies during the years ended 31 December 2018 and 2019.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

3.1.1 Market risk (Cont'd)

(ii) Cash flow and fair value interest rate risk (Cont'd)

For the years ended 31 December 2018 and 2019, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the post-tax profit would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year end 31 December	
	2019	2018
	HKD'000	HKD'000
(Decrease)/increase in post-tax profit		
– 0.5% higher	**(949)**	(733)
– 0.5% lower	**949**	733

The interest rates and terms of repayment of borrowings of the Group are disclosed in Note 27.

3.1.2 Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, amount due from related parties as well as trade and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, deposits 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.

The Group has policies in place to ensure that receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Credit quality is assessed, which takes into account of their financial position, past experience and other forward looking factors. The Group is not exposed to significant credit risk as all the counterparties are large shopping malls and credit card companies where the Company operates its stores and settles its funds.

For other receivables and amount due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and amount 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 amount due from related parties.

The expected credit loss rate for financial assets measured at amortised cost is close to zero considering both historical and forwarding-looking information as explained in Note 20 and Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

3.1.3 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 to meet the Group's liquidity requirements.

The table below set 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.

Group

	Less than one year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total	Carrying amount
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
As of 31 December 2019						
Trade and other payables (excluding other taxes payable, salaries payable)	**164,111**	**3,627**	**2,157**	**–**	**169,895**	**169,895**
Amount due to related parties	**134,292**	**–**	**–**	**–**	**134,292**	**134,292**
Borrowings	**103,061**	**25,533**	**70,179**	**90,846**	**289,619**	**254,097**
Lease liabilities	**206,153**	**119,923**	**98,912**	**–**	**424,988**	**403,195**
As of 31 December 2018						
Trade and other payables (excluding other taxes payable, salaries payable)	148,795	12,349	7,345	–	168,489	168,489
Amount due to related parties	157,399	–	–	–	157,399	157,399
Borrowings	79,703	19,155	61,588	78,914	239,360	210,328
Lease liabilities	169,905	112,813	124,871	2,964	410,553	383,784

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 shareholder, 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 loan from related parties less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debts. For the years ended 31 December, 2018 and 2019, the gearing ratio of the Group were as follows:

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Net debt *(Note 35)*	**675,053**	625,580
Total capital	**913,113**	829,251
Gearing ratio	**74%**	75%

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 2018**	Level 3 HKD'000
Financial liabilities	
Financial liabilities at fair value through profit or loss	11,630

Recurring fair value measurements **At 31 December 2019**	**Level 3** **HKD'000**
Financial liabilities	
Financial liabilities at fair value through profit or loss	**5,883**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 *Fair value estimation (Cont'd)*

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices
- the Monte Carlo simulation
- 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 2018 and 2019:

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
At the beginning of the year	**11,630**	10,733
Change in fair value *(Note 7)*	**(5,747)**	897
At the end of the year	**5,883**	11,630
Total	**5,883**	11,630
Net unrealised (gains)/losses for the year	**(5,747)**	897

(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 and financial liabilities 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 or liability.
- Enterprise value (EV)/Earnings before interest, taxes, depreciation and amortisation (EBITDA) multiples are based on the information of comparable companies.
- Drift rates of EBITDA multiples are estimated based on the entity's knowledge of the business and how the current economic environment is likely to impact it.
- EBITDA multiples and EBITDA volatilities are based on the respective historical measures of comparable companies.

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

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see (ii) above for the valuation techniques adopted):

Description	Fair value at 31 December		Unobservable inputs	As at 31 December		Relationship of unobservable inputs to fair value	Sensitivity analysis
	2019	2018		**2019**	2018		
	HKD'000	HKD'000		**HKD'000**	HKD'000		
Financial liabilities at fair value through profit/loss	**5,883**	11,630	Discount rate	**15%**	16%	The higher the discount rate, the lower the fair value.	As at 31 December 2019, an increase in the discount rate by 100 bps would decrease the FV by HKD231,000. (2018: HKD567,000) As at 31 December 2019, a decrease in the discount rate by 100 bps would increase the FV by HKD240,000. (2018: HKD596,000)
			Annualized EBITDA Drift	**10%**	10%	The higher the annualized EBITDA Drift, the higher the fair value.	As at 31 December 2019, an increase in the annualized EBITDA drift by 5% would increase the FV by HKD1,350,000. (2018: HKD3,929,000) As at 31 December 2019, a decrease in the annualized EBITDA drift by 5% would decrease the FV by HKD1,012,000. (2018: HKD3,398,000)

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 (Cont'd)

Description	Fair value at 31 December		Unobservable inputs	As at 31 December		Relationship of unobservable inputs to fair value	Sensitivity analysis
	2019	2018		**2019**	2018		
	HKD'000	HKD'000		**HKD'000**	HKD'000		
			EV/EBITDA multiple	**6.0**	7.0	The higher the EV/ EBITDA multiple, the higher the fair value.	As at 31 December 2019, an increase in the EV/ EBITDA multiple by 1.0 would increase the FV by HKD1,136,000. (2018: HKD2,341,000)
							As at 31 December 2019, a decrease in the EV/ EBITDA multiple by 1.0 would decrease the FV by HKD1,183,000. (2018: HKD1,836,000)
			EV/EBITDA volatility	**25%**	25%	The higher the EV/ EBITDA volatility, the higher the fair value.	As at 31 December 2019, an increase in the EV/ EBITDA volatility by 10% would increase the FV by HKD84,000. (2018: HKD390,000)
							As at 31 December 2019, a decrease in the EV/ EBITDA volatility by 10% would decrease the FV by HKD108,000. (2018: HKD635,000)

Note: the EBITDA volatility is not a sensitive input.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(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 judgment 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 retails 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)

(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.

(d) Fair value measurement of financial instruments

The fair value assessment of financial instruments that are measured at level 3 fair value hierarchy requires significant estimates, which include annualised EBITDA drift, annualised EBITDA volatility, EV/EBITDA multiple, EV/EBITDA volatility, discount rate and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these financial instruments.

5 SEGMENT INFORMATION

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Cont'd)

The segment information for the years ended 31 December 2018 and 2019 are as follows:

	Year ended 31 December 2019			
	Mainland China HKD'000	Macau HKD'000	HK and others HKD'000	Total HKD'000
Segment revenue	586,185	872,563	142,014	1,600,762
Inter-segment revenue	(14,699)	(3,498)	(68,748)	(86,945)
Revenue from external customers	571,486	869,065	73,266	1,513,817
Cost of sales	(314,474)	(380,870)	(30,606)	(725,950)
Selling and marketing expenses	(213,251)	(337,051)	(45,816)	(596,118)
Segment result	43,761	151,144	(3,156)	191,749
General and administrative expenses				(128,943)
Other income				8,745
Other gains				8,934
Finance income				380
Finance costs				(32,033)
Finance costs – net				(31,653)
Profit before income tax expenses				48,832
Income tax expense				(11,061)
Profit for the year				37,771
Depreciation and amortisation	(85,767)	(175,556)	(27,865)	(289,188)
Provision for impairment of property, plant and equipment and right-of-use assets	(5,245)	(2,022)	(116)	(7,383)
Reversal/(provision) for impairment of inventories	2,327	392	(139)	2,580
Segment non-current assets	144,838	460,225	38,088	643,151
Segment current assets	251,713	364,456	49,046	665,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Cont'd)

	Year ended 31 December 2018			
	Mainland China HKD'000	Macau HKD'000	HK and others HKD'000	Total HKD'000
Segment revenue	517,410	776,394	131,918	1,425,722
Inter-segment revenue	(10,906)	(2,137)	(67,814)	(80,857)
Revenue from external customers	506,504	774,257	64,104	1,344,865
Cost of sales	(273,506)	(311,212)	(29,792)	(614,510)
Selling and marketing expenses	(183,693)	(299,339)	(26,353)	(509,385)
Segment result	49,305	163,706	7,959	220,970
General and administrative expenses				(74,614)
Other income				8,225
Other losses – net				(3,165)
Finance income				324
Finance costs				(25,166)
Finance costs – net				(24,842)
Profit before income tax expenses				126,574
Income tax expense				(17,997)
Profit for the year				108,577
Depreciation and amortisation	(54,350)	(154,608)	(21,053)	(230,011)
Provision for impairment of property, plant and equipment and right-of-use assets	(1,898)	(2,932)	–	(4,830)
Reversal/(provision) of impairment of inventories	(753)	1,013	–	260
Segment non-current assets	131,533	390,891	33,681	556,105
Segment current assets	249,118	381,895	35,726	666,739

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Cont'd)

(a) Revenue by business line and nature

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
Retail	**1,425,489**	1,278,616
Store management and consignment service	**63,953**	29,256
Wholesale	**24,375**	36,993
Total	**1,513,817**	1,344,865

(b) Timing of Revenue Recognition

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
Revenue at a point in time	**1,449,864**	1,315,609
Revenue over time	**63,953**	29,256
Total	**1,513,817**	1,344,865

(c) Information about major customers

No individual customer's revenue amounted to 10% or more of the Group's total revenue.

(d) Information about unsatisfied performance obligation

As disclosed in Note 2.19(c)., 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	
	2019	2018
	HKD'000	HKD'000
Government grants	**252**	258
Sale of exhibition materials	**203**	2,067
Subsidy from franchisor on operating loss (a)	**7,783**	3,761
Compensation for delayed opening of stores (b)	**–**	2,139
Others	**507**	–
	8,745	8,225

(a) In 2018 and 2019, a franchiser of the Group agreed to grant certain amount of subsidies to the Group in relation to the operating loss of two stores which were transferred from the franchiser for the purpose of maintaining long term cooperation relationship.

(b) In 2017, three subsidiaries of the Group signed store opening agreements with a shopping mall landlord, which states if the opening date of the eight stores to be opened occurs later than 31 July 2017, the shopping mall landlord agrees to compensate the Group. These eight stores were finally opened in February 2018 and thus the shopping mall landlord agreed to compensate the Group a total amount of MOP9,906,000 (equivalent to HKD9,618,000).

7 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
Net changes in cash surrender value of investment in insurance contracts *(Note 16)*	**1,105**	1,068
Elimination of liabilities (a)	**6,392**	–
Gains on the derecognition of right-of-use assets and lease liabilities	**768**	1,287
Donation	**(1,304)**	–
Exchange losses	**(2,608)**	(4,612)
Fair value gains/(losses) on financial liabilities at fair value through profit or losses	**5,747**	(897)
Net loss on disposal of property, plant and equipment	**(986)**	(1,077)
Others	**(180)**	1,066
	8,934	(3,165)

(a) It represents the gains by elimination of contract liabilities because the counterparty has closed and its legal rights of resources have expired and gains by the remission of other payables –operating support fund from landlord.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
Change in inventories	**668,570**	587,933
Depreciation of right-of-use assets (*Note 14)*	**225,291**	175,752
Employee benefit expenses (*Note 9)*	**254,472**	201,108
Depreciation of property, plant and equipment (*Note 13)*	**60,445**	49,637
Operating lease expenses (*Note 14)*	**69,424**	60,026
Utilities and electricity expenses	**27,930**	25,729
Property management fee	**18,133**	18,149
Advertising and promotion expenses	**19,447**	12,025
Payment processing fee	**13,563**	10,605
Labour cost	**12,408**	10,126
Reversal of inventories impairment	**(2,580)**	(260)
Travelling, entertainment and communication expenses	**10,733**	8,559
Impairment loss on property, plant and equipment (*Note 13)*	**4,843**	3,584
Repair and maintenance	**3,731**	2,840
Amortisation of intangible assets (*Note 15)*	**3,452**	4,622
Delivery expenses	**6,029**	6,099
Office expenses	**2,520**	3,078
Impairment loss on right-of-use assets (*Note 14)*	**2,540**	1,246
Professional service fees	**2,642**	873
Auditor's remuneration	**2,611**	378
Listing expenses	**27,393**	2,112
Other expenses	**17,414**	14,288
	1,451,011	1,198,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
Salaries, wages and bonuses	**224,856**	178,569
Other social security costs, housing benefits and other employee benefits	**14,911**	11,573
Pension costs – defined contribution plan	**14,705**	10,966
	254,472	201,108

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 include three (2018: four) directors whose emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining two (2018: one) individuals during the year are as follows:

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**1,961**	1,231
Contribution to pension scheme	**22**	20
Total	**1,983**	1,251

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2019	2018
HKD0–500,000	**–**	–
HKD500,001–1,000,000	**2**	–
HKD1,000,001–1,500,000	**–**	1
	2	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
Finance income		
– Interest income	**380**	324
Finance expenses		
– Interest and finance charges paid/payable for lease liabilities	**(18,392)**	(15,048)
– Other interest expense	**(13,641)**	(10,118)
	(32,033)	(25,166)
Finance expenses – net	**(31,653)**	(24,842)

11 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
Current income tax	**12,633**	17,608
Deferred income tax related to the temporary differences *(Note 17)*	**(1,572)**	389
	11,061	17,997

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

The entities within the Group incorporated and operated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the years ended 31 December 2018 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE (Cont'd)

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

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 2018 and 2019.

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 2018 and 2019.

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 2019.

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.

During the years ended 31 December 2018 and 2019, Yingliang Trading (Shenzhen) Co., Ltd is the only PRC subsidiary with unremitted earnings whose distribution to owners is subject to withholding tax of 5% and deferred tax liabilities are fully provided on the unremitted earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE (Cont'd)

(b) Numerical reconciliation of income tax expense

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
Profit before income tax	**48,832**	126,574
Tax calculated at applicable statutory tax rate of respective entities	**9,517**	15,604
Effect of progressive tax rate before statutory tax rate	**(69)**	(69)
Tax preference	**(1,022)**	(449)
Withholding income tax on the profits to be distributed by the group companies in the mainland China	**289**	(165)
Tax effect of unrecognised tax losses	**542**	514
Utilisation of previously unrecognised tax losses	**–**	(8)
Items not deductible for tax purposes	**1,804**	2,570
Income tax expense	**11,061**	17,997

Items not deductible for tax purposes mainly includes the provision of outstanding social security and housing provident fund and impairment and disposal loss of inventories and properties without declaration.

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 2018 and 2019.

12 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Year ended 31 December	
	2019	2018
Profit attributable to equity holders of the Company (HKD'000)	**37,170**	103,941
Weighted average number of ordinary shares in issue	**300,000,000**	300,000,000
Basic earnings per share (HKD) *(Note)*	**0.12**	0.35

Note: Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. The weighted average number of shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation and the effect of the capitalisation of reserves in January 2020.

(b) No diluted earnings 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	Leasehold improvements	Vehicle	Office furniture and equipment	Computer and electronic equipment	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At 31 December 2017						
Cost	17,324	201,205	4,404	20,346	7,324	250,603
Accumulated depreciation and impairment provision	(1,911)	(120,997)	(2,733)	(13,155)	(4,960)	(143,756)
Net book amount	15,413	80,208	1,671	7,191	2,364	106,847
Year ended 31 December 2018						
Opening net book amount	15,413	80,208	1,671	7,191	2,364	106,847
Additions	–	55,050	332	4,931	1,189	61,502
Depreciation	(315)	(43,145)	(555)	(4,280)	(1,342)	(49,637)
Impairment provision	–	(2,802)	–	(731)	(51)	(3,584)
Exchange differences	–	(1,556)	–	(291)	(31)	(1,878)
Disposals	–	(1,071)	(159)	(104)	(4)	(1,338)
Net book amount	15,098	86,684	1,289	6,716	2,125	111,912
At 31 December 2018						
Cost	17,324	230,864	4,084	21,833	7,974	282,079
Accumulated depreciation and impairment provision	(2,226)	(144,180)	(2,795)	(15,117)	(5,849)	(170,167)
Net book amount	15,098	86,684	1,289	6,716	2,125	111,912
Year ended 31 December 2019						
Opening net book amount	**15,098**	**86,684**	**1,289**	**6,716**	**2,125**	**111,912**
Additions	**66,253**	**50,264**	**361**	**2,668**	**4,843**	**124,389**
Depreciation	**(1,419)**	**(52,973)**	**(427)**	**(3,918)**	**(1,708)**	**(60,445)**
Impairment provision	**–**	**(4,417)**	**–**	**(400)**	**(26)**	**(4,843)**
Exchange differences	**–**	**(692)**	**–**	**(87)**	**(62)**	**(841)**
Disposals	**–**	**(1,711)**	**(223)**	**(38)**	**(9)**	**(1,981)**
Net book amount	**79,932**	**77,155**	**1,000**	**4,941**	**5,163**	**168,191**
At 31 December 2019						
Cost	**83,577**	**275,064**	**4,128**	**22,070**	**12,525**	**397,364**
Accumulated depreciation and impairment provision	**(3,645)**	**(197,909)**	**(3,128)**	**(17,129)**	**(7,362)**	**(229,173)**
Net book amount	**79,932**	**77,155**	**1,000**	**4,941**	**5,163**	**168,191**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

As at 31 December 2019, 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 HKD4,843,000. (2018: HKD3,584,000).

As at 31 December 2019, a building with carrying amount of approximately HKD62,365,000 is pledged for first mortgage of bank borrowings (2018: Nil).

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

	Years ended 31 December	
	2019	2018
	HKD'000	HKD'000
Selling and marketing expenses	**55,892**	45,027
Administrative expenses	**4,553**	4,610
	60,445	49,637

14 RIGHT-OF-USE ASSETS

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Retail stores	**360,617**	334,139
Vehicle	**2,734**	1,302
Office	**11,602**	14,114
	374,953	349,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Retail stores HKD'000	Vehicle HKD'000	Office HKD'000	Total HKD'000
At 31 December 2017				
Cost	624,319	2,574	34,229	661,122
Accumulated depreciation and impairment	(341,192)	(1,203)	(13,255)	(355,650)
Net book amount	283,127	1,371	20,974	305,472
Year ended 31 December 2018				
Opening net book amount	283,127	1,371	20,974	305,472
Additions	228,813	766	–	229,579
Depreciation	(168,251)	(835)	(6,666)	(175,752)
Provision for impairment loss	(1,246)	–	–	(1,246)
Early termination of lease contracts	(5,325)	–	–	(5,325)
Exchange differences	(2,979)	–	(194)	(3,173)
Closing net book amount	334,139	1,302	14,114	349,555
At 31 December 2018				
Cost	654,616	3,341	31,238	689,195
Accumulated depreciation and impairment	(320,477)	(2,039)	(17,124)	(339,640)
Net book amount	334,139	1,302	14,114	349,555
Year ended 31 December 2019				
Opening net book amount	**334,139**	**1,302**	**14,114**	**349,555**
Additions	**259,955**	**2,938**	**2,998**	**265,891**
Depreciation	**(218,838)**	**(1,366)**	**(5,087)**	**(225,291)**
Provision for impairment loss	**(2,540)**	**–**	**–**	**(2,540)**
Early termination of lease contracts	**(10,515)**	**(140)**	**(330)**	**(10,985)**
Exchange differences	**(1,584)**	**–**	**(93)**	**(1,677)**
Closing net book amount	**360,617**	**2,734**	**11,602**	**374,953**
At 31 December 2019				
Cost	**666,175**	**4,414**	**30,092**	**700,681**
Accumulated depreciation and impairment	**(305,558)**	**(1,680)**	**(18,490)**	**(325,728)**
Net book amount	**360,617**	**2,734**	**11,602**	**374,953**

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:

	Years ended 31 December	
	2019	2018
	HKD'000	HKD'000
Expense relating to variable lease payments not included in lease liabilities *(Note 8)*	**69,424**	60,026
Depreciation charge of right-of-use assets	**225,291**	175,752
Interest expenses (included in finance cost) *(Note 10)*	**18,392**	15,048

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. The lease agreements do not impose any covenants, but 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 2019 would increase total lease payments by approximately HKD3,328,000, respectively (2018: HKD3,001,000).

The total cash outflows for leases payment including lease liabilities, interest expenses on leases and variable lease payment, for the years ended 31 December 2019 were HKD315,772,000, respectively (2018: HKD240,244,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS

	Software HKD'000	License rights HKD'000	Total HKD'000
At 31 December 2017			
Cost	1,573	16,931	18,504
Accumulated amortisation	(623)	(9,164)	(9,787)
Net book amount	950	7,767	8,717
Year ended 31 December 2018			
Opening net book amount	950	7,767	8,717
Additions	494	2,516	3,010
Amortisation	(227)	(4,395)	(4,622)
Exchange differences	(54)	–	(54)
Net book amount	1,163	5,888	7,051
At 31 December 2018			
Cost	1,977	19,447	21,424
Accumulated amortisation	(814)	(13,559)	(14,373)
Net book amount	1,163	5,888	7,051
Year ended 31 December 2019			
Opening net book amount	**1,163**	**5,888**	**7,051**
Additions	**3,800**	**1,200**	**5,000**
Amortisation	**(402)**	**(3,050)**	**(3,452)**
Exchange differences	**36**	**–**	**36**
Net book amount	**4,597**	**4,038**	**8,635**
At 31 December 2019			
Cost	**5,790**	**10,702**	**16,492**
Accumulated amortisation	**(1,193)**	**(6,664)**	**(7,857)**
Net book amount	**4,597**	**4,038**	**8,635**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS (Cont'd)

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

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
Cost of sales	**3,050**	4,395
Administrative expenses	**402**	227
	3,452	4,622

16 INVESTMENT IN INSURANCE CONTRACT

	Investment in insurance contract
	HKD'000
Balance as at 1 January 2018	29,199
Foreign exchange gain	140
Net increase in cash surrender value credited to profit or loss	1,068
Balance as at 31 December 2018	30,407
Foreign exchange loss	(157)
Net increase in cash surrender value credited to profit or loss	1,105
Balance as at 31 December 2019	31,355

The investment in insurance contract represents 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 USD 4million (equivalent to approximately HKD31 million). It is 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 USD 11,200,000. A guaranteed minimum crediting rate of 2% applies to the insurance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 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	
	2019	2018
	HKD'000	HKD'000
Deferred income tax assets		
– to be recovered after more than 12 months	**10,909**	10,182
– to be recovered within 12 months	**4,847**	2,853
	15,756	13,035
Deferred income tax liabilities		
– to be recovered after more than 12 months	**2,415**	1,493
– to be recovered within 12 months	**508**	125
	2,923	1,618
	12,833	11,417

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

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
At beginning of the year	**11,417**	12,222
Credited/(charged) to consolidated statement of profit or loss *(Note 11)*	**1,572**	(389)
Exchange differences	**(156)**	(416)
At end of the year	**12,833**	11,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 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 HKD'000	Inventory-provision HKD'000	Other current/ non-current liabilities HKD'000	Lease liabilities HKD'000	Tax losses HKD'000	Legal provision HKD'000	Total HKD'000
At 1 January 2018	727	2,860	577	50,703	2,445	510	57,822
(Charge)/credit to consolidated statement of profit or loss	(727)	196	2,208	6,670	(1,156)	–	7,191
Exchange differences	–	(139)	(110)	(881)	(69)	(23)	(1,222)
At 31 December 2018	–	2,917	2,675	56,492	1,220	487	63,791
(Charge)/credit to consolidated statement of profit or loss	**–**	**(961)**	**3,205**	**4,454**	**1,463**	**–**	**8,161**
Exchange differences	**–**	**(43)**	**(124)**	**(480)**	**(56)**	**(12)**	**(715)**
At 31 December 2019	**–**	**1,913**	**5,756**	**60,466**	**2,627**	**475**	**71,237**

Deferred income tax liabilities

	Withholding tax on undistributed profits HKD'000	Right-of-use assets HKD'000	Depreciation and amortisation HKD'000	Total HKD'000
At 1 January 2018	537	45,063	–	45,600
(Credited)/charge to consolidated statement of profit or loss	(165)	6,437	1,308	7,580
Exchange differences	(17)	(744)	(45)	(806)
At 31 December 2018	355	50,756	1,263	52,374
Charge to consolidated statement of profit or loss	**289**	**5,142**	**1,158**	**6,589**
Exchange differences	**(101)**	**(417)**	**(41)**	**(559)**
At 31 December 2019	**543**	**55,481**	**2,380**	**58,404**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 DEFERRED INCOME TAX (Cont'd)

Deferred income tax liabilities (Cont'd)

The Group has the following unrecognised tax losses:

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Unused tax losses for which no deferred tax asset has been recognised – without expiration date	**18,828**	16,515
Unused tax losses for which no deferred tax asset has been recognised – with expiration date	**1,617**	282
Potential tax benefit	**3,302**	2,760

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

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
2021	**282**	282
2022	**1,335**	–
	1,617	282

18 INVENTORIES

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Fashion wears and accessories	**407,169**	369,376
Less: provision for impairment	**(23,338)**	(27,612)
	383,831	341,764
Inventory measured at cost	**335,228**	310,719
Inventory measured at net realisable value	**48,603**	31,045
	383,831	341,764

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

For the years ended 31 December 2019, the cost of inventories recognised as expense and included in "cost of sales" amounted to HKD665,990,000. (2018: HKD587,673,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As of 31 December	
		2019	2018
	Notes	**HKD'000**	HKD'000
Financial assets			
Financial assets at amortised cost			
Trade receivable	*20*	**70,494**	66,846
Amount due from related parties	*36*	**–**	24,267
Other receivables and deposit (excluding value-added tax recoverable)	*22*	**77,272**	64,083
Cash and cash equivalents	*23*	**72,605**	85,731
Restricted cash		**37,908**	35,927
		258,279	276,854
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables (excluding other taxes payable, salaries payable)	*32*	**169,895**	168,489
Amount due to related parties	*36*	**134,292**	157,399
Borrowings	*27*	**254,097**	210,328
Lease liabilities	*28*	**403,195**	383,784
		961,479	920,000
Financial liabilities at fair value			
Financial liabilities at fair value through profit or loss		**5,883**	11,630
		967,362	931,630

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

20 TRADE RECEIVABLE

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Trade receivables		
Due from third parties	**70,494**	66,846
Less: provision for impairment of trade receivables	**–**	–
Net trade receivables	**70,494**	66,846

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivable. The directors of the Company consider the credit risk of trade receivables are low and the impairment provision of trade receivables is insignificant and almost no credit loss is expected after taking into consideration that: (i) all of the receivables are due from shopping malls who would centrally collect all the revenue and settle with the Company quarterly or credit card companies with good reputation; (ii) no significant receivable is beyond the settlement credit period; (iii) the Group has no default history with the shopping malls and (iv) available reasonable and supportive forwarding-looking information shows low risk of default.

Trade receivables are denominated in the following currencies:

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
RMB	**49,612**	47,455
MOP	**15,020**	12,395
HKD	**3,258**	6,996
TWD	**2,604**	–
	70,494	66,846

The credit terms of trade receivables granted by the Group are generally 1–3 months. For the years ended 31 December 2018 and 2019, the ageing analysis of the trade receivables based on invoice date is as follows:

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Within 3 months	**69,960**	65,265
Over 3 months and within 6 months	**278**	1,062
Over 6 months and within 1 year	**256**	519
Over 1 year	**–**	–
	70,494	66,846

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

21 PREPAYMENTS

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Included in current assets		
– Prepayments to supplier	**37,099**	55,412
– Capitalised listing expense	**8,178**	594
– Other prepayments	**8,741**	3,795
	54,018	59,801
Included in non-current assets		
– Prepayments for leasehold improvement and furniture	**1,306**	5,036
– Prepayments for buildings	**–**	15,783
	1,306	20,819
	55,324	80,620

22 OTHER RECEIVABLES AND DEPOSIT

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Included in current assets		
– Rental deposits	**12,181**	21,098
– Value-added tax recoverable	**12,042**	11,646
– Compensation receivables (a)	**9,618**	9,618
– Staff advance	**875**	1,019
– Construction allowance receivables (b)	**4,904**	6,500
– Others	**6,739**	2,522
	46,359	52,403
Included in non-current assets		
– Rental deposits	**42,955**	23,326
	89,314	75,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 OTHER RECEIVABLES AND DEPOSIT (Cont'd)

(a) In 2017, three subsidiaries of the Group signed store opening agreements with a shopping mall landlord, which states if the opening date of the eight stores to be opened occurs later than 31 July 2017 due to the landlord's reason, the landlord would compensate the Group according to an agreed calculation method. These eight stores were finally opened in February 2018 and the shopping mall landlord initially agreed to compensate the Group a total amount of MOP 9,906,000 (equivalent to HKD 9,618,000) which is below the contract agreed compensation amount. After further negotiation, the landlord agree to raise the compensation but with additional conditions. The Group is still negotiating with the landlord on the compensation amount and the additional conditions up to date of the financial statement. The directors of the Company consider the credit risk of the amount booked is low.

(b) In December 2017, Ieng Leong, a subsidiary of the Group came into an agreement with a land lord according to which Ieng Leong is entitled to the reimbursement of the costs for the total base building related works and fit-out works required to be carried out by Ieng Leong in respect of a shop or an amount up to HKD6,500,000, whichever is lower.

In January 2020, the Group has received a construction valuation report from the landlord, claiming the reimbursement amount shall be approximately HKD4,904,000. In order to accelerate the collection, the Group agreed with the lower claim in March 2020.

The directors of the Company consider the credit risk of other receivables are low and the impairment provision of other receivables is insignificant and almost no credit loss is expected after taking into consideration that: (i) rental deposits will be refunded once the related rental contracts expire; (ii) the third party has good credit level and no history of default; and (iii) the Group has no significant default history on staff advances and those staff are all still employees servicing the Group.

Other receivables and deposit in non-current portion mainly include deposits for stores leasing. The terms of stores leasing are normally more than one year.

23 CASH AND CASH EQUIVALENTS

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Cash at bank and in hand	**72,605**	85,731

Cash and cash equivalents are denominated in the following currencies:

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
HKD	**21,625**	35,479
RMB	**33,900**	34,240
MOP	**16,092**	14,841
EUR	**163**	998
USD	**314**	49
TWD	**511**	124
	72,605	85,731

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 RESTRICTED CASH

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Restricted cash	**37,908**	35,927

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.

Cash at bank of RMB 1,753,000 (equivalent to HKD 2,044,000) were frozen in May 2019 due to a litigation property preservation upheld by the court (Note 29) and is accounted for as restricted cash as at 31 December 2019.

25 SHARE CAPITAL

	Number of shares	Nominal value of shares HKD'000	Share premium HKD'000
Ordinary shares issued and fully paid:			
As at 1 January 2018 and 31 December 2018	–	–	–
At 16 May 2019 (date of incorporation)	1	–	–
Issuance of ordinary shares in relation to the Reorganisation of the Group	599	–	691,000
As at 31 December 2019	**600**	**–**	**691,000**

On 16 May 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HKD380,000 divided into 38,000,000 shares with a par value of HKD0.01 each. On the date of incorporation, one share was allotted and issued at par to the initial subscriber (a company secretarial service provider), which was subsequently transferred to Gold Star on the same day at par. On 5 July 2019, such one share was credited as fully paid.

On 2 July 2019, the Company issued and allotted 200 shares to Gold Star pursuant to the Reorganisation (Note 1.2). On 3 July 2019, the Company issued and allotted 399 shares to Gold Star pursuant to the Reorganisation (Note 1.2).

On 17 December 2019, the authorised share capital of the Company was increased from HKD380,000 divided into 38,000,000 shares of a par value of HKD0.01 each to HKD100,000,000 divided into 10,000,000,000 shares of a par value of HKD0.01 each by the creation of an additional 9,962,000,000 new shares of a par value of HKD0.01 each, each ranking pari passu in all respects with the shares in issue.

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.

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

26 RESERVES

	Capital reserve HKD'000	Statutory reserve HKD'000	Currency translation differences HKD'000	Total HKD'000
At 31 December 2017	108,194	1,556	(4,499)	105,251
Transfer to statutory reserves (a)	–	376	–	376
Currency translation differences	–	–	(5,390)	(5,390)
At 31 December 2018	108,194	1,932	(9,889)	100,237
At 1 January 2019	**108,194**	**1,932**	**(9,889)**	**100,237**
Capital injection from equity holders	**10**	**–**	**–**	**10**
Transfer to statutory reserves (a)	**–**	**668**	**–**	**668**
Effect of Reorganisation	**(691,000)**	**–**	**–**	**(691,000)**
Currency translation differences	**–**	**–**	**(2,447)**	**(2,447)**
At 31 December 2019	**(582,796)**	**2,600**	**(12,336)**	**(592,532)**

(a) 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

27 BORROWINGS

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Non-current		
Bank loans (a)	**156,408**	133,112
Current		
Bank loans (a)	**52,187**	58,037
Letter of credit loans (b)	**45,502**	19,179
	97,689	77,216
	254,097	210,328

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

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Guaranteed by Mr. Fan and pledged by his properties	**66,443**	60,764
Guaranteed by Mr. Fan and pledged by his properties and time deposit	**22,590**	19,179
Guaranteed by Mr. Fan and pledged by his properties, time deposit and insurance contract *(Note 16)*	**119,312**	130,385
Pledged by buildings *(Note 13)*	**45,752**	–
	254,097	210,328

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

(c) The Group's bank borrowings for the years ended 31 December 2018 and 2019 are denominated in the following currencies:

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
RMB	**29,708**	40,778
HKD	**190,056**	141,141
USD	**23,431**	28,409
EURO	**10,902**	–
	254,097	210,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BORROWINGS (Cont'd)

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

	As of 31 December	
	2019	2018
Bank borrowings	**3.85%**	3.65%

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

	As of 31 December	
	2019	2018
	%	%
Fixed-rate bank borrowings	**4.00–5.88**	4.00–6.18
Floating-rate bank borrowings	**HIBOR+1.75– HIBOR+3.00; LIBOR+1.25– LIBOR+3.00; 3.00–3.88**	HIBOR+1.75– HIBOR+3.00; LIBOR+1.25– LIBOR+3.00; 3.00–3.88

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

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Within 1 year	**97,689**	77,216
Between 1 and 2 years	**22,883**	17,728
Between 2 and 5 years	**61,358**	56,979
Over 5 years	**72,167**	58,405
	254,097	210,328

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 LEASE LIABILITIES

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Current	**179,984**	157,783
Non-current	**223,211**	226,001
	403,195	383,784

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.

29 PROVISIONS

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Non-current		
Make good provision (a)	**2,255**	2,622
Current		
Make good provision (a)	**2,212**	1,758
Legal claim (b)	**1,904**	1,946
	4,116	3,704
	6,371	6,326

(a) 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. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of right-of-use assets and are amortised over the shorter of the term of the lease or the useful life of the assets.

(b) In September 2017, claims were lodged against subsidiaries of the Group made by one shopping mall for violation of retail stores opening agreements. Unfavorable judgements were subsequently handed down against the subsidiaries in September 2018. However, after taking appropriate legal advice, the directors have decided to appeal against the decision. No payment has been made to the claimant pending outcome of the appeal. If upheld, payment of RMB1,705,000 (equivalent to HKD1,904,000) will be required. The recognised provision reflects the directors' best estimate of the most likely outcome.

In April 2019, the claimant applied for litigation property preservations against subsidiaries of the Group. The preservation was upheld by the court and cash at bank of RMB 1,753,000 (equivalent to HKD 2,044,000) were frozen in May 2019 and is thus accounted for as restricted cash as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Call option

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
At the beginning of the year	**11,630**	10,733
Fair value (gains)/losses on the financial liabilities at fair value through profit or losses *(Note 7)*	**(5,747)**	897
At the end of the year	**5,883**	11,630

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.

The fair value of the call option were determined by an independent valuer based on the Monte Carlo Model, with the following key assumption:

	As of 31 December 2019	As of 31 December 2018
Annualised EBITDA drift	**10.00%**	10.00%
Annualised EBITDA volatility	**25.00%**	25.00%
EV/EBITDA multiple	**6**	7
EV/EBITDA volatility	**25.00%**	25.00%
Discount rate	**14.50%**	15.50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 OTHER CURRENT AND NON-CURRENT LIABILITIES

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
At 1 January	**10,700**	3,140
Receipt (a)	**18,486**	10,440
Recognised in consolidated statements of profit or loss	**(5,665)**	(2,849)
Exchange difference	**(499)**	(31)
At 31 December	**23,022**	10,700
Current	**9,451**	4,145
Non-current	**13,571**	6,555

(a) The other current and non-current liabilities are mainly the decoration subsidy received from the franchisors and shopping malls and is amortised on a straight-line basis over the rental periods.

32 TRADE AND OTHER PAYABLES

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Current		
Trade payables (a)	**102,310**	94,101
Salaries payable	**52,123**	42,200
Variable lease payable	**20,478**	25,471
Listing expense payable	**6,221**	–
Other taxes payable	**1,576**	4,595
License fee payable	**2,290**	1,442
Operating support fund	**11,722**	13,353
Renovation service fee payables	**5,268**	3,618
Other payables	**15,822**	10,810
	217,810	195,590
Non-current		
Operating support fund (b)	**5,046**	17,256
License fee payables (c)	**738**	2,192
Other payables	**–**	246
	5,784	19,694
	223,594	215,284

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 TRADE AND OTHER PAYABLES (Cont'd)

(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	
	2019	2018
	HKD'000	HKD'000
Within 3 months	**100,784**	89,595
Over 3 months and within 1 year	**1,526**	4,506
Over 1 year	**–**	–
	102,310	94,101

(b) Operating support fund is provided by the shopping malls for the Group to operate its retail stores. The fund shall be repaid upon the earlier of the date when the store meets specific operating condition agreed and the date when the leases expire.

(c) License fee payables in respect of the acquisition of licence rights are initially recognised at fair value of the consideration given to acquire the licence at the time of the acquisition, which represent the present values of the fixed minimum periodic payments to be made in subsequent years. They are subsequently stated at amortised cost using the effective interest method less amounts paid.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 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.

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Wholesale Contract	**3,203**	1,461

34 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

The dividend in respect of the years ended 31 December 2019 amounting to HKD973,000 (2018: HKD11,298,000) has been approved by the operating entities now comprising the Group and paid in cash in May 2019 (2018: April), respectively to the shareholders.

A final dividend in respect of the year ended 31 December 2019 of HKD0.05 per share, amounting to a total dividend of HKD20,000,000, will be proposed at the forthcoming annual general meeting. The aggregate amount of the proposed dividend expected to be paid is not recognised as a liability at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 NET CASH GENERATED FROM OPERATIONS

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

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
Profit before income tax expense	**48,832**	126,574
Adjustment for:		
Depreciation and amortisation *(Note 8)*	**289,188**	230,011
Finance expense *(Note 10)*	**32,033**	25,166
Impairment of property, plant and equipment and right-of-use assets *(Note 8)*	**7,383**	4,830
Impairment reversal for inventories *(Note 8)*	**(2,580)**	(260)
Loss on disposals of property, plant and equipment *(Note 7)*	**986**	1,077
Interest income *(Note 10)*	**(380)**	(324)
Gains on the derecognition of right-of-use assets and lease liabilities *(Note 7)*	**(768)**	(1,287)
Fair value (gains)/losses on financial liabilities at fair value through profit or losses *(Note 7)*	**(5,747)**	897
Net changes in cash surrender *(Note 7)*	**(1,105)**	(1,068)
	367,842	385,616
Increase in other receivables and deposit	**(14,339)**	(17,884)
Increase in trade and other payables	**7,862**	65,793
(Decrease)/increase in contract liabilities	**(1,818)**	1,811
Reversal in provision	**(2,982)**	(2,053)
Decrease in amount due to related parties	**(20,245)**	(19,720)
Increase in other current/non-current liabilities	**12,821**	7,591
Increase in trade receivables	**(4,834)**	(12,719)
Increase of restricted cash	**(2,044)**	(2,890)
Increase in inventories	**(43,320)**	(86,255)
Decrease/(increase) in prepayment	**31,658**	(17,947)
Decrease in amount due from related parties	**24,267**	1,882
Cash generated from operations	**354,868**	303,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 NET CASH GENERATED FROM OPERATIONS (Cont'd)

(a) (Cont'd)

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

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
Net book amount	**1,981**	1,338
Net loss on disposal of property, plant and equipment *(Note 7)*	**(986)**	(1,077)
Proceeds from disposal of property, plant and equipment	**995**	261

For the years ended 31 December 2018 and 2019, 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	
	2019	2018
	HKD'000	HKD'000
Cash	**72,605**	85,731
Loan from related parties *(Note 36 (e) (2))*	**(90,366)**	(117,199)
Borrowing – repayable within one year	**(97,689)**	(77,216)
Borrowing – repayable after one year	**(156,408)**	(133,112)
Lease liabilities – repayable within one year	**(179,984)**	(157,783)
Lease liabilities – repayable after one year	**(223,211)**	(226,001)
Net debt	**(675,053)**	(625,580)
Cash	**72,605**	85,731
Gross debt – fixed interest rates	**(551,108)**	(547,616)
Gross debt – variable interest rates	**(196,550)**	(163,695)
Net debt	**(675,053)**	(625,580)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 NET CASH GENERATED FROM OPERATIONS (Cont'd)

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

	Other assets	Liabilities from financing activities					
	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	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
As at 1 January 2018	84,730	(88,310)	(85,227)	(149,316)	(151,742)	(191,209)	(581,074)
Cash flows	(691)	(28,112)	24,307	4,757	190,824	–	191,085
Foreign exchange adjustments	1,692	1,952	2,407	133	1,664	2,072	9,920
Addition in lease	–	–	–	–	–	(226,942)	(226,942)
Interest expense	–	(2,729)	(2,244)	(5,145)	–	(15,048)	(25,166)
Early termination	–	–	–	–	–	6,597	6,597
Other non-cash movement	–	–	(16,459)	16,459	(198,529)	198,529	–
As at 31 December 2018	85,731	(117,199)	(77,216)	(133,112)	(157,783)	(226,001)	(625,580)
As at 1 January 2019	**85,731**	**(117,199)**	**(77,216)**	**(133,112)**	**(157,783)**	**(226,001)**	**(625,580)**
Cash flows	**(13,896)**	**4,311**	**9,943**	**(42,104)**	**248,088**	**–**	**206,342**
Foreign exchange adjustments	**770**	**37**	**359**	**–**	**976**	**1,239**	**3,381**
Addition in lease	**–**	**–**	**–**	**–**	**–**	**(262,860)**	**(262,860)**
Interest expense	**–**	**(1,674)**	**(4,622)**	**(7,345)**	**–**	**(18,392)**	**(32,033)**
Early termination	**–**	**–**	**–**	**–**	**–**	**11,538**	**11,538**
Other non-cash movement	**–**	**24,159**	**(26,153)**	**26,153**	**(271,265)**	**271,265**	**24,159**
As at 31 December 2019	**72,605**	**(90,366)**	**(97,689)**	**(156,408)**	**(179,984)**	**(223,211)**	**(675,053)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS

(a) *Parent entities*

The Group is controlled by the following party:

Name	Type	Place of incorporation	Ownership interest 2019	2018
Mr. Fan	Controlling shareholder of the Group	Hong Kong	**100%**	100%

(b) *Subsidiaries*

Interests in subsidiaries are set out in note 42.

(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 2019 HKD'000	2018 HKD'000
Salaries, wages and bonus	**5,475**	6,683
Pension cost – defined contribution plan	**95**	84
Other social security costs, housing benefits and other employee benefits	**132**	11
	5,702	6,778

(d) *Transactions with other related parties*

The following transactions occurred with related parties:

	Year ended 31 December 2019 HKD'000	2018 HKD'000
Purchase of goods		
Company with significant influence over a subsidiary	**2,079**	1,525
Purchase of decoration services		
Controlled by a close family member of Mr. Fan	**17,572**	41,328
Purchase of rental services (with variable lease payment)		
Fellow subsidiaries	**6,161**	8,128
Purchase of management, promotion and administration services		
Fellow subsidiary	**16,224**	15,032
Interest expense		
Controlling shareholder of the Company	**3,164**	2,518

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

36 RELATED PARTY TRANSACTIONS (Cont'd)

(e) Year end balances with related parties

(1) Due from related parties

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Amount due from related parties		
Mr. Fan	**–**	990
Shou Jia Investment Company Ltd	**–**	3,270
Bo Jian Company Limited	**–**	4,591
Ying Yu Company Limited	**–**	3,204
Shun Ao Investment Company Limited	**–**	12,212
	–	24,267

Loans to related parties were unsecured, interest-free with term of one year.

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

On 21 December 2019, the Group, Mr. Fan and other related parties came into an agreement, according to which, the amount due from other related parties to the Group is set off by the amount due from the Group to Mr. Fan in the amount of approximately HKD24 million and all amount due from related parties has been settled before 31 December 2019.

(2) Due to related parties

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Loans from related parties – non-trade		
Mr. Fan	**90,366**	117,199
Amount due to related parties – non-trade		
Mr. Fan	**–**	763
Ieng Nam Singapore Pte. Ltd.	**767**	–
Amount due to related parties – trade		
SJ Synergy Engineering Company Limited	**35,999**	33,366
SJ Synergy Holdings Limited	**–**	1,149
Sao Hang Investment Company Limited	**7,160**	4,922
	134,292	157,399

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS (Cont'd)

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

(2) Due to related parties (Cont'd)

Loans from Mr. Fan were unsecured with term of one year and an interest rate of Hong Kong Interbank Offered Rate plus 2%.

Loans from related parties were unsecured, interest-free and repayable on demand.

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

In December 2019, the Group and Bank of China Macau came into an agreement with a total facilities of HKD120,000,000 and an initial term of six months. In January 2020, the Group has drawn a total amount of HKD90,000,000 to repay the loans from related parties and cleared all the amount due to Mr. Fan before its listing on the Main Board of The Stock Exchange of Hong Kong Limited on 13 January 2020.

(f) Guarantees

Guarantees provided by the controlling shareholder to the Group are set out in Note 27.

(g) Leases as lessee with other related parties

The following amounts of leases are related to related parties:

	As at 31 December	
	2019	2018
	HKD'000	HKD'000
Lease liabilities		
Controlling shareholder of the Company	**7,350**	283
Fellow subsidiaries	**–**	48
	7,350	331

	Year ended 31 December	
	2019	2018
	HKD'000	HKD'000
Addition in right-of-use assets		
Controlling shareholder of the Company	**1,812**	9,059
Interest of lease liabilities		
Controlling shareholder of the Company	**460**	71
Fellow subsidiaries	**1**	3
	461	74

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BENEFITS AND INTERESTS OF DIRECTORS

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

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

	Year ended 31 December 2019					
	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	Share-based compensation expense HKD'000	Total HKD'000
Chairman:						
Mr. Fan Wing Ting	–	440	15	–	–	455
Executive directors:						
Ms. Chen Xingyi	–	2,053	11	40	–	2,104
Mr. Kevin Trantallis	–	1,116	18	–	–	1,134
Mr. Fong Yat Ming	–	1,281	12	–	–	1,293
Ms. Fan Tammy	–	457	18	–	–	475
Independent non-executive directors:						
Mr. Chau Kwok Keung (*Note i*)	–	–	–	–	–	–
Mr. Yu Chun Kau (*Note i*)	–	–	–	–	–	–
Mr. Cheung Chun Yue (*Note i*)	–	–	–	–	–	–
Chief executive:	–	–	–	–	–	–
Ms. Fung Sze Nga	–	739	18	–	–	757
Mr. Choi Chin Chung	–	733	18	–	–	751
	–	6,819	110	40	–	6,969

Note:

(i) Appointed on 17 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BENEFITS AND INTERESTS OF DIRECTORS (Cont'd)

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

	Year ended 31 December 2018					
	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	Share-based compensation expense HKD'000	Total HKD'000
Chairman:						
Mr. Fan Wing Ting	–	240	12	–	–	252
Executive directors:						
Ms. Chen Xingyi	–	2,016	4	11	–	2,031
Mr. Kevin Trantallis	–	1,052	18	–	–	1,070
Mr. Fong Yat Ming	–	1,696	12	–	–	1,708
Ms. Fan Tammy	–	448	18	–	–	466
Chief executive:						
Ms. Fung Sze Nga	–	811	18	–	–	829
Mr. Choi Chin Chung	–	768	18	–	–	786
	–	7,031	100	11	–	7,142

(b) No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2018 and 2019, 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 2018 and 2019, respectively.

(d) Save as disclosed in Note 36, 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 2018 and 2019.

(e) No consideration was provided to third parties for making available directors' services during the years ended 31 December 2018 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 CONTINGENT LIABILITIES

As of 31 December 2018 and 2019, the Group did not have any material contingent liabilities.

39 COMMITMENTS

(a) Capital commitments

	As of 31 December	
	2019	2018
	HKD'000	HKD'000
Property, plant and equipment	**–**	50,439

The above commitments relate to commitment on the acquisition of properties in Macau as at 31 December 2018.

40 SUBSEQUENT EVENTS

Owing to the outbreak of the novel coronavirus (COVID-19) epidemic (the "Epidemic") across the PRC, a number of provinces and municipalities in the PRC have taken various emergency public health measures and other actions to prevent the spread of the Epidemic, including imposing restriction on the work resumption date after Chinese New Year Holidays. Furthermore, to prevent the spread of the Epidemic, on 4 February 2020, the Macau government announced a temporary closure of 41 casinos, which had resumed operations only on 20 February 2020.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include assessing our suppliers' readiness, negotiating relief in minimum purchase amount set out in the respective distribution agreements with supplier and negotiating on rental relief with landlords. The Group will keep our contingency measures under review as the situation evolves.

Apart from disclosed above, the outbreak is expected to affect the financial results of the Group and the macro-economic environment in Macao, Mainland, Hong Kong and Taiwan, the effect of which cannot be estimated as of the date of the report. The Group will pay close attention to the development of the outbreak, perform further assessment of its impact and take relevant measures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	Notes	**As at 31 December 2019 HKD'000**
Assets		
Non-current assets		
Investment in subsidiaries		**691,000**
Total non-current assets		**691,000**
Current assets		
Cash and cash equivalents		**115**
Prepayment		**8,178**
Total current assets		**8,293**
Total assets		**699,293**
Equity		
Equity attributable to equity holders of the Company		
Share capital		**–**
Share premium	*(b)*	**691,000**
Accumulated losses	*(b)*	**(28,860)**
Total equity		**662,140**
Liabilities		
Current liabilities		
Trade and other payables		**37,153**
Total current liabilities		**37,153**
Total liabilities		**37,153**
Total equity and liabilities		**699,293**

The balance sheet of the Company was approved by the Board of Directors on 31 March 2020 and were signed on its behalf.

Mr. Fan Wing Ting	**Ms. Chen Xingyi**
Director	*Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) *Reserve movement of the Company*

	Share premium HKD'000	Accumulated losses HKD'000
At 16 May 2019 (date of incorporation)	**–**	**–**
Effect of reserve in relation to Reorganisation	**691,000**	**–**
Loss for the year	**–**	**(28,860)**
At 31 December 2019	**691,000**	**(28,860)**

42 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2019 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 and kind of legal entity	Principal activities	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019 %	2018 %	**2019 %**	2018 %
World First International Holdings (BVI)	BVI, limited liability company	Investment holding company	USD1	**100%**	100%	**–**	–
Fortune Fashion Limited	BVI, limited liability company	Investment holding company	USD10	**100%**	–	**–**	–
Frontline Fashion Limited	BVI, limited liability company	Investment holding company	USD10	**100%**	–	**–**	–
NB China Limited (盈冠商貿有限公司)	HK, limited liability company	Procurement of fashion apparel	HKD105	**60%**	60%	**40%**	40%
Yingnan Asia Limited (盈南中華有限公司)	HK, limited liability company	Investment holding company	HKD0.001	**100%**	100%	**–**	–
World First Holdings Limited (科盈集團有限公司)	HK, limited liability company	Investment holding company	HKD103,000	**100%**	100%	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUBSIDIARIES (Cont'd)

Name of entity	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital and debt securities	Ownership interest held by the Group 2019 %	2018 %	Ownership interest held by non-controlling interests 2019 %	2018 %
Wide Spread (China) Limited (康弘(中國)有限公司)	HK, limited liability company	Retail of fashion apparel	HKD5,000	**100%**	100%	**-**	–
Macau Ieng Nam Limited (澳門盈南有限公司) (a)	Macau, limited liability company	Retail of fashion apparel	MOP100	**100%**	100%	**-**	–
Sao Wai Investment Company Limited (首威投資有限公司) (b)	Macau, limited liability company	Retail of fashion apparel	MOP25	**100%**	100%	**-**	–
Ieng Weng Company Limited (盈榮有限公司) (c)	Macau, limited liability company	Retail of fashion apparel	MOP25	**100%**	100%	**-**	–
Ieng Leong Company Limited (盈亮有限公司) (b)	Macau, limited liability company	Retail of fashion apparel	MOP25	**100%**	100%	**-**	–
Lan Yuan Company Limited (蘭媛有限公司) (c)	Macau, limited liability company	Retail of fashion apparel	MOP25	**100%**	100%	**-**	–
Macau Ieng Kun Company Limited (澳門盈冠有限公司) (b)	Macau, limited liability company	Retail of fashion apparel	MOP25	**62%**	62%	**38%**	38%
Sao Wai Limited (首威商貿有限公司)	HK, limited liability company	Investment holding company	HKD10,000	**100%**	100%	**-**	–
Shouwei Trading (Shenzhen) Co., Ltd (首威貿易(深圳)有限公司) (d)	PRC, limited liability company	Retail of fashion apparel	HKD62,000	**100%**	100%	**-**	–
Lanyuan Trading (Shanghai) Co., Ltd (蘭媛商貿(上海)有限公司) (d)	PRC, limited liability company	Retail of fashion apparel	HKD15,000	**100%**	100%	**-**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUBSIDIARIES (Cont'd)

Name of entity	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital and debt securities	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019	2018	**2019**	2018
				%	%	**%**	%
Yingzhao Trading (Shanghai) Co., Ltd (盈昭商貿(上海)有限公司) (d)	PRC, limited liability company	Retail of fashion apparel	HKD16,500	**60%**	60%	**40%**	40%
Yingliang Trading (Shenzhen) Co., Ltd (盈亮貿易(深圳)有限公司) (d)	PRC, limited liability company	Retail of fashion apparel	HKD50,000	**100%**	100%	**-**	–
Zhuhai Hengqin Yinghua Trading Co., Ltd (珠海横琴盈華商貿有限公司) (d)	PRC, limited liability company	Retail of fashion apparel	HKD4,000	**100%**	100%	**-**	–
Sao Hang Limited (首恒商貿有限公司)	HK, limited liability company	Investment holding company	HKD10	**100%**	100%	**-**	–

(a) 1% shares of these subsidiaries was held by Ms. PY Fan Po Yuk ("Ms. PY Fan"), the sister of Mr. Fan, legally on behalf of Mr. Fan in order to meet the Macau's regulations during the year ended 2018. The shares held by Ms. PY Fan was transferred to the Group at the nominal value during the reorganisation, therefore, no non-controlling interests were recognised for those subsidiaries.

(b) 4% shares of these subsidiaries was held by Ms. PY Fan legally on behalf of Mr. Fan in order to meet the Macau's regulations during the year ended 2018. During the reorganisation, the shares held by Ms. PY Fan was transferred to the Group at the nominal value, therefore, no non-controlling interests were recognised for those subsidiaries.

(c) 4% shares of these subsidiaries was held by Ms. PY Fan legally on behalf of Mr. Fan in order to meet the Macau's regulations during the year ended 2018. During the year ended 2018, the declared dividends were fully paid to Mr. Fan and the shares held by Ms. PY Fan was transferred to the Group at the nominal value during the reorganisation, therefore, no non-controlling interests were recognised for those subsidiaries.

(d) 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 years ended 31 December 2019, the carrying amount of the assets included within the consolidated financial statements to which these restrictions apply was HKD33,875,000. (2018: HKD34,174,000)

FOUR YEARS FINANCIALS

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Year ended 31 December			
	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Results				
Revenue	950,148	1,066,630	1,344,865	**1,513,817**
Gross Profit	495,279	590,018	730,355	**787,867**
Profit for the year	5,782	60,160	108,577	**37,771**
Adjusted net profit for the year*(note)*	5,782	60,160	110,689	**65,164**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December			
	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Assets and liabilities				
Total assets	1,016,886	1,048,869	1,222,844	**1,308,366**
Total liabilities	942,276	936,988	1,019,173	**1,070,306**
Total equity	74,610	111,881	203,671	**238,060**

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