GROWN UP GROUP

GROWN UP GROUP INVESTMENT HOLDINGS LIMITED
植華集團投資控股有限公司

(incorporated in the Cayman Islands with limited liability)
stock code: 1842

2019 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Thomas Berg *(Chairman)*
Mr. Morten Rosholm Henriksen
Mr. Cheng Wai Man

NON-EXECUTIVE DIRECTORS

Mr. Fung Bing Ngon Johnny
Mr. Xiong Jianrui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Ms. Zhou Jing

AUDIT COMMITTEE

Mr. Tang Tin Lok Stephen *(Chairman)*
Mr. Lau Ning Wa Ricky
Ms. Zhou Jing

NOMINATION COMMITTEE

Mr. Thomas Berg *(Chairman)*
Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Ms. Zhou Jing

REMUNERATION COMMITTEE

Mr. Lau Ning Wa Ricky *(Chairman)*
Mr. Tang Tin Lok Stephen
Ms. Zhou Jing
Mr. Thomas Berg

COMPANY SECRETARY

Ms. Shut Ya Lai

AUTHORISED REPRESENTATIVES

Mr. Thomas Berg
Ms. Shut Ya Lai

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

COMPLIANCE ADVISOR

Dakin Capital Limited

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat D, 7/F, Block 2
Tai Ping Industrial Centre
55 Ting Kok Road, Tai Po
New Territories
Hong Kong

COMPANY'S WEBSITE

www.grown-up.com

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

PRINCIPAL BANKER

The Hongkong and
Shanghai Banking Corporation

STOCK CODE

1842

Financial Results	Year ended 31 December 2019 HK$'000	2018 HK$'000
Revenue	304,788	677,464
(Loss)/profit for the year	(29,500)	27,119
Basic (loss)/earnings per share (HK cent)	(3.22)	3.27
Diluted (loss)/earnings per share (HK cent)	(3.22)	3.27

Statement of Financial Position	As at 31 December 2019 HK$'000	2018 HK$'000
Non-current assets	88,373	89,704
Current assets	251,769	338,273
Total assets	340,142	427,977
Current liabilities	206,039	324,016
Non-current liabilities	12,191	23,896
Total liabilities	218,230	347,912
Net assets	121,912	80,065
Ratio Analysis		
Current ratio (times) (Note 1)	1.2	1.0
Gearing ratio (Note 2)	79.6%	117.5%

Notes:

1. Current ratio is calculated by dividing current assets by current liabilities.

2. Gearing ratio is calculated by dividing total debt by total equity multiplied by 100%. Total debt is defined as the sum of obligations under finance leases, lease liabilities and bank and other borrowings.

Dear Valued Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Grown Up Group Investment Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2019 (the "Reporting Period").

On 28 June 2019 (the"Listing Date"), the Group successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), marking an important milestone and enabling it to strengthen the Group's reputation, credibility and competitiveness to facilitate business growth and maintain the status as one of the established backpack and luggage manufacturers and exporters in the industry. The successful Listing recognised our position and contribution to the global backpack and luggage industry. With the support of our Directors and employees, we will continue to hold a strong position in the global market, and maximise the benefits of our shareholders.

In 2019, the global economy suffered a slowdown. Global trade in goods was in contraction and manufacturing activity slowed significantly over the course of the year. The bilateral negotiations between the United States (the "U.S.") and the People's Republic of China (the "PRC" or "China") since mid-October 2019 resulted in a "Phase One Agreement", including a planned partial rollback of tariffs that has de-escalated trade tensions. As a result of the increase of tariffs between the two countries over the past couple of years, a substantially higher share of world trade has become subject to protectionist measures. Being one of the leading Original Equipment Manufacturers ("OEM") and Original Design Manufacturers ("ODM") of backpacks and luggage to customers around the world, the Group inevitably experienced weakened sales momentum, as the shifting global economic outlook makes the customers more cautious about placing manufacturing orders.

For the Group's continuous business development, we constantly explore opportunities from the industry, which have resulted in a partnership with a leading sports fashion brand. Sports fashion trend brings fashion brands and international sport brands together, launching crossover sports accessories that emphasise high quality and design. Given the Group's expertise and experience in manufacturing sports bags and backpacks, as well as our long-term cooperation with international sport brands owner customers, we believe we can grasp the opportunities from sports fashion trend to expand the Group's sources of revenue and product range.

The Group has been engaging in the trading and manufacturing of backpack and luggage products since 1989, and the Group has been relying on the PRC production bases over the last 31 years. In the recent decade, the PRC's Gross Domestic Product ("GDP") has recorded significant growth, which has resulted in an increase in production cost. The continual increase in manufacturing cost and in light of the recent US-China trade war, the PRC-based-manufacturers, have endured demands of a diverse supply chain, to support global customers and partners.

The PRC's economic growth and the subsequent impact on the cost levels on the manufacturing industry was foreseen. The management of the company has seen the recent economic development as an opportunity to approach the domestic market with licensed and branded products which were previously predominantly designed for export. To support the Group's position within exports and in particular exports towards the US, the Group plans to expand its production bases to Bangladesh and Cambodia. The new multi-regional manufacturing platform will allow us to navigate through import tariffs and utilise international trading policy benefits. Combined with the Group's proven overseas sales management experience, the Group will seek to diversify the customer base, while maintaining its position as an innovative product developing company in the industry. At the same time the diversified supply chain will ensure the Group's operation efficiencies and price competitiveness, which in turn attracts more customers and secures more sales orders.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express our sincere appreciation to our Directors, the Group's management teams and employees for their unwavering commitment and dedication. We would like to thank all parties who have contributed to the Listing, and extend our gratitude to our stakeholders, including our shareholders, customers, suppliers and government authorities for the continued support and trust in us. We are looking forward to bringing value for our shareholders and sharing our greater success with you all.

Thomas Berg
Chairman and executive Director

Hong Kong
30 March 2020

BUSINESS AND FINANCIAL REVIEW

We are one of the established backpack and luggage manufacturers and exporters principally operating in the design, development, manufacture and sales of a diverse product portfolio under our business model. Our backpack and luggage products under such product portfolio are categorised into: (i) private label products; and (ii) branded products covering licensed brand products and proprietary Ellehammer brand products. These products cater to kid, teen, sports, leisure, business, travel and technical segments.

With nearly three decades of operations, our business model has evolved from a traditional OEM to one that is a combination of OEM, ODM and Original Brand Manufacturing ("OBM") with a diverse customer portfolio comprising private label customers, distributors, wholesalers and retailers. We believe that our business model differentiates us from traditional OEM backpack and luggage manufacturers. Our Directors believe that we distinguish ourselves by our ability in providing full supply chain capabilities covering product design and development, manufacturing production control, quality assurance, sales and marketing, logistics and distribution.

During the Reporting Period, the unexpected on-going trade dispute between the U.S. and the PRC intensified and it adversely affected our orders received from the U.S. and the global economy. Together with the negative impacts caused by the delay in new product development projects with our customers and the postponement of launching licensed luggage products and distributing licensed products in the PRC, the total revenue for the Reporting Period was approximately HK$304.8 million, representing a decrease of approximately HK$372.7 million or 55.0% from approximately HK$677.5 million as recorded for the year ended 31 December 2018.

The breakdown of the revenue by product portfolio and product category are set out as below:

	Year ended 31 December			
	2019		2018	
	Revenue HK$'000	%	Revenue HK$'000	%
Private label products				
Backpack and others	148,307	49	247,931	37
Luggage	32,836	11	266,461	39
Subtotal	181,143	60	514,392	76
Branded products				
Backpack and others	89,644	29	133,674	20
Luggage	34,001	11	29,398	4
Subtotal	123,645	40	163,072	24
Total	304,788	100	677,464	100

Our cost of sales decreased by approximately HK$296.6 million or approximately 56.8% from approximately HK$522.6 million for the year ended 31 December 2018 to approximately HK$226.0 million for the Reporting Period. Such decrease was primarily due to the decrease in cost of inventories sold which was in line with our decreased revenue. Our overall gross profit margin increased from approximately 22.9% for the year ended 31 December 2018 to approximately 25.9% for the Reporting Period. The improvement of gross profit margin was mainly driven by higher sales proportion of branded label products at higher gross profit margin during the Reporting Period.

Our selling and distribution expenses decreased by approximately HK$8.0 million from approximately HK$42.7 million for the year ended 31 December 2018 to approximately HK$34.7 million for the Reporting Period. Such decrease was in line with the decrease in overall sales during the Reporting Period.

Our administrative expenses decreased by approximately HK$2.2 million from approximately HK$71.5 million for the year ended 31 December 2018 to approximately HK$69.3 million for the Reporting Period. Such decrease was mainly due to the combined effect of (i) the decrease in general administrative expenses due to the continuous consolidation and streamlining of the supply chain, quality assurance and administrative functions in the various geographical location of the Group; and (ii) the increase in legal and professional fee due to the shares of the Company became listed on the Main Board of the Stock Exchange.

Our finance costs, net increased by approximately HK$2.6 million from approximately HK$5.5 million for the year ended 31 December 2018 to approximately HK$8.1 million for the Reporting Period. Such increase was mainly due to the increase in the average outstanding balance for interest bearing debts for the year ended 31 December 2019.

For the Reporting Period, the Group's income tax credit amounted to approximately HK$3.0 million, as compared with HK$9.0 million of income tax expense for the year ended 31 December 2018. Such income tax credit was primarily attributed to the recognition of deferred income tax to the loss for the year.

Loss attributable to shareholders of the Company increased by approximately HK$56.6 million to approximately HK$29.5 million for the Reporting Period from profit of approximately HK$27.1 million for the year ended 31 December 2018.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group funds its business and working capital requirements by using a balanced mix of internal resources, bank borrowings and a partial portion of the proceeds from the initial public offering (the "IPO"). The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

As at 31 December 2019, the Group had net current assets of approximately HK$45.7 million (31 December 2018: HK$14.3 million), cash and bank balances amounted to approximately HK$84.5 million (31 December 2018: HK$43.6 million) and bank borrowings amounted to approximately HK$84.9 million (31 December 2018: HK$89.1 million). The Group's cash and bank balances as at 31 December 2019 were mainly denominated in Renminbi ("RMB"), Hong Kong Dollars ("HKD") and United Stated Dollars ("USD"). The Group's borrowings carried interest at rates ranging from 2.8% to 5.7% per annum during the Reporting Period (31 December 2018: 3.5% to 5.3%).

The Group's gearing ratio as at 31 December 2019 was 79.6% (31 December 2018: 117.5%), calculated by dividing total debt by total equity multiplied by 100%. The decrease in gearing ratio was primarily due to the increase in equity as a result of issuing new shares upon the Listing on the Stock Exchange on the Listing Date.

FUNDING AND TREASURY POLICY

The Group has adopted a prudent funding and treasury policy to maintain a balanced debt profile and financing structure. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements at all time.

LISTING EXPENSES

Listing expenses represented fees paid/payable to various professional parties in connection with the Listing. Listing expenses recognised in profit or loss for the Reporting Period were approximately HK$12.7 million (2018: HK$13.0 million).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

As at 31 December 2018, performance bonds amounting to approximately HK$0.3 million have been issued by a bank on behalf of the Group in favour of the Group's suppliers.

EVENTS AFTER THE REPORTING PERIOD

Following the outbreak of Coronavirus Disease 2019 (the "Epidemic") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions with certain level of restrictions and controls over the travelling of people and traffic arrangements.

Because of the above measures, the Group's production facilities in the PRC could only resume limited productions and scheduled deliveries to customers. The Group is in the progress of revising the production and delivery schedules with customers, and will continue to pay close attention to the development of the Epidemic and evaluate its impact on the financial position and operating results of the Group.

On the other hand, due to the recent wide spread effect of the Epidemic outbreak in Europe and in the U.S. where the Group's major customers are located, the Group anticipates the outstanding trade receivable may take longer turnover and may need to re-assess the expected credit loss rates on trade receivables. Up to the date on which this set of financial statements were authorised for issue, the Group is in the progress of estimating the potential impact and shall continue to pay close attention to the development of the Epidemic, perform further assessment of its impact and take relevant measures.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2019 and 2018.

EMPLOYEE INFORMATION

As at 31 December 2019, the Group had approximately 769 employees (31 December 2018: 1,045). Salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis. Remuneration is reviewed annually. Staff benefits include contribution to mandatory contribution fund, discretionary bonus and share options. As at the date of this annual report, no share option has been granted or agreed to be granted to employees of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report and the prospectus of the Company dated 13 June 2019 (the "Prospectus"), during the Reporting Period there was no other material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

FURTHER PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in this annual report and the Prospectus, during the Reporting Period the Group had no future plan for material investment and capital assets.

SIGNIFICANT INVESTMENT HELD

During the Reporting Period, the Group did not make any significant investments.

CHARGE ON ASSETS

As at 31 December 2019 and 2018, the following assets were pledged to banks to secure general banking facilities granted to the Group:

(i) Land and buildings with carrying values of approximately HK$20,583,000 (2018: HK$21,495,000);

(ii) Prepaid land use rights included in the right-of-use assets (2018: prepaid land lease payments) with carrying value of approximately HK$1,276,000 (2018: HK$1,352,000);

(iii) Pledged deposits of approximately HK$28,044,000 (2018: HK$ 26,011,000);

(iv) Inventories and trade receivables of a subsidiary company (2018: same); and

(v) Financial assets at fair value through profit or loss of HK$7,002,000 (2018: HK$ 7,002,000).

FOREIGN CURRENCY EXPOSURE

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and RMB. Any significant fluctuation in the exchange rates between USD and RMB may affect the profitability. The Group currently does not have a foreign currency hedging policy. The Group will continue to monitor its foreign currency exposure closely and consider hedging significant foreign currency exposure should the need arise.

DIVIDEND

The Board did not recommend the payment of a final dividend by the Company for the Reporting Period.

USE OF PROCEEDS FROM LISTING

The net proceeds received by the Group, after deducting related expenses, were approximately HK$49.9 million. These proceeds are intended to be applied in accordance with the proposed application set out in the "Future Plans and Use of Proceeds" in the Prospectus. Such uses include: (i) intensifying our design and development efforts on the licensed brand products to deepen our market penetration; (ii) enhancing our design and development capabilities; (iii) expanding our sales and marketing network; (iv) expanding and enhancing our manufacturing capabilities; (v) enhancing our information technology management system to enhance operational efficiency; (vi) repaying outstanding bank loans; and (vii) working capital.

During the Reporting Period, the net proceeds had been applied as follows:

	Planned use of proceeds HK$'000	Actual usage up to 31 December 2019 HK'000	Unutilised amounts as at 31 December 2019 HK$'000	Expected timeline for unutilised net proceeds from IPO
Intensifying our design and development efforts	8,088	(1,402)	6,686	To be utilised by 31 December 2023
Enhancing our design and development capabilities	5,738	(518)	5,220	To be utilised by 31 December 2022
Expanding our sales and marketing network	7,194	(1,039)	6,155	To be utilised by 31 December 2023
Expanding and enhancing our manufacturing capabilities	11,800	(317)	11,483	To be utilised by 31 December 2021
Enhancing our information technology management system	4,634	–	4,634	To be utilised by 31 December 2022
Repaying outstanding bank loans	7,500	(7,500)	–	N/A
Working capital	4,900	(4,900)	–	N/A

As at 31 December 2019 and as at the date of this annual report, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong. During the Reporting Period, the Directors had evaluated the Group's business objectives and considered that no modification to the use of proceeds described in the Prospectus was required. However, due to market uncertainties, our plans in expanding and enhancing our manufacturing capabilities were interrupted. It is expected that the new manufacturing facilities will not be ready in use in 2020.

OUTLOOK AND PROSPECTS

We pride ourselves in having (i) strong design, research and development capabilities, (ii) extensive and diverse international sales network and (iii) long-standing relationships with our internationally renowned customers over the years. We believe these strengths, coupled with the Listing in June 2019, have further strengthened the Group's reputation, credibility and competitiveness, thanks to the increased level of confidence among our existing and prospective customers and suppliers. Nevertheless, 2019 was a challenging year for the Group.

During the Reporting Period, we were affected by the continuing trade disputes between the U.S. and the PRC, which are significant threats to Mainland-based manufacturers in general. The escalating trade disputes between the two nations and the unstable political and business environment had caused our revenue to drop significantly during the Reporting Period. With the outbreak of the Epidemic, the Group's business was also circumvented by having its manufacturing facilities in the PRC shut down and production delayed in early 2020.

The Group is closely monitoring and reviewing the market conditions. With the conclusion of the "Phase One Trade Agreement" between the U.S. and the PRC in January 2020, we believe that it would stimulate and energise the global economy gradually in the coming years. In view of the increasing number of infected cases in early 2020, the Group has been actively observing the development of the Epidemic and is prepared to implement any measures to mitigate any loss suffered due to the outbreak of the Epidemic. The Group has placed significant emphasis on the precautions to minimise the risk of contracting and spreading the Epidemic within its employees. Nonetheless, the Directors remain optimistic with their experience and expertise under their belts.

Flexible measures and business strategies are adopted to meet the challenges ahead. The Directors are aware that the success of the Group lies in the persistence to innovate and are determined to revitalise the business strategies by reinforcing the design and development efforts. To further strengthen the Group's position in the backpack and luggage industry, we are continuously looking for new customers to improve our business profile, despite long-term business relationships with several international-renowned customers were forged and maintained. Aiming at having an expanded sales network, the Group will upgrade its information technology management system to improve operational efficiency and communications with its customers. The Group also endeavours to expand and enhance its manufacturing capabilities to reinvigorate its production process and product standard.

The Group is aware of the ever-changing conditions and is adopting a proactive approach. It is prepared to implement any plans and seize any opportunities to realise economic growth and tackle any issues. We place high emphasis on the commitment and connection with the customers, and will stay sensitive and alert to their needs. The Group strives to nurture its steadfast position and will adhere to its values in bolstering the quality of its products and services in the coming years.

Biographical details of the Directors and senior management are set out below:

DIRECTORS

Executive Directors

Mr. Thomas Berg ("**Mr. Berg**"), aged 48, is the chairman of our Board and an executive Director. He was concurrently appointed as an executive Director and the chairman of our Board on 16 March 2018. He is also the Director of certain subsidiaries of the Group. He is mainly responsible for overall business development as well as financial and strategic planning of the Group. He is also the chairman of the nomination committee (the "Nomination Committee") of the Group.

Mr. Berg has more than 23 years of experience in the sales and marketing industry. From August 1994 to December 1996, Mr. Berg worked for Pacific Market International, a drinkware, bag and luggage supplier, at which his last position was sales executive. In October 1996, Mr. Berg entered into a cooperation agreement with Grown-Up Manufactory Limited ("GPM") to manage our Group's business in Europe, and subsequently joined the Group and was appointed as managing director of the Europe office of GPM in January 1997. In April 2002, Mr. Berg was further appointed as director of GPM. From January 2005 to August 2015, he worked as group chief executive officer of GPM. From December 2005 to June 2012, he was appointed as managing director of Grown-Up ApS. Since April 2015, Mr. Berg has been serving as group executive chairman of GPM.

Mr. Berg obtained a diploma as market economist in international marketing from Aarhus Business College in Denmark in June 1995. He also studied a management course at University of California, Los Angeles in U.S. in 1994.

As at 31 December 2019, Mr. Berg was interested in 88.7% of the issued share capital of GP Group Investment Holding Limited ("GPG") and was deemed to be interested in 617,000,000 Shares (representing 61.7% of the aggregate number of Shares in issue) held by GPG within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). Save as disclosed above, Mr. Berg (i) had no other interests in any Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Morten Rosholm Henriksen ("**Mr. Henriksen**"), aged 51, is an executive Director. He was appointed as an executive Director on 16 March 2018. He is mainly responsible for overall management of our business operation.

Mr. Henriksen has more than 23 years of experience in the sales and marketing industry. From January 1995 to December 1999, Mr. Henriksen worked for Forlaget Benjamin ApS (currently known as Benjamin Media A/S), at which his last position was publisher. From December 2000 to August 2004, Mr. Henriksen was appointed as managing director of Trade2Trade World Wide ApS (currently known as eBay Classifieds Scandinavia ApS). In January 2005, Mr. Henriksen joined the Group, and was appointed as a board member of Berg Brand Management ApS. Since September 2006, Mr. Henriksen has been appointed as managing director of Grown-Up Licenses ApS. In February 2007, Mr. Henriksen was further appointed as a management board member of BBM Berg Brand Management GmbH.

Mr. Henriksen obtained both a bachelor of science in economics and a master of science in economics and business administration from The Arhus School of Business (currently known as Aarhus BSS) in Denmark in June 1991 and in October 1996, respectively. He also studied in University of Innsbruck in Austria as part of his master programme.

As 31 December 2019, Mr. Henriksen was interested in 11.3% of the issued share capital of GPG. Save as disclosed above, Mr. Henriksen (i) had no interests in any Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Cheng Wai Man (鄭偉民) ("**Mr. Cheng**"), aged 60, is an executive Director. He was appointed as an executive Director on 16 March 2018. He is mainly responsible for overall management of our business operation.

Mr. Cheng has more than 24 years of experience in the bags selling, manufacturing and trading industry. In October 1993, Mr. Cheng joined the Group and has been serving as director of GPM since then.

Save as disclosed above, Mr. Cheng (i) had no interests in any Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Non-executive Directors

Mr. Fung Bing Ngon Johnny (馮炳昂) ("**Mr. Fung**"), aged 64, is a non-executive Director. He was appointed as a non-executive Director on 16 March 2018. He is mainly responsible for providing strategic advice to the Group.

Mr. Fung has more than 24 years of experience in the handbags manufacturing and trading industry. In October 1993, Mr. Fung joined the Group and has been serving as director of GPM since then.

Mr. Fung completed a fabric science course from Hong Kong Productivity Council in October 1998. He further finished two German language courses from The University of Hong Kong School of Professional and Continuing Education in August 2002 and August 2003, respectively.

Save as disclosed above, Mr. Fung (i) had no interests in any Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Xiong Jianrui (熊劍瑞) ("**Mr. Xiong**"), aged 56, is a non-executive Director. He was appointed as a non-executive Director on 16 March 2018. He is mainly responsible for providing strategic advice to the Group.

Mr. Xiong has more than 20 years of experience in the telecommunication technology and business management industry. From October 2007 to December 2007, Mr. Xiong was a non-executive director of T S Telecom Technologies Limited (currently known as Great World Company Holdings Ltd) (stock code: 8003), the issued shares of which are listed on the Stock Exchange. From December 2008 to June 2012, he was an executive director of The Quaypoint Corporation Limited (currently known as China Uptown Group Company Limited) (stock code: 2330), the issued shares of which are listed on the Stock Exchange. Since December 2012, Mr. Xiong joined Infinity Group, an Israeli-Chinese fund management platform, and has been serving as one of the venture partners. From June 2017 to December 2018, he was a non-executive director of Anxin-China Holdings Limited (former stock code: 1149), the issued shares of which were formerly listed on the Stock Exchange until 20 December 2018. He is also currently an executive director and the chairman of Z-Obee Holdings Limited (currently known as Alpha Professional Holdings Limited) (stock code: 948), the issued shares of which are listed on the Stock Exchange.

Mr. Xiong obtained a bachelor in information engineering (信息工程系無線電通信專業) from Northwest Telecommunication Engineering Institute (currently known as Xidian University) in the PRC in July 1983.

Save as disclosed above, Mr. Xiong (i) had no interests in any Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Independent non-executive Directors

Mr. Tang Tin Lok Stephen (鄧天樂) ("**Mr. Tang**"), aged 43, was appointed as our independent non-executive Director on 30 May 2019. He is responsible for providing independent advice to the Group. He is the chairman of the audit committee (the "Audit Committee") of the Group, and a member of each the remuneration committee (the "Remuneration Committee") of the Group and the Nomination Committee.

Mr. Tang has over a decade of experience in the private equity and finance industry and was a director of Deloitte & Touche Financial Advisory Services in which he focused on private equity and merger acquisition transaction in the PRC and APAC region. Mr. Tang also had experience in a private equity fund as the chief financial officer. Since December 2015, he has been serving as an independent non-executive director of Maxnerva Technology Services Limited (stock code: 1037), the issued shares of which are listed on the Stock Exchange.

Mr. Tang received a Master Degree of Commerce in Advanced Finance and Bachelor Degree of Commerce from the University of New South Wales in Australia. He is a Chartered Accountant of the Chartered Accountants Australia and New Zealand, and a member of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, Mr. Tang (i) had no interests in any Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Lau Ning Wa Ricky (劉寧樺) ("**Mr. Lau**"), aged 34, was appointed as our independent non-executive Director on 30 May 2019. He is responsible for providing independent advice to the Group. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination committee.

Mr. Lau has more than 8 years of experience in the investment and corporate finance industry. From August 2009 to August 2013, Mr. Lau worked for Standard Chartered Bank, during which he was stationed in Hong Kong, India and Singapore in the bank's corporate banking and corporate advisory departments, and his last position was associate of origination and client coverage division. From August 2013 to April 2016, he worked for Amity Energy Management Pte. Ltd., a Singapore oil storage assets developer under Sebrina Holdings Limited, as associate director. In March 2016, Mr. Lau co-founded Joy Rich Ventures Limited, a financial technology company, and has been serving as director since then. In June 2015, he joined Joy Rich Finance Limited, a licensed money lending institution, and has been serving as director since then. In July 2015, he co-founded Joy Rich Securities Investment Limited, a Securities and Futures Commissions type 1 licensed securities brokerage firm, and has been serving as director since then.

Mr. Lau obtained a bachelor of science in international business from The University of Warwick in the United Kingdom in July 2008. He further pursued a master of philosophy in real estate finance degree from The University of Cambridge in the United Kingdom and such degree was approved and conferred to him in October 2009 and October 2013, respectively.

Save as disclosed above, Mr. Lau (i) had no interests in any Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Ms. Zhou Jing (周靜) ("**Ms. Zhou**"), aged 45, was appointed as our independent non-executive Director on 30 May 2019. She is responsible for providing independent advice to the Group. She is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Ms. Zhou has more than 15 years of experience in international trade accounting and corporate financial management. From April 2002 to October 2008, Ms. Zhou worked for an imports and exports company and was responsible for foreign trade accounting. She then joined an accountant firm and has been serving as one of the partners since then and further served as senior manager in an investment company. She further served as financial director in an online education group and is currently serving as chief investment officer in an investment company. From July 2005 to February 2010, she served as an executive director of Yun Sky Chemical (International) Holdings Limited (currently known as King Stone Energy Group Limited) (stock code: 663), the issued shares of which are listed on the Stock Exchange. From January 2013 to November 2015, Ms. Zhou served as an executive director and chairman of Sustainable Forest Holdings Limited (stock code: 723), the issued shares of which are listed on the Stock Exchange. From May 2013 to August 2014, she served as an independent non-executive director of Perception Digital Holdings Limited (currently known as HongDa Financial Holding Limited) (stock code: 1822), the issued shares of which are listed on the Stock Exchange.

Save as disclosed above, Ms. Zhou (i) had no interests in any Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Senior Management

Mr. Brian Worm ("**Mr. Worm**"), aged 41, is the Group's chief executive officer. Mr. Worm joined the Group in April 2017 as the Group's Finance Directors and Chief Operational Officer in Europe. He is mainly responsible for the Company's overall strategic planning and managing the Group's operation.

Mr. Worm has more than 12 years of experience in the financial and manufacturing industry. From 2008 to 2011, Mr. Worm worked as Group Controlling Manager at Samson Agro A/S, a European Manufacturing of Heavy Industry Equipment. From 2011 to 2015, he worked as group finance manager at Arla Foods Amba, a leading global Dairy Company. From 2015 to 2017, he held various positions including CFO at Hwam A/S, a European Manufacturing Company of steel components.

Mr. Worm obtained a bachelor's degree in Management accounting and Control from the University of Aalborg Denmark and a master's degree in Economics and Business Administration from the University of Aalborg Denmark, respectively.

Mr. Lee Chun Ying Andrew (李俊英) ("**Mr. Lee**"), aged 60, is our group chief operations officer and general manager (China). Mr. Lee joined our Group in June 2016. He is mainly responsible for overseeing the Group's corporate management and operation.

Mr. Lee has more than 34 years of experience in the operations and production industry. From May 2010 to May 2011, he worked for Integrated Display Technology Limited concurrently as senior vice president and head of supply chain management. From August 2011 to October 2015, he worked for Atotech Asia Pacific Ltd. as operation manager. Since June 2016, Mr. Lee joined the Group and has been serving as group chief operations officer and general manager (China) of GPM.

Mr. Lee obtained a certificate in chemical technology, a higher certificate in chemical technology, a higher diploma in production and industrial engineering and an associateship in production and industrial engineering from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1980, November 1982, November 1983 and November 1985, respectively. He obtained a certified diploma in accounting and finance from The Chartered Association of Certified Accountants in August 1986. He obtained a postgraduate diploma in engineering management from City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in November 1992 and a master of business administration from City University of Hong Kong in November 1997, respectively. Mr. Lee further obtained a doctor of business administration from The Hong Kong Polytechnic University in November 2004.

Ms. Shut Ya Lai (薛雅麗) ("**Ms. Shut**"), aged 37, is our group financial director and company secretary. Ms. Shut joined our Group in February 2013. She is mainly responsible for overseeing the Group's financial planning, treasury and financial control matters as well as company secretarial matters.

Ms. Shut has more than 13 years of experience in the auditing and accounting industry. From September 2004 to April 2012, Ms. Shut worked for Ernst & Young at which her last position was manager. In February 2013, Ms. Shut joined our Group and worked as assistant financial controller of GPM. She was subsequently promoted to financial controller in September 2013 and group financial controller of GPM in March 2015. Since June 2016, she has been serving as group financial director of GPM.

Ms. Shut obtained a bachelor of arts in accountancy from The Hong Kong Polytechnic University in November 2004. She was admitted as a member of the Hong Kong Institute of Certified Public Accountants in September 2009 and is currently a non-practising member thereof.

The Group recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Group is committed to maintaining good corporate governance to safeguard the interests of shareholders and to achieve effective accountability because the Group believes that is the best way to maximise our shareholder's value.

The Company has applied the principles of and complied with the applicable code provisions (the "Code Provisions") as set out under the CG Code contained in Appendix 14 to the Listing Rules. The Directors will periodically review the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time. During the period from the Listing Date up to the date of this annual report, the Company has complied with all the applicable code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code during the period from the Listing Date and up to the date of this annual report.

THE BOARD

Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. As at the date of this annual report, the Board is chaired by Mr. Berg and comprised of eight members including three executive Directors, two non-executive Directors and three independent non-executive Directors.

Biographical details of the Directors and relationship between the Board members are set out in the section headed "Biographical Details of the Directors and Senior Management" in this annual report.

Executive Directors:

Mr. Thomas Berg (Chairman)
Mr. Morten Rosholm Henriksen
Mr. Cheng Wai Man

Non-Executive Directors:

Mr. Fung Bing Ngon Johnny
Mr. Xiong Jianrui

Independent Non-Executive Directors:

Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Ms. Zhou Jing

Pursuant to the Code Provision A.2.1. of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. To ensure the balance of power and authority, the roles of the chairman and the chief executive officer are segregated and performed by Mr. Thomas Berg and Mr. Brian Worm, respectively. The primary role of the chairman is to provide guidance and leadership to the Board and to ensure that the Board discharges its responsibilities effectively. The chief executive officer is responsible for the day-to-day management of the Group's business.

Board Diversity Policy

The Board has adopted a board diversity policy (the "Board Diversity Policy") since the Listing Date. The summary of the Board Diversity Policy is disclosed as below:

- the Company recognises and embraces the benefits of having a diverse Board to enhance the quality of the performance of the Board;

- all Board appointments will be based on meritocracy, and candidates will be considered against selection criteria;

- the selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services, personal integrity and time committments. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board; and

- the nomination committee of the Board will report on the Board's composition under diversified perspectives, monitor the implementation of the Board Diversity Policy, review the Board Diversity Policy to ensure effectiveness and recommend for any revisions to the Board for consideration and approval.

Non-Executive Directors

The non-executive Directors have been appointed by the Company for a fixed term of three years commencing from the Listing Date. Such appointment may be terminated in accordance with the terms of the letters of appointment, including by either party giving to the other party not less than three months' advance written notice of termination.

Independent Non-Executive Directors

The independent non-executive Directors have been appointed by the Company for a fixed term of two years commencing from the Listing Date. Such appointment may be terminated in accordance with the terms of the letters of appointment, including by either party giving to the other party not less than three months' advance written notice of termination.

The independent non-executive Directors have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all independent non-executive Directors will continue to make various contributions to the Company.

Throughout the period from the Listing Date up to 31 December 2019, the Company had three independent non-executive Directors, meeting the requirements of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board members, and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. As at the date of this annual report, the Company is of the view that all independent non-executive Directors are independent in accordance with the relevant requirements under the Listing Rules.

Appointment, Re-Election and Removal of Directors

Each of the Directors has entered into a service agreement or a letter of appointment with the Company for a specific term and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the amended and restated memorandum and articles of association (the "Restated Articles").

In accordance with article 84 of the Restated Articles, at each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

In accordance with article 83 of the Restated Articles, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Role and Responsibilities

The Board is responsible for the overall management of the Group and all day-to-day operations and management of the Company's business has been delegated to management under the leadership of the chief executive officer of the Company.

The principal roles of the Board are:

- set long term objectives and strategies;
- approve major policies and guidelines;
- prepare and approve financial statements, annual report and interim report;
- approve major capital expenditures, acquisitions and disposals;
- approve connected transactions;
- approve material borrowings and expenditures;
- review and monitor of internal control and risk management; and
- declare and recommend the payments of dividends.

No corporate governance committee has been established and the Board is responsible for the corporate governance functions of the Company, which includes:

- develop and review the Company's policies and practices on corporate governance;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- review the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Directors will review the Group's corporate governance policies and compliance with the CG Code each financial year and comply with the "comply or explain" principle in the corporate governance report.

Directors' Insurance

The Company has arranged appropriate insurance coverage for all Directors in relation to the discharge of their responsibilities.

Directors' Training and Professional Development

The Company, from time to time, provides in-house trainings for the Directors in the form of seminars, workshops and/or reading relevant material on the latest development of applicable laws, rules and regulations, management, financial and business issues to develop and refresh their knowledge and skills. The above training costs are borne by the Company.

The Directors are required to provide the Company with details of the training's records. Based on those training's record, the Directors received the following training during the Reporting Period:

	Type of trainings
Mr. Thomas Berg	A&B
Mr. Morten Rosholm Henriksen	B
Mr. Cheng Wai Man	B
Mr. Fung Bing Ngon Johnny	B
Mr. Xiong Jianrui	B
Mr. Tang Tin Lok Stephen	A&B
Mr. Lau Ning Wa Ricky	A&B
Ms. Zhou Jing	B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

Board Meetings and General meeting

From 1 January 2020 onwards, the Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed.

Minutes of the Board and committee meetings are prepared and kept by the company secretary of the Company and are open for inspection by Directors upon request. All Directors have access to the advice and services of the company secretary and are allowed to seek external professional advice if needed.

During the period from the Listing Date to 31 December 2019, the Board held one meeting and the attendance record of each member of the Board is set out below:

	Meeting attended/ Meeting convened
Mr. Thomas Berg	1/1
Mr. Morten Rosholm Henriksen	1/1
Mr. Cheng Wai Man	1/1
Mr. Fung Bing Ngon Johnny	1/1
Mr. Xiong Jianrui	1/1
Mr. Tang Tin Lok Stephen	1/1
Mr. Lau Ning Wa Ricky	1/1
Ms. Zhou Jing	1/1

During the period from the Listing Date to 31 December 2019, no general meeting was held.

BOARD COMMITTEES

To facilitate the work of the Board, the Board has established three board committees to oversee specific aspects of the Company's affairs, namely audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"). Each committee has its own terms of reference relating to its authority and duties, which have been approved by the Board and are reviewed periodically. The terms of reference of each committee are available on the websites of the Company and the Stock Exchange.

Each committee has been provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. The primary roles of the Audit Committee include, but are not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring the integrity of our financial statements and annual reports and accounts, half-yearly reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them; and (c) reviewing our financial controls, internal control and risk management systems.

The Audit Committee consists of three members who are all independent non-executive Directors, namely, Mr. Tang Tin Lok Stephen, Mr. Lau Ning Wa Ricky and Ms. Zhou Jing. Mr. Tang Tin Lok Stephen is the Chairman of the Audit Committee.

During the period from the Listing Date to 31 December 2019, the Audit Committee held one meeting and the attendance record of each member of the Audit Committee is set out below:

	Meeting attended/ Meeting convened
Mr. Tang Tin Lok Stephen *(Chairman)*	1/1
Mr. Lau Ning Wa Ricky	1/1
Ms. Zhou Jing	1/1

The following is a summary of the work performed by the Audit Committee since the Listing Date and up to 31 December 2019:

- reviewed the unaudited interim results of the Group for the six months ended 30 June 2019;
- reviewed the Group's financial information, financial report system, risk management and internal control procedures;
- reviewed the Company's Auditors' independence and objective;
- made recommendations to the Board on the re-appointment of the Company's external auditors;
- reviewed the Company's external auditors' management letter, significant findings and recommendations;
- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- reviewed and discussed the reports from the Company's external consultant with the management; and
- met with the Company's external auditors, in the absence of the management.

There had been no disagreement between the Board and the Audit Committee from the Listing Date and up to 31 December 2019.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with the CG Code. The primary roles of the Remuneration Committee include, but are not limited to, (a) making recommendations to the Board on our policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) reviewing and approving our management's remuneration proposals with reference to the Board's corporate goals and objectives; and (c) making recommendations to the Board on the remuneration of non-executive Directors.

The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Lau Ning Wa Ricky, Mr. Tang Tin Lok Stephen, Ms. Zhou Jing and an executive Director, namely Mr. Thomas Berg. Mr. Lau Ning Wa Ricky is the Chairman of the Remuneration Committee.

The remuneration of the Directors and senior management is determined with reference to the responsibilities, workload, the time devoted and the performance of the Group. The Remuneration Committee also ensures that no individual will be involved in determining his/her own remuneration.

During the Reporting Period, the remuneration of senior management is listed as below by band:

Band of remuneration (HK$)	No. of person
HK$1,000,001 – HK$2,000,000	2
HK$2,000,001 – HK$2,500,000	2

Further details of the Directors' and chief executives' emoluments and the five highest paid individuals are set out in notes 9 and 35 to the consolidated financial statements.

During the period from the Listing Date to 31 December 2019, the Remuneration Committee held one meeting and the attendance record of each member of the Remuneration Committee is set out below:

	Meeting attended/ Meeting convened
Mr. Lau Ning Wa Ricky *(Chairman)*	1/1
Mr. Tang Tin Lok Stephen	1/1
Ms. Zhou Jing	1/1
Mr. Thomas Berg	1/1

The following is a summary of the work performed by the Remuneration Committee since the Listing Date and up to 31 December 2019:

- considered the remuneration paid to Directors and senior management with reference to their responsibilities, workload, the time devoted and the performance of the Group, as well as remuneration paid by other comparable listed companies;

- reviewed and made recommendations on the management remuneration proposals with reference to the corporate goals and objectives of the Board; and

- made recommendations to the Board on the remuneration of independent non-executive Directors.

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the CG code. The primary roles of the Nomination Committee include, but are not limited to, (a) reviewing the structure, size and composition (including but not limited to gender, age, cultural and educational background or professional experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become the Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and (c) assessing the independence of independent non-executive Directors.

The Nomination Committee consists of an executive Director, namely Mr. Thomas Berg and three independent non-executive Directors, namely Mr. Tang Tin Lok Stephen, Mr. Lau Ning Wa Ricky and Ms. Zhou Jing. Mr. Thomas Berg is the chairman of the Nomination Committee.

During the period from the Listing Date to 31 December 2019, the Nomination Committee held one meeting and the attendance record of each member of the Nomination Committee is set out below:

	Meetings attended/ Meeting convened
Mr. Thomas Berg *(Chairman)*	1/1
Mr. Tang Tin Lok Stephen	1/1
Mr. Lau Ning Wa Ricky	1/1
Ms. Zhou Jing	1/1

Since the Listing Date and up to 31 December 2019, the Nomination Committee had reviewed the Board Diversity Policy and reported on the Board's composition under diversified perspectives and had monitored the implementation of the Board Diversity Policy. The Nomination Committee had also recommended to re-elect Mr. Thomas Berg, Mr. Morten Rosholm Henriksen, Mr. Cheng Wai Man, Mr. Fung Bing Ngon Johnny and Mr. Xiong Jianrui at the forthcoming AGM.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors also acknowledge their responsibility to ensure the financial statements are published in a timely manner. The Directors are not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The auditors' reporting responsibilities are set out in the section headed "Independent Auditors' Report" in this report.

AUDITORS' REMUNERATION

For the Reporting Period, the fee paid/payable to PricewaterhouseCoopers by the Group, is set out as follows:

	HK$'000
Audit services	1,492
Non-audit services	284

The amount of fee incurred for the non-audit services represented approximately HK$284,000 of the tax service and consultancy fees paid to PricewaterhouseCoopers as the tax representative of certain subsidiaries of the Group. The Audit Committee was satisfied that non-audit services for the Reporting Period did not affect the independence of the auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the Company's risk management and internal control systems, and for reviewing its effectiveness.

In meeting its responsibility, the departmental heads of the Group have to complete a risk management and internal control self-assessment questionnaires, identify and evaluate those significant risks and confirm to the management that appropriate internal control policies and procedures have been established and properly complied with. The management then reviewed the findings and summarised all material issues to the Board and Audit Committee annually.

The Group has established guidelines and procedures for the approval and control of expenditures, to ensure the reliability of the financial reporting, effectiveness and efficiency of operation and the compliance with applicable laws and regulations. Whilst these guidelines and procedures are designed to identify, monitor, report and follow up on risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

Although the Company does not have internal audit function, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group. In preparation for the Listing, the Company had engaged an independent internal control adviser to perform a review of the procedure, system and control (including accounting and management systems) of the Group. Based on the internal control review, certain internal control improvement measures were recommended to the Group and the Group has adopted them. Subsequent to the Listing and during the Reporting Period, the Group has continued to engage an independent internal control adviser to review the effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls, and the results were summarised and discussed with the Audit Committee and the Board. The Audit Committee and the Board are satisfied with the effectiveness and adequacy of the risk management and internal control systems of the Group.

INSIDE INFORMATION POLICY

The Company has established policy for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Procedures such as limit access to inside information to those who need to know and requiring external parties to execute confidentiality agreement have been implemented by the Company to guard against mishandling of inside information. The Company also reminds those relevant personnel and other professional parties to preserve confidentiality of the inside information until it is publicly disclosed.

COMPANY SECRETARY

The Company has appointed Ms. Shut Ya Lai, who is responsible for facilitating the Board process, as well as communications among the Directors, with shareholders and management. Ms. Shut has confirmed that for the Reporting Period, she has taken no less than 40 hours of professional training to upgrade her skills and knowledge. The biography of Ms. Shut is set out in the section headed "Biographical Details of the Directors and Senior Management" in this annual report.

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meetings by Shareholders

Pursuant to Article 58 of the Restated Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting.

Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary by mail at Flat D, 7/F, Block 2, Tai Ping Industrial Centre, 55 Ting Kok Road, Tai Po, New Territories, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(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.

Procedures for Putting Forward Proposals at Shareholders' Meeting

There are no provisions in the Restated Articles or the Companies Law of the Cayman Islands for shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures are set out in the above paragraph headed "Procedures for Convening General Meetings by Shareholders".

Pursuant to Article 85 of the Restated Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Procedures by which Enquiries may be Put to the Board

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Shareholders are welcomed to send their enquiries to the Board by post to the principal place of business set out in the section headed "Corporation Information" in this annual report.

INVESTOR RELATIONS

The Board strives to maintain on-going dialogue with shareholders and the investment community, the Company has established a shareholders' communication policy to set out the Company's procedures in providing the shareholders and investment community with ready, equal and timely access to balanced and understandable information about the Company.

Latest information on the Group including, but not limited to annual and interim reports, circulars, announcements and notices of general meetings are updated on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.grown-up.com).

Although the Company regards the annual general meeting as the primary forum for communication by the Company with its shareholders and for shareholder participation, in light of the Epidemic and in accordance with the recent guidelines for prevention and control of the spread of the Epidemic, the Company would like to remind the shareholders that physical attendance in person at the annual general meeting is not necessary for the purpose of exercising voting rights. As an alternative, the shareholders may complete the proxy forms and appoint the chairman of the annual general meeting as their proxy to vote on the relevant resolutions at the annual general meeting instead of attending the annual general meeting in person.

The first annual general meeting of the Company will be held on Tuesday, 30 June 2020, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

Save for the adoption of the Restated Articles for the purpose of the Listing, during the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

The Board is pleased to submit this annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, the principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

REORGANISATION AND SHARE OFFER

The Company was incorporated in the Cayman Islands on 8 February 2018 as an exempted company with limited liability. The shares of the Company were listed on the Main Board of the Stock Exchange on 28 June 2019.

Pursuant to the reorganisation, as stated in the Prospectus the Company became the holding company of the Group on 12 October 2018.

RESULTS/BUSINESS REVIEW

The results of the Group for the Reporting Period are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 48 in this annual report. The business review of the Group for the Reporting Period is set out in the section headed "Management Discussion and Analysis" on pages 6 to 11.

SHARE CAPITAL

Details of movement in the share capital of the Company during the Reporting Period are set out in note 30 to the consolidated financial statements.

RESERVES

Details of movement in the reserves of the Group during the Reporting Period are set out in the section headed "Consolidated Statement of Changes in Equity" on pages 51 to 52.

DISTRIBUTABLE RESERVES

The Directors consider that the Company's reserves available for distribution to shareholders comprise the share premium, capital reserve and the accumulated losses which amounted to HK$110.3 million (2018: HK$59.1 million). Under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2019, the Company had distributable reserves amounting to HK$110.3 million (2018: HK$59.1 million). Under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands, the share premium account, capital reserve and the retained earnings are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

DIVIDEND POLICY

The Company has adopted a dividend policy that provides guidance to the Board in declaring and recommending a payment of dividends and to strike a balance between the interests of the shareholders and prudent capital management.

In deciding whether to recommend a payment of dividend, the Board will take into account the following factors:

- the actual and expected financial performance of the Group;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;
- business strategies of the Group, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;
- the current and future operations, liquidity position and capital requirements of the Group;
- statutory and regulatory restrictions; and
- other factors that the Board deems appropriate.

The Board will review the dividend policy as appropriate from time to time.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of a final dividend for the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The shares of the Company were listed on the Listing Date. Since the Listing Date and up to 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 18 to 30 in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, as far as the Board and the management are concerned, there was no material breach or non-compliance with the applicable laws and regulations by the Group that has material impact on the business and operations on the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

Employees

The Group has maintained good relationship with its employees. The Group aims to foster an amicable and motivating environment to enhance the employees' incentives and loyalty to the Group. In general, the Group recruits employees with appropriate skills and expertise to meet the current and future needs of the business development of the Group. The Group provides regular trainings to all the employees to improve their skills and enhance their technical knowhow as well as their knowledge on product quality standards and work safety.

Customers

The Group has developed stable relationships with the major customers. The years of business relationships with the major customers enable the Group to enhance its position as an established backpack and luggage manufacturers and exporters in the industry. In particular, some of the major customers are worldwide renowned brands, this allows the Group to stay abreast of market trend and seek further business opportunities with its competitiveness and expertise.

Going forward, the Group will continue to work closely with the major customers to improve its ability in designing and manufacturing backpack and luggage products. The Group believes by enhancing its expertise, not only will it substantiate the existing business relationships with the major customers, but also attracts potential customers as the Group has built a sound business profile.

Suppliers and subcontractors

The Group has maintained stable relationships with the major suppliers. The Group takes into account the quality of the raw materials, delivery time, pricing, quality of services, reliability, creditworthiness and past experience with the Group when selecting suppliers. The Group has an internal approved list of suppliers, and evaluates the performance of the suppliers from time to time. The quality of raw materials places an important role to the products manufactured by the Group.

To effectively manage costs and optimise the production flow, the Group also, from time to time, outsources parts of its production process to subcontractors. The subcontractors are selected on a basis of price, equipment and machinery required, reliability, manufacturing capacity, and past experience with the Group. An internal list of approved subcontractors are also maintained to review the performance of subcontractors.

Having forged strong relationships with the suppliers and subcontractors, the Group believes that it will boost the competitiveness of the Group as we value the quality and safety of raw materials.

DONATIONS

The Group did not make any donation during the Reporting Period.

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Tuesday, 30 June, 2020 and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 24 June 2020 to Tuesday, 30 June 2020, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 23 June 2020.

DIRECTORS

The Directors of the Company during the period from the Listing Date to 31 December 2019 and up to the date of this annual report are:

Executive Directors:

Mr. Thomas Berg *(Chairman)*
Mr. Morten Rosholm Henriksen
Mr. Cheng Wai Man

Non-Executive Directors:

Mr. Fung Bing Ngon Johnny
Mr. Xiong Jianrui

Independent Non-Executive Directors:

Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Ms. Zhou Jing

In accordance with article 83 and 84 of the Restated Articles, Mr. Thomas Berg, Mr. Morten Rosholm Henriksen, Mr. Cheng Wai Man, Mr. Fung Bing Ngon Johnny and Mr. Xiong Jianrui will retire as Directors by rotation and, being eligible, offer themselves for re-election at the AGM.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to the Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service agreement with the Company for a term of three years commencing from the Listing Date and will continue thereafter until terminated in accordance with the terms of the agreement.

Each of the non-executive Directors entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date and will continue thereafter until terminated in accordance with the terms of the appointment.

Each of the independent non-executive Directors entered into a letter of appointment with the Company for a term of two years commencing from the Listing Date and will continue thereafter until terminated in accordance with the terms of the appointment.

No Director has service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

COMPETING INTERESTS

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Reporting Period, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Dakin Capital Limited (the "Compliance Adviser"), as at 31 December 2019, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 5 June 2019, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements in this annual report and the Prospectus, is set out on page 132.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising from corporate activities.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party since the Listing Date and up to 31 December 2019.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the controlling shareholders' of the Company had a material interest, either directly or indirectly, subsisted or at any time during the Reporting Period.

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 Reporting Period.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 12 to 17.

EMPLOYEES AND EMOLUMENT POLICY OF THE GROUP

As at 31 December 2019, the Group had approximately 769 employees (31 December 2018: 1,045). Total staff costs, including the salaries, wages, other allowances, redundancy cost and pension cost but excluding the emoluments of the Directors, during the Reporting Period amounted to approximately HK$94.5million (2018: HK$118.2 million). Remuneration packages including salaries, Mandatory Provident Fund, discretionary bonuses are granted to employees according to individual performance. To attract and retain valuable employees, the Group has issued an internal guideline to assess the performance of the employees, and regular training programmes are provided to the employees to develop and enhance their knowledge and skills.

EMOLUMENT POLICY FOR DIRECTORS

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The Remuneration Committee recommends Directors' remuneration to the Board by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and chief executives' emoluments and the five highest paid individuals are set out in notes 9 and 35 to the consolidated financial statements.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code in the Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long position in shares of the Company

Director	Nature of interest	Number of shares	Percentage of issued share capital
Mr. Thomas Berg ("Mr. Berg")[Note 2]	Interest in controlled corporation	617,000,000(L)[Note 1]	61.7%

Notes:

1. The letter (L) denotes the entity's long position in the shares of the company concerned.

2. GP Group Investment Holding Limited ("GPG") is controlled by Berg Group Holding Limited ("Berg Group") and Berg Group and is wholly-owned by Mr. Berg. By virtue of the SFO, Mr. Berg is deemed to have an interest in the shares held by Berg Group and each of Mr. Berg and Berg Group is deemed to have an interest in the shares held by GPG.

Long position in the ordinary shares of associated corporation

Directors	Name of associated corporation	Nature of Interest	Number of shares	Percentage of issued share capital
Mr. Berg[Note 2]	GPG	Interest in controlled corporation	8,870(L)[Note 1]	88.7%
Mr. Morten Rosholm Henriksen ("Mr. Henriksen")[Note 3]	GPG	Interest in controlled corporation	1,130(L)[Note 1]	11.3%

Notes:

1. The letter (L) denotes the entity's long position in the shares of the company concerned.

2. The aggregate 8,870 shares of GPG which Mr. Berg is interested consist of (i) 5,515 shares of GPG held by Berg Group, a company wholly-owned by Mr. Berg, in which Mr. Berg is deemed to be interested under the SFO; (ii) 2,338 shares of GPG held by Elect Lead Limited, a company wholly-owned by Mr. Berg, in which Mr. Berg is deemed to be interested under the SFO; and (iii) 1,017 shares of GPG held by Easy Achiever Holdings Limited, a company wholly-owned by Mr. Berg, in which Mr. Berg is deemed to be interested under the SFO.

3. 1,130 shares of GPG is held by Rosholm Holding ApS, a company wholly owned by Mr. Henriksen and Mr. Henriksen is deemed to be interested under the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

INTERESTS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2019, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Shareholder	Nature of interest	Number of shares	Percentage of issued share capital
Berg Group[Note 2]	Interest in controlled corporation	617,000,000(L)[Note 1]	61.7%
GPG[Note 2]	Beneficial owner	617,000,000(L)[Note 1]	61.7%
Mr. Choi Chung Yin	Beneficial owner	93,100,000	9.3%

1. The letter (L) denotes the entity's long position in the shares of the company concerned.

2. GPG is controlled by Berg Group and Berg Group is wholly-owned by Mr. Berg. By virtue of the SFO, Mr. Berg is deemed to have an interest in the shares held by Berg Group and each of Mr. Berg and Berg Group is deemed to have an interest in the shares held by GPG.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 30 May 2019. The principal terms of the Share Option Scheme is summarised in Appendix V to the Prospectus. The purpose of the Share Option Scheme is to (i) attract and retain the best available personnel; (ii) provide additional incentive to employees; and (iii) promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 30 May 2019, and there is no outstanding share option as at 31 December 2019.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period and up to the date of this annual report was the Company or any of its subsidiaries or a party to any arrangement to enable the Directors acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of sales and purchases for the Reporting Period attributable to the Group' major customers and suppliers are as follow:

Sales

– the largest customer 9.8% (For the year ended 31 December 2018: 32.8%)

– five largest customers 35.5% (For the year ended 31 December 2018: 57.5%)

Purchases

– the largest supplier 10.7% (For the year ended 31 December 2018: 11.7%)

– five largest suppliers 31.7% (For the year ended 31 December 2018: 34.9%)

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

RELATED PARTIES TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are set out in the note 34 to the consolidated financial statements, and none of which constitutes a discloseable connected transaction as defined under the Listing Rules.

SUBSIDIARIES

Details of the principal subsidiaries of the Group are set out in note 37 to the consolidated financial statements.

USE OF PROCEEDS

The details of the use of proceeds for the Reporting Period is set out in the section headed "Management Discussion and Analysis" on pages 6 to 11 in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its shares as required under the Listing Rules since the Listing Date and up to the date of this annual report.

RETIREMENT SCHEME

The Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Save as the aforesaid, the Group did not participate in any other pension schemes during the Reporting Period.

AUDITORS

The consolidated financial statement for the Reporting Period 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.

EVENTS AFTER THE REPORTING PERIOD

Following the outbreak of Coronavirus Disease 2019 (the "Epidemic") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions with certain level of restrictions and controls over the travelling of people and traffic arrangements.

Because of the above measures, the Group's production facilities in the PRC could only resume limited productions and scheduled deliveries to customers. The Group is in the progress of revising the production and delivery schedules with customers, and will continue to pay close attention to the development of the Epidemic and evaluate its impact on the financial position and operating results of the Group.

On the other hand, due to the recent wide spread effect of the Epidemic outbreak in Europe and in the U.S. where the Group's major customers are located, the Group anticipates the outstanding trade receivable may take longer turnover and may need to re-assess the expected credit loss rates on trade receivables. Up to the date on which this set of financial statements were authorised for issue, the Group is in the progress of estimating the potential impact and shall continue to pay close attention to the development of the Epidemic, perform further assessment of its impact and take relevant measures.

By Order of the Board
Mr. Thomas Berg
Chairman and executive Director

Hong Kong, 30 March 2020

羅兵咸永道

To the shareholders of Grown Up Group Investment Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Grown Up Group Investment Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 48 to 131, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. 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 HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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 matter identified in our audit is related to credit loss allowance assessment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Credit loss allowance assessment of trade receivables	
Refer to Notes 4(a) and 20 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates. As at 31 December 2019, the Group had gross trade receivables of approximately HK$92,739,000 and credit loss allowance of trade receivables of approximately HK$895,000. Management of the Group estimates the amount of lifetime expected credit loss of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering aging, repayment history and/or past due status of respective debtors. Estimated loss rates are based on historical default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables with significant outstanding balances are assessed for expected credit loss individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. We focused on this area because the assessment of the credit loss allowance of trade receivables under the expected credit loss model involve significant management's judgement and estimation.	Our procedures in relation to management's estimation and judgement applied in the credit loss allowance assessment of trade receivables included: • Understood, evaluated and tested, on a sample basis of key controls over management assessment of impairment of trade receivables, such as periodic review of trade receivables aging report; • Assessed the appropriateness of the methodology adopted in determining the expected credit loss; • Tested the integrity of information used by management to develop the provision matrix, including trade receivables aging analysis on a sample basis; • Challenged management's basis and judgement in determining credit loss allowance on trade receivables, including their identification of significant outstanding balances, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to aging, historical default rates and forward-looking information); and • Testing subsequent settlements of trade receivables with significant balances, on a sample basis, by inspecting supporting documents in relation to cash receipt from these debtors subsequent to the year end date. Based upon the above, we considered that the management's estimation and judgement applied in respect of the credit loss allowance of trade receivables were supportable by available evidence.

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 and will not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, 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 THE 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 HKFRSs issued by the HKICPA 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 HKSAs 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 HKSAs, 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.

- 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.

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

- 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 Mr. Yuen Kwok Kin Andrew.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
Revenue	5	**304,788**	677,464
Cost of sales	8	**(225,959)**	(522,564)
Gross profit		**78,829**	154,900
Other income	6	**709**	839
Other gains, net	7	**82**	60
Selling and distribution expenses	8	**(34,726)**	(42,708)
Administrative expenses	8	**(69,270)**	(71,499)
(Loss)/profit from operations		**(24,376)**	41,592
Finance income	10	**972**	1,343
Finance costs	10	**(9,085)**	(6,793)
Finance costs, net	10	**(8,113)**	(5,450)
(Loss)/profit before income tax		**(32,489)**	36,142
Income tax credit/(expense)	11	**2,989**	(9,023)
(Loss)/profit for the year		**(29,500)**	27,119
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(386)**	(1,468)
Total comprehensive (loss)/income for the year		**(29,886)**	25,651
(Loss)/earnings per share attributable to owners of the Company for the year			
Basic and diluted (HK cent)	12	**(3.22)**	3.27

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Note	As at 31 December 2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	13	23,994	30,681
Right-of-use assets	14	12,475	–
Financial asset at fair value through profit or loss	22	7,002	7,002
Investment property	15	1,400	1,300
Intangible assets	16	39,783	48,297
Prepaid land lease payments	17	–	1,313
Deferred income tax assets	29	3,719	1,111
		88,373	89,704
Current assets			
Inventories	19	42,771	30,038
Trade and other receivables	20	123,982	218,984
Amount due from a director	21	–	7,739
Amount due from the ultimate holding company	21	–	5,798
Amounts due from related companies	21	–	31,295
Tax recoverable		493	777
Pledged deposits	23	28,044	26,011
Cash at bank and on hand	23	56,479	17,631
		251,769	338,273
Total assets		340,142	427,977
EQUITY			
Capital and reserves			
Share capital	30	10,000	–*
Other reserves		23,959	(37,586)
Retained earnings		87,953	117,651
Total equity		121,912	80,065

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	As at 31 December 2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
License fees payable	25	7,190	20,229
Lease liabilities	14	5,001	–
Obligations under finance leases	27	–	3,107
Deferred income tax liabilities	29	–	560
		12,191	23,896
Current liabilities			
Trade and other payables	24(a)	57,621	126,776
Contract liabilities	24(b)	1,962	1,995
License fees payable	25	12,271	11,761
Amount due to immediate holding company	21	–	10,520
Lease liabilities	14	7,125	–
Bills payable	26	35,174	72,263
Obligations under finance leases	27	–	1,870
Bank and other borrowings	28	84,931	89,071
Tax payable		6,955	9,760
		206,039	324,016
Total liabilities		218,230	347,912
Total equity and liabilities		340,142	427,977

* Below HK$1,000.

The consolidated financial statements on page 48 to 131 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf:

Thomas Berg
Director

Fung Bing Ngon Johnny
Director

The above consolidated statement of financial position should be read in conjunction with the accounting notes.

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2018	–	–	(34,809)	(1,309)	110,532	74,414
Profit for the year	–	–	–	–	27,119	27,119
Other comprehensive loss:						
Items that may be reclassified to profit or loss						
– Currency translation differences	–	–	–	(1,468)	–	(1,468)
Total comprehensive income for the year	–	–	–	(1,468)	27,119	25,651
Transactions with owners in their capacity as owners						
Issuance of shares pursuant to the Reorganisation	–*	–	–	–	–	–
Dividend (Note 31)	–	–	–	–	(20,000)	(20,000)
Total transactions with owners in their capacity as owners	–	–	–	–	(20,000)	(20,000)
At 31 December 2018	–*	–	(34,809)	(2,777)	117,651	80,065

* Below HK$1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 31 December 2018, as previous reported	–*	–	(34,809)	(2,777)	117,651	80,065
Change in accounting policy (Note 2.2)	–	–	–	–	(198)	(198)
At 1 January 2019, as restated	–*	–	(34,809)	(2,777)	117,453	79,867
Loss for the year	–	–	–	–	(29,500)	(29,500)
Other comprehensive loss:						
Items that may be reclassified to profit or loss						
– Currency translation differences	–	–	–	(386)	–	(386)
Total comprehensive loss for the year	–	–	–	(386)	(29,500)	(29,886)
Transactions with owners in their capacity as owners						
Issue of new shares pursuant to a capitalisation issue in connection with the share offer	8,300	(8,300)	–	–	–	–
Issue of new shares pursuant to the share offer	1,700	83,300	–	–	–	85,000
Share issuance costs	–	(13,069)	–	–	–	(13,069)
Total transactions with owners in their capacity as owners	10,000	61,931	–	–	–	71,931
At 31 December 2019	**10,000**	**61,931**	**(34,809)**	**(3,163)**	**87,953**	**121,912**

* Below HK$1,000.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	32(a)	(43,410)	26,621
Income tax paid		(2,671)	(10,641)
Net cash (used in)/generated from operating activities		(46,081)	15,980
Cash flows from investing activities			
Interest received		972	1,343
Purchase of property, plant and equipment		(922)	(3,624)
Purchase of intangible assets		(397)	–
Proceeds from disposal of property, plant and equipment	32(a)	119	–
Amount due from the ultimate holding company		5,798	(5,798)
Amount due from immediate holding company		(10,520)	(338)
Amounts due from related companies		31,295	(9,418)
Amount due from a director		7,739	(35)
Changes in pledged deposits		(2,033)	(6,040)
Net cash generated from/(used in) investing activities		32,051	(23,910)
Cash flows from financing activities			
Proceeds from issue of shares	30	85,000	–
Proceeds from bank borrowings		21,175	199,840
Repayment of bank borrowings		(59,858)	(189,045)
Interest paid		(8,383)	(6,144)
Listing expense paid (equity portion)		(13,069)	(2,946)
Obligations under finance leases		–	(839)
Principal elements of lease payments		(7,451)	–
Amounts due to related companies		–	(250)
Net cash generated from financing activities		17,414	616
Net increase/(decrease) in cash and cash equivalents		3,384	(7,314)
Cash and cash equivalents at beginning of the year	23	608	5,749
Effects of exchange rate changes on cash and cash equivalents		921	2,173
Cash and cash equivalents at end of the year	23	4,913	608

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information of the Group

Grown Up Group Investment Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The address of registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries (collectively, the "Group") are designing, developing, manufacturing and selling bag and luggage products (the "Listing Business").

Prior to the completion of the reorganisation (the"Reorganisation") as described in Note 1.2 below, the Listing Business is conducted through the subsidiaries now comprising the Group under Grown-Up Group Holdings Limited ("GHL HK"). The ultimate holding company of the Company is Berg Group Holding Limited. The ultimate controlling parties of the Group are Mr. Thomas Berg ("Mr. Berg") and Mr. Morten Rosholm Henriksen ("Mr. Henriksen") (together the "Controlling Shareholders").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("the Listing") on 28 June 2019.

The consolidated financial statements are presented in the thousands of Hong Kong dollars ("HK$000"), unless otherwise stated.

1.2 Reorganisation

In preparing for the Listing, the Group underwent the Reorganisation to transfer the Listing Business to the Company principally through the following steps:

(i) **Disposal of the Elements Group Investment Holdings Limited ("EGIHL") and its subsidiaries ("Elements Group") by Grown-Up Group Holdings Limited BVI ("GHL BVI")**

On 19 October 2017, GHL BVI, a wholly-owned subsidiary of the Group disposed its entire interest in EGIHL to Group One Industries Limited ("Group One"), a company which is beneficially owned by Mr. Berg at a nominal consideration of US$1. After the aforesaid share transfer, the Group no longer had any interest in Elements Group. Elements Group is principally engaged in manufacturing and sale of kitchen-related products. Elements Group was excluded from the Group as it did not form part of the Listing Business.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

1.2 Reorganisation (Continued)

(ii) Transfer of 25% interest in GHL HK to GHL BVI

On 28 October 2017, GHL BVI acquired 1,250,000 shares of GHL HK (representing 25% of the issued share capital of GHL HK) from the immediate holding company at a consideration of HK$35,160,000, which was settled by crediting to the amount due from the immediate holding company and is accounted for as a transaction with owners in the consolidated statement of changes in equity. After the aforesaid share transfer, GHL HK became wholly-owned by GHL BVI.

(iii) Acquisition of 20% of interest in Grown-Up License Limited "GPL HK" and 20% interest in Grown-Up Licenses ApS ("GPL APS")

On 9 October 2018, the immediate holding company acquired 20% of the equity interest in GPL HK (which was transferred from Mr. Henriksen to Rosholm Holding ApS ("RHS") on 29 November 2017) and 20% of the equity interest in GPL APS from RHS, a company beneficially owned by Mr. Henriksen. In consideration of the aforesaid transactions, 111 shares of the immediate holding company were allotted issued and credited as fully paid to RHS. Subsequently, the said equity interests in GPL HK and GPL APS held by the immediate holding company were further transferred to GHL HK and GPL HK at a consideration of HK$13,500,000 and HK$1,460,000 on 10 October 2018 and 12 October 2018, respectively, such that GPL APS became a wholly-owned subsidiary of GPL HK and GPL HK became a wholly-owned subsidiary of GHL HK.

(iv) Incorporation of the Company

On 8 February 2018, the Company was incorporated in the Cayman Islands with one fully paid share issued to the initial subscriber. On the same day, such subscriber share was transferred to GP Group Investment Holding Limited ("GPG"), the immediate holding company. As a result, the Company became wholly-owned by GPG.

On 12 October 2018, the Company acquired 84 shares and 16 shares of GHL BVI (representing 84% and 16% of the entire issued share capital of GHL BVI, respectively) from GPG and Favourable Outcome Limited (the "Pre-IPO Investor"), respectively. In consideration of the aforesaid acquisitions, 7,435 shares, 1,600 shares and 964 shares were allotted, issued and credited as fully paid to GPG, the Pre-IPO Investor and Berg Group Holding Limited ("Berg Group"), respectively.

After the aforesaid acquisitions, allotments and issues, GHL BVI became a wholly-owned subsidiary of the Company.

Upon the completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

1.3 Basis of presentation

Immediately prior to and after the Reorganisation as set out in Note 1.2, the Listing Business is ultimately controlled by the Controlling Shareholders. The Listing Business is mainly conducted through the subsidiaries now comprising the Group under GHL HK. There has been no change in ownership control for these entities under GHL HK from its perspective. Pursuant to the Reorganisation, the subsidiaries now comprising the Group and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under the subsidiaries of the Group and presented as a continuation of the consolidated financial statements of the subsidiaries of the Group, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented.

Intercompany transactions, balances and unrealised gains/losses on transactions between subsidiaries now comprising the Group are eliminated upon consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements, unless otherwise states.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and the requirements of the Hong Kong Companies Ordinance Cap.622 ("HKCO").

The consolidated financial statements have been prepared on a historical cost basis, except for the financial asset at fair value through profit or loss and an investment property that are measured at fair value.

The Group incurred a net loss of HK$29,500,000 and had a net cash operating outflow of HK$46,081,000 for the year ended 31 December 2019. As at 31 December 2019, the Group had total bank borrowings of HK$84,931,000. The Group failed to comply with the financial ratio undertakings in respect of interest coverage ratio for the year ended 31 December 2019 of one of the Group's banking facilities with a credit limit of HK$61,000,000 of which HK$6,262,000 was utilised as at 31 December 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The directors have reviewed the Group's cash flow projections prepared by management covering a period of twelve months from 31 December 2019. A number of measures have been put in place by the directors of the Company, including but not limited to:

(a) In March 2020, the Group obtained the bank's wavier from compliance with the relevant financial ratio undertakings for the year ended 31 December 2019 in relation to the abovementioned bank facility. The relevant bank will only assess the compliance of the restrictive undertakings upon the next annual review of the banking facility not earlier than October 2020. The Group will continue to monitor its compliance with the restrictive undertaking requirements and anticipate that it would be able to comply with the restrictive undertaking requirement. Management will also discuss and negotiate with the respective banks to seek to revise the terms and the restrictive undertaking requirements upon renewal of the banking facilities.

(b) The Group has maintained continuous communication with its banks and based on its latest communication, the directors of the Company are of the opinion that the Group's banking facilities will be renewed upon expiry and continue to be available to the Group for the next twelve months from the date of the consolidated statement of financial position.

Based on the cash flow projections and taking into account the unused proceeds raised from the Company's share offer, anticipated cash flows generated from the Group's operations, the possible changes in its operating performance as well as the continuous availability of banking facilities, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2019. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

a) New and amended standards adopted by the Group

The Group has adopted and applied, for the first time, the following new standards and interpretations that have been issued and effective for the accounting periods beginning on 1 January 2019:

HKAS 19 (Amendments)	Plant amendment, curtailment or settlement
HKAS 28 (Amendments)	Long-term Interest in Associate and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKFRS Standards 2015–2017 Cycle	Annual Improvement

Except for the impact for HKFRS 16 "Leases" set out in Note 2.2, the adoption of the above new standard, improvements, interpretation and amendments to standards did not have any significant change to the accounting policy or any significant financial impact on the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

b) **New standards, revised framework and amendments to standards which are not yet effective**

Certain new standard, revised framework and amendments to standards that have been published and are mandatory for the Group's accounting periods beginning on 1 January 2020 or later periods, but have not been early adopted by the Group.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material [1]
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting [1]
HKFRS 3 (Amendments)	Definition of a Business [1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting [1]
HKFRS 17	Insurance Contracts [2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

[1] Effective for the accounting period beginning on 1 January 2020
[2] Effective for the accounting period beginning on 1 January 2021
[3] Effective date to be determined

The Group will apply the above new standard, revised framework and amendments to standards when they become effective. No new standard, revised framework and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.24.

Upon adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases except for short-term and low value leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranged between 4.8% to 5.5%. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The borrowing rate applied to the lease liabilities on 1 January 2019 ranged between 2.5% to 8.0%. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 "Determining whether an Arrangement contains a Lease".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(ii) Measurement of lease liabilities

	2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	5,480
Discounted using the lessee's incremental borrowing rate of at the date of initial application	5,418
Less: Short-term leases not recognised as a liability	(29)
Less: Low-value leases not recognised as a liability	(335)
Add: Finance lease liabilities recognised as at 31 December 2018	4,977
Lease liabilities recognised as at 1 January 2019	10,031
Represented as:	
Current lease liabilities	5,868
Non-current lease liabilities	4,163
	10,031

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property, machinery and motor vehicle leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required a significant adjustment to the right-of-use assets at the date of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(iv) Adjustment recognised in the consolidated statement of financial position as at 1 January 2019

The adoption of HKFRS 16 affected the following extract of items in the consolidated statement of financial position at 1 January 2019:

	Before adoption 1 January 2019 HK$'000	Adoption of HKFRS 16 HK$'000	After adoption 1 January 2019 HK$'000
Non-current assets			
Property, plant and equipment	30,681	(4,286)	26,395
Prepaid land lease payments	1,313	(1,313)	–
Right-of-use assets	–	10,465	10,465
Deferred income tax assets	1,111	29	1,140
	33,105	4,895	38,000
Current assets			
Prepaid land lease payments (included in trade and other receivables)	39	(39)	–
Non-current liabilities			
Lease liabilities	–	4,163	4,163
Obligations under finance leases	3,107	(3,107)	–
Deferred income tax liabilities	560	–	560
	3,667	1,056	4,723
Current liabilities			
Lease liabilities	–	5,868	5,868
Obligations under finance leases	1,870	(1,870)	–
	1,870	3,998	5,868
Equity			
Retained earnings	117,651	(198)	117,453

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries

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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former shareholders 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.

Intercompany transactions, balances and unrealised gains 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 comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (Continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly 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 in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

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

Management of the Group assesses the financial performance and position of the Group, and makes strategic decisions. Management of the Group, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the chief operating officer of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (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:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average rate 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 dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are 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 item 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 repairs and maintenance are charged in profit or loss during the year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Land and buildings	Shorter of lease term or expected useful life
Leasehold improvements	5 years or over the lease term, whichever is shorter
Fixtures, furniture and office equipment	4 to 5 years
Motor vehicles	4 years
Machinery and equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of statement of financial position. 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.

Gains and losses on disposals are determined by comparing the proceeds with carrying amounts and are recognised within "Other gains, net" in the consolidated statement of comprehensive income.

2.9 Investment property

Investment property, principally the car parking space, is held for long-term rental yields and is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss within "Other gains, net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets

(i) **Goodwill**

Goodwill is measured as described in Note 2.11. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments as described in Note 5.

(ii) **Brand licences and distribution rights**

Brand licences and distribution rights are licensing contracts entered into with the brand-holder by the Group in the capacity as licensee. Brand licences are capitalised based on the upfront costs incurred and the present value of guaranteed royalty payments to be made subsequent to the inception of the licensing contracts. Brand licences are amortised based on expected usage from the date of first commercial usage over the remaining licence periods ranging from approximately 1 to 5 years.

(iii) **Computer software systems**

Computer software systems acquired are recognised at historical cost. Costs associated with maintaining software programmes are recognised as an expense as incurred.

Computer software systems are amortised based on expected useful life of 5 years.

(iv) **Golf club membership**

Golf club membership has indefinite useful life and is not subject to amortisation. The membership is tested annually for impairment and carried at cost less accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets

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

2.12 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 other comprehensive income ("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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(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.

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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

- Fair value through other comprehensive income ("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, net". Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses and impairment expenses are presented in "Other gains, net".

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in profit or loss within "Other gains, net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(iii) Measurement (Continued)

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 other comprehensive income, 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 fair value through profit or loss are recognised in the consolidated statements of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Credit loss allowance

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

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

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the 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. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore all classified as current.

Trade 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.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdraft. In the consolidated statement of financial position, bank overdraft are shown in current liabilities.

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables 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.

2.19 License fees payable

License fees payable in respect of the inception of the license rights is initially recognised at fair value of the consideration given for the recognition of the license rights at the time of the inception, which represents present values of contractual minimum payments that can be reliably estimated at the time of the inception. It is subsequently stated at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowings

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 comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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.

2.21 Borrowing costs

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.

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the country where its Group companies 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is recognised, 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, the deferred income tax is 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 and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) 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.

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive 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 has been reliably estimated. Provisions are not recognised for future operating losses.

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 the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 December 2018, leasehold building where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (Note 17). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was 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. Leasehold building acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Prepaid land lease payments are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land under operating lease on which various plants and buildings are situated. Amortisation of prepaid land lease payments is calculated on a straight-line basis over the period of lease.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, 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.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (Continued)

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:

(i) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(ii) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) amounts expected to be payable by the Group under residual value guarantees;

(iv) the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

(v) payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

(i) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and

(ii) makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (Continued)

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.

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

(i) the amount of the initial measurement of lease liability;

(ii) any lease payments made at or before the commencement date less any lease incentives received;

(iii) any initial direct costs, and

(iv) restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of properties and equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.25 Employee benefits

(a) Defined contribution plan

The Group operates a number of defined contribution plans in Hong Kong, the People's Republic of China ("PRC") and Denmark. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (Continued)

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue 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.

2.26 Revenue and income recognition

(i) Sales of goods

The Group manufactures and sells a range of bags and luggage. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesalers/customers. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesalers/customers, and either the wholesalers/customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Cash or bank acceptance notes collected from certain wholesalers/customers before product delivery is recognised as contract liabilities.

(ii) Royalty income

Royalty income is recognised when the right to receive the payment is established.

(iii) Rental income

Rental income is recognised on a straight-line basis over the period of the relevant leases.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.27 Earnings per share

While entities are permitted to disclose earnings per share based on alternative measures of earnings, these must be presented in the notes to the consolidated financial statements only (see Note 12).

2.28 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.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 program 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 management under the direction of the directors. Management reviews and approves principles for overall risk management, as well as policies and procedures covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. These policies and procedures enable management to make strategic and informed decision with regard to the operations of the Group.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("US$"), Chinese Renminbi ("RMB") and Euro ("Euro"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency.

The Group's financial assets including trade and other receivables and cash on hand, are substantially denominated in HK$, Danish Kronors ("DKK"), EURO, US$ and RMB. The Group's financial liabilities including trade and other payables, contract liabilities, license fee payable, bills payable and bank and other borrowings were substantially denominated in HK$, DKK, US$, RMB and EURO.

Since HK$ are pegged to the US$, management considers the foreign exchange risk of US$ financial assets and liabilities to the Group is not significant.

As at 31 December 2019, if RMB had strengthened/weakened by 3% against HK$ with all other variables held constant, the Group's pre-tax profit for the year would be lower/higher by approximately HK$24,000. (2018: HK$1,483,000), mainly as a result of foreign exchange losses/gains on translation of RMB-denominated net liabilities.

As at 31 December 2019, if EURO had strengthened/weakened by 3% against HK$ with all other variables held constant, the Group's pre-tax profit for the year would be lower/higher by approximately HK$378,000 (2018: HK$694,000), mainly as a result of foreign exchange losses/gains on translation of EURO-denominated net assets.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

As at 31 December 2019, if interest rates on borrowings had been 100 basis points higher or lower with all other variables held constant, the impact on the Group's pre-tax profit for the year would have been approximately HK$638,000 (2018: HK$881,000) lower or higher.

The Group's interest-rate risk arises from borrowings with variable rates. Bank and other borrowings (including trade finance) are denominated in DKK, HK$ and USD and are subject to floating interest rates at the bank's best lending rate plus 0.5% to 3.5% (2018: 0.5% to 3.5%).

An analysis by maturities is provided in Note 3.1 (c). The percentage of total loans shows the proportion of loans that were at variable rates in relation to the total amount of borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, pledged deposits and cash at bank. The carrying amounts of trade and other receivables, pledged deposits and cash at bank and represent the Group's maximum exposure to credit risk in relation to financial assets.

As at 31 December 2019, the Group had a concentration of credit risk given that the top 5 customers account for 61% (2018: 86%) of the Group's total year end trade receivables balance.

The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate expected credit loss allowance are made.

The Group applied the simplified approach in HKFRS 9 to measure the credit loss allowance at lifetime expected credit loss. Except for trade receivables with significant outstanding which are assessed individually, the Group determines the expected credit loss on the remaining balances by using a provision matrix grouped by common risk characteristic.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

To measure the expected credit losses, trade receivables have been grouped based the days past due. The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Details of expected credit losses on trade and other receivables is provided in Note 20.

Deposits and other receivables

For deposits and other receivables, management makes periodic collective assessments as well as individual assessment on their recoverability 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 balance of deposits and other receivables.

Cash and bank balances

Cash is deposited in financial institutions with high credit quality and the Group does not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group measures and monitors its liquidity through the maintenance of prudent ratios on the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. The Group also maintains a healthy level of liquid assets and committed banking facilities to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the ordinary course of business. At 31 December 2019, the Group had unutilised banking facilities of approximately HK$102,038,000 (2018: HK$69,369,000).

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of consolidated statement of financial position to the contractual maturity dates. The amounts disclosed in the table below are the contractual undiscounted cashflows.

	Note	On demand HK$'000	Less than 1 year HK$'000	More than 1 year but within 5 years HK$'000	Total HK$'000
At 31 December 2019					
Trade and other payables	24	–	56,692	–	56,692
License fees payable	25	–	13,054	7,610	20,664
Lease liabilities	14	–	7,523	5,190	12,713
Bills payable	26	–	35,174	–	35,174
Bank and other borrowings	28	84,931	–	–	84,931
		84,931	112,443	12,800	210,174
At 31 December 2018					
Trade and other payables	24	–	125,966	–	125,966
License fees payable	25	–	12,463	21,514	33,977
Amount due to immediate holding company	21	10,520	–	–	10,520
Obligations under finance lease	27	–	2,058	3,277	5,335
Bills payable	26	–	72,263	–	72,263
Bank and other borrowings	28	89,071	–	–	89,071
		99,591	212,750	24,791	337,132

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below summarises the maturity analysis of bank borrowings (excluding bank overdraft) based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's consolidated financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 1 year HK$'000	Between 1 year to 2 years HK$'000	Between 2 years to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2019					
Bank borrowings	30,097	1,636	2,308	–	34,041
At 31 December 2018					
Bank borrowings	64,250	5,157	3,765	233	73,405

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

3.2 Capital risk 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, management of the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management monitors the Company's capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less pledged deposits and cash at bank and on hand. Total capital is calculated as "Total equity", as shown in the consolidated statement of financial position, plus net debt. The gearing ratios at 31 December 2018 and 2019 are as follows:

	Note	2019 HK$'000	2018 HK$'000
Bank borrowings	28	33,365	72,048
Amount due to immediate holding company	21	–	10,520
Obligation under finance leases	27	–	4,977
Lease liabilities	14	12,126	–
Less: Pledged deposits	23	(28,044)	(26,011)
Less: Cash and cash equivalents	23	(4,913)	(608)
Net debt		12,534	60,926
Total equity		121,912	80,065
Total capital		134,446	140,991
Gearing ratio		9%	43%

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

3.3 Fair value estimation

(a) Financial asset

(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 consolidated 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 is as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale 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 are not based on observable market data, the instrument is included in level 3.

As at 31 December 2018 and 2019, the Group's financial asset at fair value through profit or loss is an unlisted investment in a key management insurance and is included in level 3.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial asset (Continued)

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

The following table presents the changes in financial asset at fair value through profit or loss for years ended 31 December 2018 and 2019:

	Financial asset at fair value through profit or loss	
	2019	2018
	HK$'000	HK$'000
At 1 January	7,002	6,948
Exchange realignment	–	54
At 31 December	7,002	7,002

(iii) Valuation inputs and relationships to fair value

These unlisted key management insurance contract is a level 3 financial asset under the fair value hierarchy, and its fair value was determined with reference to the expected returns from such policies which are primarily based on the financial performance and market price of the underlying portfolio taking into consideration the respective guaranteed minimum returns. Consideration was also placed on the pattern of crystalising the contracts and surrender charges, if any.

Management estimated the impact of a reasonable change in the unobservable inputs to be insignificant.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

3.3 Fair value estimation (Continued)

(b) Non-financial asset

(i) Fair value hierarchy

This Note explains the judgements and estimates made in determining the fair values of the non-financial assets that were recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 3.3(a).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2019	–	1,400	–	1,400
At 31 December 2018	–	1,300	–	1,300

There were no transfers between Levels 1, 2 and 3 for recurring fair value measurements during the years.

(ii) Fair value measurements

The fair values of the Group's investment property at 31 December 2018 and 2019 were based on valuations carried out by an independent qualified professional valuer that is not connected with the Group.

The fair values were determined based on the "Direct Comparison Method", where the values were assessed by reference to the comparable properties of similar size, character and location, factoring in all the respective advantages and disadvantages of each property in order to arrive at a comparable capital value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimate 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 within the next financial year are discussed below:

(a) Credit loss allowance of trade receivables

For trade receivables, the Group applies the simplified approach to provide for expected credit losses as prescribed by HKFRS 9, which requires the use of the lifetime expected credit loss for all trade receivables. Management's judgement is involved in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 20.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.11. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) Income taxes

The Group is subject to income taxes in various 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 during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 SEGMENT INFORMATION

Chief Operating Decision Maker ("CODM") of the Group, which consists of the chief executive officer, the chief financial officer and the chief operating officer, examines the Group's performance from product perspective and has identified two reportable segments of its business comprising, the private label products segment and the branded label products segment. The private label products segment – private label products are produced and sold under both Original Equipment Manufacturer ("OEM") and Original Design Manufacturer ("ODM") businesses to the brand owners or their licensees. The branded label products segment – branded label products include products branded under the Group's proprietary Ellehammer brand as well as the licensed brands, distributed through the Group's sales network comprising of third party distributors and self-operated distribution channel.

	2019 HK$'000	2018 HK$'000
Sales of goods	297,058	677,464
Royalty income	7,730	–
	304,788	677,464
Timing of revenue recognition		
– At a point in time	304,788	677,464

The Group used the practical expedient where the transaction price allocated to the performance obligations that are unsatisfied, or partially satisfied, are not disclosed as substantially all related contracts have a duration of one year or less.

5 SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by reportable segment as reviewed by the CODM:

Year ended 31 December 2019

	Private label products HK$'000	Branded label products HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue from external customers	181,143	123,645	–	304,788
Inter-segment revenue	68,620	–	(68,620)	–
Total segment revenue	249,763	123,645	(68,620)	304,788
Segment results	1,340	268	(10,052)	(8,444)
Other income				657
Other gains, net				82
Corporate expenses				(16,671)
Loss from operations				(24,376)
Finance income				972
Finance costs				(9,085)
Loss before income tax				(32,489)
Income tax credit				2,989
Loss for the year				(29,500)

Other segment information:

	Private label products HK$'000	Branded label products HK$'000	Unallocated HK$'000	Total HK$'000
Amortisation of license rights (Note 16)	–	(8,077)	–	(8,077)
License right written-off (Note 16)	–	(327)	–	(327)
Depreciation of right-of-use assets (Note 14)	(7,376)	(140)	–	(7,516)
Depreciation of property, plant and equipment (Note 13)	(3,013)	(17)	–	(3,030)
Credit loss allowance on trade receivables (Note 20)	(445)	(300)	–	(745)

5 SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

	Private label products HK$'000	Branded label products HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue from external customers	514,392	163,072	–	677,464
Inter-segment elimination	71,430	–	(71,430)	–
Total segment revenue	585,822	163,072	(71,430)	677,464
Segment results	24,985	44,309	(13,307)	55,987
Other income				756
Other gains, net				60
Corporate expenses				(15,211)
Profit from operations				41,592
Finance income				1,343
Finance costs				(6,793)
Profit before income tax				36,142
Income tax expenses				(9,023)
Profit for the year				27,119

Other segment information:

	Private label products HK$'000	Branded label products HK$'000	Unallocated HK$'000	Total HK$'000
Amortisation of license rights (Note 16)	–	(9,571)	–	(9,571)
Depreciation of property, plant and equipment (Note 13)	(5,314)	(6)	–	(5,320)
Amortisation of prepaid land lease payments (Note 17)	(39)	–	–	(39)

5 SEGMENT INFORMATION (CONTINUED)

The following is analysis of the Group's assets and liabilities by reportable segment as reviewed by the CODM:

As at 31 December 2019

	Private label products HK$'000	Branded label products HK$'000	Corporate assets/ (liabilities) HK$'000	Total HK$'000
Non-current assets	47,097	30,546	10,730	88,373
Current assets	119,514	77,615	54,640	251,769
Total assets	166,611	108,161	65,370	340,142
Segment liabilities	(79,849)	(80,152)	–	(160,001)
Other liabilities	–	–	(58,229)	(58,229)
Net assets	86,762	28,009	7,141	121,912
Addition to non-current assets	763	42	117	922

As at 31 December 2018

	Private label products HK$'000	Branded label products HK$'000	Corporate assets/ (liabilities) HK$'000	Total HK$'000
Non-current assets	43,656	37,689	8,359	89,704
Current assets	212,270	49,151	76,852	338,273
Total assets	255,926	86,840	85,211	427,977
Segment liabilities	(196,630)	(50,466)	–	(247,096)
Other liabilities	–	–	(100,816)	(100,816)
Net assets/(liabilities)	59,296	36,374	(15,605)	80,065
Addition to non-current assets	3,624	–	–	3,624

5 SEGMENT INFORMATION (CONTINUED)

The analysis of revenue by geographical destination is as follows:

	2019 HK$'000	2018 HK$'000
Europe	137,140	230,979
North America	54,913	327,902
The PRC	41,533	47,196
Middle East	17,229	20,710
Others	53,973	50,677
	304,788	677,464

Non-current assets, other than financial asset at fair value through profit or loss, intangible assets, right-of-use assets and deferred income tax assets, by geographical area are as follows:

	2019 HK$'000	2018 HK$'000
The PRC	20,266	23,030
Hong Kong	4,950	8,658
Europe	178	293
	25,394	31,981

6 OTHER INCOME

	2019 HK$'000	2018 HK$'000
Rental income	657	756
Others	52	83
	709	839

7 OTHER GAINS, NET

	2019 HK$'000	2018 HK$'000
Loss on disposal of property, plant and equipment	(18)	(40)
Fair value gain on an investment property (Note 15)	100	100
	82	60

8 EXPENSES BY NATURE

	2019 HK$'000	2018 HK$'000
Cost of inventories sold (Note 19)	163,153	430,244
Employee benefit expenses (Note 9)	94,549	118,222
Transportation and freight charges	16,388	22,012
Amortisation of license rights (Note 16)	8,077	9,571
License right written-off (Note 16)	327	–
Depreciation of right-of-use assets (Note 14)	7,516	–
Directors' emoluments (Note 35)	5,452	6,031
Depreciation of property, plant and equipment (Note 13)	3,030	5,320
Amortisation of prepaid land lease payments (Note 17)	–	39
Operating lease payments	–	7,475
Expenses related to short-term and low-value lease (Note 14)	364	–
Royalty fees	57	1,712
Auditor's remuneration		
– Audit services	1,492	1,237
– Non-audit services	284	438
Credit loss allowance of trade receivables (Note 20)	745	–
Legal and professional fees	2,102	995
Listing expenses	12,739	12,995
Sample costs	2,477	1,618
Marketing expenses	1,863	1,905
Exchange differences	(607)	1,288
Others	9,947	15,669
	329,955	636,771
Representing:		
Cost of sales	225,959	522,564
Selling and distribution expenses	34,726	42,708
Administrative expenses	69,270	71,499
	329,955	636,771

9 EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTORS' EMOLUMENTS)

	2019 HK$'000	2018 HK$'000
Salaries, wages and other allowances	82,457	105,965
Redundancy cost	2,216	–
Pension costs	9,876	12,257
	94,549	118,222

Five highest paid individuals

For the year ended 31 December 2019, the five highest paid individuals whose emoluments were the highest in the Group include 2 directors (2018: 2 directors), whose emoluments are reflected in Note 35. The emoluments paid/payable to the remaining 3 individuals (2018: 3 individuals), during the year ended 31 December 2019 are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, wages and other allowances	5,887	3,776
Pension costs	108	158
	5,995	3,934

The emoluments of the remaining individuals fell within the following bands:

	2019 HK$'000	2018 HK$'000
Emolument bands		
HK$1,000,001 to HK$1,500,000	1	3
HK$2,000,001 to HK$2,500,000	2	–

10 FINANCE COSTS, NET

	2019 HK$'000	2018 HK$'000
Finance income		
– Interest income from bank deposits	415	523
– Interest income from related companies	557	820
	972	1,343
Finance costs		
– Interest expenses on bank borrowings and bank overdrafts	(7,639)	(6,144)
– Interest expenses on finance lease	–	(236)
– Interest expenses on lease liabilities (Note 14)	(744)	–
– Notional interest on license fee payable	(702)	(413)
	(9,085)	(6,793)
Finance costs, net	(8,113)	(5,450)

11 INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided for at 16.5% (2018: 16.5%) on the estimated assessable profit for the year ended 31 December 2019. The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax ("CIT") at a rate of 25% (2018: 25%) for the year ended 31 December 2019. The Group's subsidiaries in Denmark are subject to income tax at the rate of 22% (2018: 22%) for the year ended 31 December 2019.

The amount of income tax (credited)/charged to profit or loss represents:

	2019 HK$'000	2018 HK$'000
Current income tax		
– Hong Kong profits tax	–	4,830
– China corporate income tax	891	3,391
– Denmark income tax	558	20
– Over-provision from prior year	(1,299)	–
Deferred income tax (Note 29)	(3,139)	782
	(2,989)	9,023

The income tax (credit)/expense for the year can be reconciled to the (loss)/profit before income tax as shown in the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
(Loss)/profit before income tax	(32,489)	36,142
Tax calculated at domestic tax rates applicable to profits in respective countries	(6,302)	7,302
Income not subject to tax	(31)	(434)
Expenses not deductible for tax purpose	2,140	2,155
Over-provision from prior year	(1,299)	–
Tax losses not recognised	2,503	–
Income tax (credit)/expense	(2,989)	9,023

12 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the years ended 31 December 2018 and 2019.

Pursuant to the shareholders' resolution passed on 30 May 2019, the directors of the Company are authorised to allot and issue a total of 829,990,000 ordinary shares credited as fully paid at par by way of capitalisation of the sum of HK$8,299,900 standing to the credit of the share premium account upon the Listing (the "Capitalisation Issue") (Note 30).

On 28 June 2019, the shares of the Company were listed on the Main Board of the Stock Exchange. The Company issued a total of 170,000,000 shares at a price of HK$0.5 per share for a total proceeds (before related fees and expenses) of HK$85,000,000.

The weight average number of ordinary shares used for the calculation of basic (loss)/earnings per share has been retrospectively adjusted for the effects of issuance of shares of the Capitalisation Issue.

	2019	2018
(Loss)/profit for the year attributable to the owners of the Company (in HK$'000)	(29,500)	27,119
Weighted average number of shares deemed to be issue (thousands of shares)	917,096	830,000
Basic (loss)/earnings per share (expressed in HK cent per share)	(3.22)	3.27

Diluted (loss)/earnings per share presented is the same as the basic (loss)/earnings per share as there were no potentially dilutive ordinary shares issued during the years ended 31 December 2018 and 2019.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
1 January 2018					
Cost	33,860	8,864	39,595	10,156	92,475
Accumulated depreciation	(11,355)	(6,691)	(35,622)	(5,955)	(59,623)
Net book value	22,505	2,173	3,973	4,201	32,852
Year ended 31 December 2018					
Opening net book value	22,505	2,173	3,973	4,201	32,852
Additions	–	800	2,046	778	3,624
Depreciation (Note 8)	(1,022)	(908)	(1,981)	(1,409)	(5,320)
Disposal	(40)	–	–	–	(40)
Exchange realignment	52	(42)	(437)	(8)	(435)
Closing net book value	21,495	2,023	3,601	3,562	30,681
31 December 2018					
Cost	33,872	9,622	41,204	10,926	95,624
Accumulated depreciation	(12,377)	(7,599)	(37,603)	(7,364)	(64,943)
Net book value	21,495	2,023	3,601	3,562	30,681

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2019					
Opening net book value, as previously reported	21,495	2,023	3,601	3,562	30,681
Adoption of HKFRS 16 (Note 2.2)	–	–	(1,012)	(3,274)	(4,286)
Opening net book amount, as restated	21,495	2,023	2,589	288	26,395
Additions	–	189	733	–	922
Depreciation (Note 8)	(871)	(975)	(1,033)	(151)	(3,030)
Disposal	–	–	–	(137)	(137)
Exchange realignment	(41)	–	(115)	–	(156)
Closing net book value	20,583	1,237	2,174	–	23,994
At 31 December 2019					
Cost	32,395	9,808	39,705	5,651	87,559
Accumulated depreciation	(11,812)	(8,571)	(37,531)	(5,651)	(63,565)
	20,583	1,237	2,174	–	23,994

Depreciation for the year ended 31 December 2019 of approximately HK$1,789,000 and HK$1,241,000 (2018: HK$2,944,000 and HK$2,376,000) were included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income, respectively.

As at December 2019, land and buildings with net book value of approximately, HK$20,583,000 (2018: HK$21,495,000) were pledged to certain banks to secure bank borrowings as set out in Note 28.

14 LEASE

This note provides information for leases where the group is a lessee.

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	31 December 2019 HK$'000	1 January 2019* HK$'000
Right-of-use assets		
– Leasehold land (Note 17)	1,276	1,352
– Buildings	8,764	4,827
– Motor vehicles (Note 13)	2,027	3,274
– Machinery (Note 13)	408	1,012
	12,475	10,465
Lease liabilities		
Current	7,125	5,868
Non-current	5,001	4,163
	12,126	10,031

Additions to the right-of-use assets during the year ended 31 December 2019 were approximately HK$9,546,000.

14 LEASE (CONTINUED)

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2019 HK$'000	2018 HK$'000
Depreciation of right-of-use assets		
– Leasehold land	39	–
– Buildings	5,626	–
– Motor vehicles	1,247	–
– Machinery	604	–
	7,516	–
Interest expenses on lease liabilities (Note 10)	744	–
Expense related to short-term leases (included in administrative expenses)	29	–
Expense related to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	335	–

The total cash outflow for leases, including the payments made in relation to lease liabilities and expenses relating to short-term and low value lease payments for the year ended 31 December 2019 was HK$8,559,000.

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices, machineries and motor vehicles. Rental contracts are typically made for fixed periods of 3 years to 17 years, but may have extension options as described below.

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

(d) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

15 INVESTMENT PROPERTY

	2019	2018
	HK$'000	HK$'000
Balance as at 1 January	1,300	1,200
Fair value gain (Note 7)	100	100
Balance as at 31 December	1,400	1,300

The Group's investment property is a car park located in Hong Kong and it is measured at fair value. The fair values of the Group's investment property as at December 2018 and 2019 have been determined on the basis of valuations carried out by Vigers Appraisal & Consulting Limited, an independent firm of chartered surveyors. The valuation, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at using direct comparison method.

Fair value of an investment property is generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently been transacted.

At the end of each reporting period, management discussed with independent surveyors regarding the valuation processes and the reasonableness of valuation results carried out for the property. Management considered that the current use of this property equates to its highest and best use. The valuations of the investment property as at 31 December 2018 and 2019 are based on market comparable and are recognised under Level 2 of the fair value hierarchy.

There were no transfers between Levels 1, 2 and 3 during the year ended 31 December 2019.

16 INTANGIBLE ASSETS

	Goodwill (Note i) HK$'000	License rights HK$'000	Golf club membership (Note ii) HK$'000	Computer software system HK$'000	Total HK$'000
At 1 January 2018					
Cost	14,905	54,531	950	1,859	72,245
Accumulated amortisation	–	(32,133)	–	–	(32,133)
Net book value	14,905	22,398	950	1,859	40,112
Year ended 31 December 2018					
Opening net book value	14,905	22,398	950	1,859	40,112
Addition	–	19,569	–	–	19,569
Amortisation (Note 8)	–	(9,571)	–	–	(9,571)
Exchange realignment	(298)	(1,515)	–	–	(1,813)
Closing net book value	14,607	30,881	950	1,859	48,297
At 31 December 2018					
Cost	14,607	71,701	950	1,859	89,117
Accumulated amortisation	–	(40,820)	–	–	(40,820)
Net book value	14,607	30,881	950	1,859	48,297
Year ended 31 December 2019					
Opening net book value	14,607	30,881	950	1,859	48,297
Addition	–	105	–	292	397
Amortisation (Note 8)	–	(7,988)	–	(89)	(8,077)
Written-off	–	(327)	–	–	(327)
Exchange realignment	(133)	(374)	–	–	(507)
Closing net book value	14,474	22,297	950	2,062	39,783
At 31 December 2019					
Cost	14,474	71,806	950	2,151	89,381
Accumulated amortisation	–	(49,509)	–	(89)	(49,598)
Net book value	14,474	22,297	950	2,062	39,783

16 INTANGIBLE ASSETS (CONTINUED)

Note:

(i) The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of cash generating units ("CGUs") are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the CGUs.

The value-in-use calculations are derived from cash flow projections based on the most recent five-year financial budgets approved by management. Cash flows beyond that five-year period are extrapolated using the estimated growth rates which do not exceed the long-term average growth rate in which the CGU operates.

The key assumptions used in value-in-use calculations include:

(i) Gross margin ranging from 17.2% to 20.0% (2018: 22.5% to 22.6%);

(ii) Growth rate ranging from 2.0% to 5.0% (2018: 5.6% to 5.7%) per annum; and

(iii) Pre-tax discount rate of 14% (2018: 14%) per annum.

As at 31 December 2018 and 2019, the recoverable amounts of the CGUs containing goodwill and the corresponding headroom were as follows:

	2019 HK$'000	2018 HK$'000
Recoverable amounts	202,147	295,356
Headroom	126,303	280,749

The directors performed sensitivity analysis based on the assumption that gross margin or growth rate or pre-tax discount rate has been changed. Had the estimated key assumption during the forecast period been changed as below, the headroom would decrease to the amounts as follows:

	2019 HK$'000	2018 HK$'000
Gross margin decreased by 1% point	89,467	209,615
Growth rate per annum decreased by 1% point	120,343	250,642
Pre-tax discount rate per annum increased by 1% point	108,213	252,211

The directors has not identified any key assumptions where a reasonably possible change in such assumptions could cause the carrying amount of goodwill to exceed the recoverable amount. No impairment of goodwill was recognised.

16 INTANGIBLE ASSETS (CONTINUED)

Note: (Continued)

(ii) Impairment for golf club membership

The directors applied a market approach in the impairment assessment of the golf club membership at each reporting period end date. As at 31 December 2018 and 2019, the estimated recoverable amount of the golf club membership exceeded its carrying amount.

17 PREPAID LAND LEASE PAYMENTS

	2019 HK$'000	2018 HK$'000
Year ended 31 December		
Opening net book amount	1,352	1,391
Adoption of HKFRS 16 (Note 2.2)	(1,352)	–
Amortisation (Note 8)	–	(39)
Closing net book amount	–	1,352
At 31 December		
Cost	–	1,904
Accumulated amortisation	–	(552)
Closing net book amount	–	1,352

Prepaid land lease payments are disclosed in the consolidated statements of financial position as follows:

	2019 HK$'000	2018 HK$'000
Non-current portion	–	1,313
Current portion (included in trade and other receivables) (Note 20)	–	39
	–	1,352

As at 31 December 2018, prepaid land lease represents the Group's interests in a land premise situated in the PRC held on medium term leases. Prepaid land lease were reclassified to the right-of-use assets on 1 January 2019 upon the adoption of HKFRS 16 (Note 2.2).

18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial instruments include the following:

	2019 HK$'000	2018 HK$'000
Financial asset at fair value through profit or loss (Note 22)	7,002	7,002
Financial assets at amortised cost		
Trade and other receivables (Note 20)	95,165	193,028
Amount due from a director (Note 21)	–	7,739
Amount due from the ultimate holding company (Note 21)	–	5,798
Amounts due from related companies (Note 21)	–	31,295
Pledged deposits (Note 23)	28,044	26,011
Cash at bank and on hand (Note 23)	56,479	17,631
	179,688	281,502
Financial liabilities at amortised cost		
Trade and other payables (Note 24)	56,692	125,966
License fees payable (Note 25)	19,461	31,990
Amount due to immediate holding company (Note 21)	–	10,520
Lease liabilities (Note 14)	12,126	–
Bills payable (Note 26)	35,174	72,263
Obligations under finance lease (Note 27)	–	4,977
Bank and other borrowings (Note 28)	84,931	89,071
	208,384	334,787

19 INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	3,027	1,819
Work-in-progress	2,993	4,442
Finished goods	36,751	23,777
	42,771	30,038

For the year ended 31 December 2019, the costs of inventories sold recognised as an expense and included in cost of sales amounted to approximately HK$163,153,000 (2018: HK$430,244,000) (Note 8).

20 TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	92,739	188,412
Less: Credit loss allowance (Note 8)	(895)	(150)
Trade receivables, net	91,844	188,262
Prepaid land lease payments (Note 17)	–	39
Prepayments for purchases from suppliers	23,686	16,601
Prepaid listing expenses	–	1,856
Deferred listing expenses	–	3,381
Deposits paid	1,252	1,156
Other prepayments and receivables	7,200	7,689
	123,982	218,984

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

Majority of payment terms with customers are within 60 to 90 days and certain major customers were granted with longer credit terms on discretion. As at 31 December 2018 and 2019, the aging analysis of trade receivables based on invoice date are as follows:

	2019 HK$'000	2018 HK$'000
0-30 days	42,767	119,364
31-60 days	7,189	31,845
61-90 days	3,602	32,212
91-120 days	3,645	4,991
Over 120 days	35,536	–
	92,739	188,412

The Group applied the simplified approach in HKFRS 9 to measure the credit loss allowance at lifetime expected credit loss. Except for trade receivables with significant outstanding balances which are assessed individually, the Group determines the expected credit loss on the remaining balances by using a provision matrix grouped by common risk characteristic. As part of the Group's credit risk management, the Group uses debtors' aging to assess the credit loss allowance for its customers in relation to its operation because these customers consist of a number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Trade receivables with significant outstanding balances from certain customers with aggregate gross carrying amount of approximately HK$27,127,000 as at 31 December 2019 are assessed individually. The exposure to credit risk for these balances are assessed with a credit loss allowance of approximately HK$445,000 was provided by the Group as at 31 December 2019. The remaining trade receivables with gross carrying amount of approximately HK$65,612,000 are assessed based on debtors' aging.

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

The expected loss rates are based on the payment profiles of sales over a period of the previous 48 months from each report date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of wholesalers/customers to settle the receivables. The Group has identified the Gross Domestic Product (GDP) and the unemployment rate of the countries in which it sells its bags and luggage to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 31 December 2018 and 2019, the credit loss allowance for trade receivables was assessed based on provision matrix as follows:

	As at 31 December	
	2019	2018
Expected loss rate	**0.69%**	0.08%
Gross carrying amount (in HK$'000)	**65,612**	188,412
Credit loss allowance (in HK$'000)	**450**	150

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, when the debtor has been placed under liquidation, has enter into bankruptcy proceedings or when the Group ceased to trade with the debtors and the amount is over 2 years past due.

The carrying amounts of deposits and other receivables approximated their fair values due to their short maturity at the reporting date. For the year ended 31 December 2018 and 2019, there was no credit loss allowance on these receivables.

The maximum exposure to credit risk as of the reporting date was the carrying value of each type of receivables mentioned above. The Group did not hold any collateral as security as of each reporting date.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2019	2018
	HK$'000	HK$'000
US$	**78,987**	164,415
RMB	**24,089**	24,177
EURO	**13,544**	23,140
HK$	**3,676**	5,952
DKK	**3,686**	1,300
	123,982	218,984

21 AMOUNTS DUE FROM/(TO) A DIRECTOR, THE ULTIMATE HOLDING COMPANY, IMMEDIATE HOLDING COMPANY AND RELATED COMPANIES

	2019 HK$'000	2018 HK$'000
Amount due from a director		
– Thomas Berg (Note i)	–	7,739
Maximum amounts outstanding during the year	8,074	7,739
Amount due from the ultimate holding company		
– Berg Group Holdings Limited (Note ii)	–	5,798
Amounts due from related companies		
– T. Berg Holding Aps (Note ii)	–	360
– Elements Group Denmark ApS (Note iii)	–	3,804
– Elements Denmark ApS (Note iii)	–	1,695
– Køkkensnedkeren A/S (Note iii)	–	15,979
– Elements Manufactory Limited (Note ii)	–	9,450
– Elements Licenses Limited (Note ii)	–	2
– Eastern Dragon international Limited (Note ii)	–	5
	–	31,295
Amount due to immediate holding company		
– GP Group Investment Holding Limited (Note ii)	–	(10,520)

Note:

(i) The balance was unsecured, interest-free and with no fixed repayment terms and denominated in HK$.

(ii) The balances were unsecured, interest free, repayable on demand and denominated in HK$.

(iii) The balances were unsecured, interest-bearing at 4% per annum, repayable on demand and denominated in DKK.

These balances were non-trade in nature. All outstanding balances as at 31 December 2018 were fully settled during the year ended 31 December 2019 following the listing of the Company's shares.

22 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Unlisted investment:		
– Key management insurance contract	7,002	7,002

Movements of the financial asset at fair value through profit or loss for the years ended 31 December 2018 and 2019 are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	7,002	6,948
Exchange realignment	–	54
As at 31 December	7,002	7,002

As at 31 December 2019, the Group's financial asset at fair value through profit or loss was pledged as collateral for the Group's bank borrowings, details of which are set out in Note 28. The beneficiary of the key management insurance contract is Grown-Up Manufactory Limited, a subsidiary of the Group.

As at 31 December 2018 and 2019, the key management insurance contract was included in level 3 of the fair value hierarchy and its fair value was estimated by applying the income approach. The key unobservable inputs of unlisted key management insurance contract measured with income approach were mortality rate and discount rate.

23 CASH AND BANK BALANCES

	2019 HK$'000	2018 HK$'000
Cash at bank	56,466	17,573
Cash on hand	13	58
Cash at bank and on hand	56,479	17,631
Pledged deposits (Note 28)	28,044	26,011
	84,523	43,642

23 CASH AND BANK BALANCES (CONTINUED)

Cash and bank balances are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	74,150	26,598
RMB	5,413	13,571
US$	3,910	1,849
DKK	610	1,444
Others	440	180
	84,523	43,642

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2019 HK$'000	2018 HK$'000
Cash at bank and on hand	56,479	17,631
Bank overdrafts (Note 28)	(51,566)	(17,023)
Cash and cash equivalents	4,913	608

24 TRADE AND OTHER PAYABLES

(a) Trade and other payables

	2019 HK$'000	2018 HK$'000
Trade payables	44,166	105,742
Accruals and other payables	13,455	21,034
	57,621	126,776

Majority of payment terms with suppliers are within 60 days. The carrying amounts of trade and other payables approximate their fair values. As at 31 December 2018 and 2019, the aging analysis of the trade payable of the Group by invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0-30 days	13,260	36,666
31-60 days	13,338	33,357
61-90 days	7,130	22,216
Over 90 days	10,438	13,503
	44,166	105,742

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
RMB	28,778	87,166
US$	23,284	26,509
DKK	4,114	6,591
HK$	1,445	6,510
	57,621	126,776

24 TRADE AND OTHER PAYABLES (CONTINUED)

(b) Contract liabilities

	2019 HK$'000	2018 HK$'000
Contract liabilities	1,962	1,995

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance under the contracts with certain customers for sales of bags and luggage.

The following table shows how much of the revenue recognised during the years ended 31 December 2018 and 2019 relates to carried-forward contract liabilities.

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in the contract liabilities balance at beginning of the year		
– Sales of goods	1,298	7,422

25 LICENSE FEES PAYABLE

	2019 HK$'000	2018 HK$'000
Within one year	13,054	12,463
In the second year	6,565	13,836
Between second to the fifth year	1,045	7,678
	20,664	33,977
Less: imputed interest on license fees payable	(1,203)	(1,987)
Present value	19,461	31,990
Less: Current portion	(12,271)	(11,761)
Non-current portion	7,190	20,229

The carrying amounts of license fees payable are denominated in US$.

License fees payable represents the contractual obligations of distribution rights at the time of recognition. It is recognised based on a discount rate of 2.62% (2018: 2.62%) per annum at the date of inception of such obligations.

26 BILLS PAYABLE

	2019 HK$'000	2018 HK$'000
Bills payable	35,174	72,263

The maturity dates of bills payable are normally within 90 days (2018: 90 days).

The carrying amounts of the Group's bills payable are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	24,436	38,823
RMB	4,719	33,440
US$	6,019	–
	35,174	72,263

27 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2018, the Group leased certain of its motor vehicles and machinery under finance leases. The average lease term is 5 years. Finance lease liabilities were included in borrowings until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard (Note 2.2).

	Present value HK$'000	Future finance charge HK$'000	Total HK$'000
As at 31 December 2018			
In the first year	1,870	188	2,058
In the second to the fifth year	3,107	170	3,277
	4,977	358	5,335

28 BANK AND OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank overdrafts (Note 23)	51,566	17,023
Bank borrowings	27,634	27,198
Factoring loans	5,731	44,850
	84,931	89,071

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	16,401	27,545
RMB	21,175	–
DKK	35,934	14,065
US$	10,495	47,461
EUR	926	–
	84,931	89,071

As at and for the year ended 31 December 2019, the interest rates of the bank and other borrowings ranged from 2.8% to 5.7% per annum (2018: 3.5% to 5.3%). Bank and other borrowings (excluding bank overdrafts) of HK$33,365,000 (2018 HK$72,048,000) subject to a repayment on demand clause from the banks are classified as current liabilities in the consolidated statements of financial position. Maturity analysis of these borrowings with a repayment on demand clause based on agreed scheduled repayments is set out in Note 3.1(c). Bank overdrafts are repayable on demand.

28 BANK AND OTHER BORROWINGS (CONTINUED)

As at 31 December 2018 and 2019, banking facilities made available to the Group were as follows:

	2019 HK$'000	2018 HK$'000
Available facilities	222,143	233,693
Facilities utilised by the Group		
– Bank borrowings	33,365	72,048
– Bank overdrafts	51,566	17,023
– Bills payable (Note 26)	35,174	72,263
– Performance bonds (Note 36)	–	2,990
	120,105	164,324

The Group's banking facilities are subject to annual review for renewal. The Group failed to comply with the financial ratio undertakings in respect of interest coverage ratio for the year ended 31 December 2019 of one of the Group's banking facilities of HK$61,000,000 of which HK$6,262,000 was utilised as at 31 December 2019. In March 2020, the Group obtained the bank's wavier from compliance with the relevant financial ratio undertakings for the year ended 31 December 2019 in relation to the abovementioned banking facilities.

As at 31 December 2019, the above banking facilities were secured by:

(i) Land and buildings with carrying values of approximately HK$20,583,000 (2018: HK$21,495,000) (Note 13);

(ii) Prepaid land use rights included in the right-of use assets (2018: prepaid land lease payments) with carrying value of approximately HK$1,276,000 (2018: HK$1,352,000) (Note 14);

(iii) Pledged deposits of approximately HK$28,044,000 (2018: HK$26,011,000) (Note 23);

(iv) Inventories and trade receivables of a subsidiary company (2018: same); and

(v) Financial assets at fair value through profit or loss of HK$7,002,000 (2018: HK$7,002,000) (Note 22).

As at 31 December 2018, in addition to the securities disclosed above, banking facilities were secured by personal guarantee provided by certain directors of the Company up to an aggregate amount of approximately HK$235,000,000.

29 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

	2019 HK$'000	2018 HK$'000
Deferred income tax assets, net	3,719	1,111
Deferred income tax liabilities, net	–	(560)

The net movements on the deferred income tax assets of the Group are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	551	1,333
Adjustment on adoption of HKFRS 16 (Note 2.2)	29	–
Credited/(charged) to profit or loss (Note 11)	3,139	(782)
At 31 December	3,719	551

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

Deferred income tax assets	Lease liabilities HK$'000	Unrealised profit HK$'000	Tax loss HK$'000	Total HK$'000
At 1 January 2018	–	1,639	–	1,639
Charged to profit or loss	–	(528)	–	(528)
At 31 December 2018	–	1,111	–	1,111
Adoption of HKFRS 16 (Note 2.2)	834	–	–	834
At 1 January 2019, as restated	834	1,111	–	1,945
Credited to profit or loss	654	106	2,795	3,555
At 31 December 2019	1,488	1,217	2,795	5,500

29 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2019, the Group did not recognise deferred income tax assets of approximately HK$3,327,000 (2018: HK$710,000) in respect of tax losses of approximately HK$13,659,000 (2018: HK$3,226,000) that can be carried forward against future taxable income. The expiry dates of the tax losses of the subsidiaries are as follows:

	2019 HK$'000	2018 HK$'000
With no expiry	2,931	3,226
Expiry of 5 years	10,728	–
	13,659	3,226

Deferred income tax liabilities	Right-of-use assets HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2018	–	(306)	(306)
Charged to profit or loss	–	(254)	(254)
At 31 December 2018	–	(560)	(560)
Adoption of HKFRS 16 (Note 2.2)	(805)	–	(805)
At 1 January 2019, as restated	(805)	(560)	(1,365)
(Charged)/credited to profit or loss	(641)	225	(416)
At 31 December 2019	(1,446)	(335)	(1,781)

As 31 December 2019, deferred income tax liabilities have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain PRC and Denmark subsidiaries amounted to approximately HK$11,598,000 and (2018: HK$21,080,000). Such amounts are expected to be reinvested and are not intended to be distributed to the shareholders outside the PRC and Denmark.

30 SHARE CAPITAL

	Number of ordinary shares	Share capital HK$'000
Authorised:		
At 31 December and 2018 and 2019	10,000,000,000	100,000
Issued and fully paid:		
At 18 February 2018 (date of incorporation of the company) and 31 December 2018 and 1 January 2019	10,000	–*
Share issued pursuant to the Capitalisation issue	829,990,000	8,300
Share issued pursuant to the share offer upon Listing	170,000,000	1,700
At 31 December 2019	1,000,000,000	10,000

* Below HK$1,000

Pursuant to the shareholders' resolution passed on 30 May 2019, the directors of the Company are authorised to allot and issue a total of 829,990,000 ordinary shares credited as fully paid at par by way of capitalisation of the sum of HK$8,299,900 standing to the credit of the share premium account upon the Listing.

On 28 June 2019, the shares of the Company were listed on the Main Board of the Stock Exchange. The Company issued a total of 170,000,000 shares at a price of HK$0.5 per share for a total proceeds (before related fees and expenses) of HK$85,000,000 upon listing.

31 DIVIDENDS

The Board of the Company does not recommend the payment of a dividend for the year ended 31 December 2019.

During the year ended 31 December 2018, the Group declared dividend of approximately HK$20,000,000. Such dividend was settled through crediting to the current account with the immediate holding company. The rates for dividend and the number of shares eligible for dividend are not presented as such information is not considered meaningful for the purpose of this report.

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2019 HK$'000	2018 HK$'000
(Loss)/profit before income tax	(32,489)	36,142
Adjustments for:		
Finance income (Note 10)	(972)	(1,343)
Finance costs (Note 10)	9,085	6,793
Depreciation of property, plant and equipment (Note 13)	3,030	5,320
Depreciation of right-of-use assets (Note 14)	7,516	–
Amortisation of prepaid land lease payments (Note 17)	–	39
Fair value gain on investment property (Note 7)	(100)	(100)
Amortisation of license rights (Note 16)	8,077	9,571
License right written-off (Note 16)	327	–
Credit loss allowance of trade receivables (Note 20)	745	–
Loss on disposal of property, plant and equipment (Note 7)	18	40
	(4,763)	56,462
Changes in working capital:		
Inventories	(13,458)	26,579
Trade and other receivables	94,764	(45,373)
Trade and other payables	(106,403)	1,437
License fees payable	(13,550)	(12,484)
Cash (used in)/generated from operations	(43,410)	26,621

In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprises:

	2019 HK$'000	2018 HK$'000
Net book amount (Note 13)	137	40
Loss on disposal of property, plant and equipment (Note 7)	(18)	(40)
Proceeds from disposal of property, plant and equipment	119	–

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Net debt reconciliation

	Liabilities from financing activities						
	Finance leases liabilities HK$'000	Lease liabilities HK$'000	Interest payable (bank borrowings & bank overdraft) HK$'000	Bank borrowings HK$'000	Amounts due to related companies HK$'000	Amounts due to immediate holding company HK$'000	Total HK$'000
Net debt as at 1 January 2018	5,580	–	–	61,253	250	–	67,083
Interest expenses	236	–	6,144	–	–	–	6,380
Cash flows	(839)	–	(6,144)	10,795	(250)	–	3,562
Non-cash movement (Note)	–	–	–	–	–	10,520	10,520
Net debt as at 31 December 2018, as previously reported	4,977	–	–	72,048	–	10,520	87,545
Adoption of HKFRS 16 (Note 2.2)	(4,977)	10,031	–	–	–	–	5,054
Net debt as at 1 January 2019, as restated	–	10,031	–	72,048	–	10,520	92,599
Interest expenses	–	744	7,639	–	–	–	8,383
Acquisition of lease	–	9,546	–	–	–	–	9,546
Cash flows	–	(8,195)	(7,639)	(38,683)	–	(10,520)	(65,037)
Net debt as at 31 December 2019	–	12,126	–	33,365	–	–	45,491

Note: Dividend was declared and settled by crediting to the current account with immediate holding company during the year ended 31 December 2018.

33 COMMITMENTS

(a) Lease commitments as lessee

On adoption of HKFRS 16 (Note 2.2), the Group recognised lease liabilities in respect of its lease, except for short-term and low-value leases and the commitment under such leases are set out below. The amount for 2018 represented the Group's operating lease commitment presented under the previous applicable accounting standard.

	2019 HK$'000	2018 HK$'000
Not later than one year	232	3,871
Later than one year but not later than five years	44	1,609
	276	5,480

(b) Lease commitments (as lessor)

The Group had future aggregate minimum lease receivable under a non-cancellable operating lease arrangement as follows:

	2019 HK$'000	2018 HK$'000
Not later than one year	67	65

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The directors regard GP Group investment Holding Limited, a company incorporated in Hong Kong, as immediate holding company. The directors regard Berg Group Holding Limited, a company incorporated in Hong Kong, as the ultimate holding company.

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended 31 December 2018 and 2019:

Name of the related party	Relationship with the Group
Elements Group Denmark ApS	Controlled by Mr. Thomas Berg, one of the controlling shareholders of the Group
Elements Denmark ApS	Controlled by Mr. Thomas Berg, one of the controlling shareholders of the Group
Køkkensnedkeren A/S	Controlled by Mr. Thomas Berg, one of the controlling shareholders of the Group
Elements Manufactory Limited	Controlled by Mr. Thomas Berg, one of the controlling shareholders of the Group
Elements Licenses Limited	Controlled by Mr. Thomas Berg, one of the controlling shareholders of the Group
T. Berg Holdings ApS	Controlled by Mr. Thomas Berg, one of the controlling shareholders of the Group
Eastern Dragon International Limited	Controlled by Mr. Thomas Berg, one of the controlling shareholders of the Group

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions

Saved for transactions disclosed elsewhere in this consolidated financial statement, the Group had the following related party transactions during the year:

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Received from related parties:		
Service fee income	–	324
Interest income from		
– Elements Group Denmark ApS	100	152
– Elements Denmark ApS	45	68
– Køkkensnedkeren A/S	396	600
– T.Berg Holdings ApS	16	–
	557	1,144

(c) Key management compensation

Management is of the view that key management is merely composed of the Board of Directors and their compensation is disclosed in Note 35.

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances

Amounts due from/to a director, the ultimate holding company, immediate holding company and related companies:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Amount due from a director		
– Thomas Berg (Note i)	–	7,739
Amount due from the ultimate holding company		
– Berg Group Holdings Limited (Note ii)	–	5,798
Amounts due from related companies		
– T. Berg Holdings Aps (Note ii)	–	360
– Elements Group Denmark ApS (Note iii)	–	3,804
– Elements Denmark ApS (Note iii)	–	1,695
– Køkkensnedkeren A/S (Note iii)	–	15,979
– Elements Manufactory Limited (Note ii)	–	9,450
– Elements Licenses Limited (Note ii)	–	2
– Eastern Dragon International Limited (Note ii)	–	5
	–	31,295
Amount due to immediate holding company		
– GP Group Investment Holding Limited (Note ii)	–	(10,520)

Notes:

(i) The balance was unsecured, interest-free and with no fixed repayment terms and denominated in HK$.

(ii) The balances were unsecured, interest free, repayable on demand and denominated in HK$.

(iii) The balances were unsecured, interest-bearing at 4% per annum, repayable on demand and denominated in DKK.

These balances were non-trade in nature. All outstanding balances as at 31 December 2018 were fully settled during the year ended 31 December 2019 following the listing of the Company's share.

35 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

Name	Fees	Salary	Discretionary bonuses	Housing and other allowance (Note)	Estimated monetary value of other benefits	Employer's contribution to a retirement benefit scheme	Remuneration paid or receivable in respect of accepting office as director	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2018								
Thomas Berg	–	2,160	–	1,167	–	18	–	3,345
Cheng Wai Man	–	902	–	–	–	18	–	920
Fung Bing Ngon, Johnny	–	480	–	–	–	18	–	498
Morten Rosholm Henriksen	–	1,192	–	–	–	76	–	1,268
	–	4,734	–	1,167	–	130	–	6,031
For the year ended 31 December 2019								
Thomas Berg	–	2,160	180	1,270	–	18	–	3,628
Cheng Wai Man	–	984	–	–	–	18	–	1,002
Fung Bing Ngon, Johnny	–	480	–	–	–	18	–	498
Morten Rosholm Henriksen	–	1,128	–	–	–	68	–	1,196
Tang Tin Lok, Stephen	71	–	–	–	–	–	–	71
Xiong Jianrui	122	–	–	–	–	–	–	122
Lau Ning Wa, Ricky	61	–	–	–	–	–	–	61
Zhou Jing	61	–	–	–	–	–	–	61
	315	4,752	180	1,270	–	122	–	6,639

Note: The lease contract in relation to the lease payments of approximately HK$1,187,000 (2018: Nil) for the year ended 31 December 2019 presented in the housing and other allowance of the directors' emoluments above was capitalised as right-of-use assets upon the adoption of HKFRS 16 on 1 January 2019, the resulted charges to the profit or loss for the year ended 31 December 2019 was included in the depreciation of right-of-use assets of HK$1,106,000 (2018: Nil) and notional interest on lease liabilities of HK$115,000 (2018: Nil).

35 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 December 2018 and 2019.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2018 and 2019.

(d) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2018 and 2019, the Group did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled body corporates by and controlled entities with such directors

Save as disclosed in Note 19, there was no loans, quasi-loans and other dealing arrangements in favour of directors, controlled body corporates by and controlled entities with such directors as at 31 December 2018 and 2019.

36 CONTINGENT LIABILITIES

As at 31 December 2019, the Group has no contingent liabilities. As at 31 December 2018, performance bonds amounting to approximately to HK$2,990,000 have been issued by a bank on behalf of the Group in favour of the Group's suppliers.

37 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 subsidiary	Place/country of establishment/ operation	Principal activity	Issued and paid-up capital	Attributable equity interest of the Company			
				31 December 2018		31 December 2019	
				Directly	Indirectly	Directly	Indirectly
Grown-Up Group Holdings Limited ("GHL BVI")	The British Virgin Islands	Investment holding	US$100	100%	–	100%	–
Grown-Up Group Holdings Limited ("GHL HK")	Hong Kong	Investment holding	HK$5,000,000	–	100%	–	100%
Grown-Up Manufactory Limited	Hong Kong	Manufacturing and trading of bags and luggage	HK$5,000,000	–	100%	–	100%
Grown-Up Licenses Limited ("GPL HK")	Hong Kong	License and brand business	HK$100	–	100%	–	100%
GP Manufactory China Limited 港植華商貿(深圳)有限公司[(1)]	People's Republic of China (the "PRC")	Trading and provision of product development and supply chain services for bags and luggage	HK$2,000,000	–	100%	–	100%
GP2 Xinfeng Plant Limited 江西集友日用品有限公司[(1)]	The PRC	Manufacturing of bags and luggage	US$3,000,000	–	100%	–	100%
Grown-Up Luggage and Bags (Shenzhen) Co. Ltd. 植華箱包(深圳)有限公司[(1)]	The PRC	License and brand business	RMB1,000,000	–	–	–	100%
Grown-Up Licenses ApS ("GPL ApS")	Denmark	License and brand business	DKK3,257,812	–	100%	–	100%
Grown-Up ApS	Denmark	Trading of bags and luggage	DKK2,625,000	–	100%	–	100%

Notes:

(1) Registered as a Wholly-Foreign Owned Enterprise under the PRC Law

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December	
		2019	2018
		HK$'000	HK$'000
Non-current asset			
Investment in a subsidiary		72,235	72,235
Current assets			
Prepayments		432	5,323
Amount due from a subsidiary		89,445	20,000
Cash at bank		25,081	1
		114,958	25,324
Total assets		187,193	97,559
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		10,000	–*
Other reserves	Note (a)	134,165	72,234
Accumulated losses	Note (a)	(23,843)	(13,091)
Total equity		120,322	59,143
Current liabilities			
Accruals and other payables		200	2,518
Amount due to immediate holding company		–	20,000
Amounts due to subsidiaries		66,671	15,898
		66,871	38,416
Total equity and liabilities		187,193	97,559

* Below HK$1,000.

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Share Capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 18 February 2018 (date of incorporation)	–	–	–	–	–
Profit and total comprehensive income	–	–	–	6,909	6,909
Transaction with owners in their capacity as owners:					
Contribution surplus (Note)	–	–	72,234	–	72,234
Dividend	–	–	–	(20,000)	(20,000)
Total transactions with owners in their capacity as owners	–	–	72,234	(20,000)	52,234
At 31 December 2018 and 1 January 2019	–	–	72,234	(13,091)	59,143
Loss and total comprehensive loss for the year	–	–	–	(10,752)	(10,752)
Transaction with owners in their capacity as owners:					
Issue of new shares pursuant to a capitalisation issue in connection with the share offer	8,300	(8,300)	–	–	–
Issue of new share pursuant to the share offer	1,700	83,300	–	–	85,000
Share issuance costs	–	(13,069)	–	–	(13,069)
Total transaction with owners in their capacity as owners	10,000	61,931	–	–	71,391
At 31 December 2019	**10,000**	**61,931**	**72,234**	**(23,843)**	**120,322**

Note: The capital reserve of the Company represents the aggregated net asset values of the subsidiaries acquired by the Company pursuant to the Reorganisation.

39 SUBSEQUENT EVENTS

Following the outbreak of Coronavirus Disease 2019 (the "Epidemic") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions with certain level of restrictions and controls over the travelling of people and traffic arrangements.

Because of the above measures, the Group's production facilities in the PRC could only resume limited productions and scheduled deliveries to customers. The Group is in the progress of revising the production and delivery schedules with customers, and will continue to pay close attention to the development of the Epidemic and evaluate its impact on the financial position and operating results of the Group.

On the other hand, due to the recent wide spread effect of the Epidemic outbreak in Europe and in the United States where the Group's major customers are located, the Group anticipates the outstanding trade receivable may take longer turnover and may need to re-assess the expected credit loss rates on trade receivables. Up to the date on which this set of financial statements were authorised for issue, the Group is in the progress of estimating the potential impact and shall continue to pay close attention to the development of the Epidemic, perform further assessment of its impact and take relevant measures.

FOUR YEARS FINANCIAL SUMMARY

A summary of the consolidated results and of the assets, liabilities and equity of the Group for the last four financial years is as follow:

RESULTS

	Year ended 31 December			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	304,788	677,464	660,048	630,370
(Loss)/profit before income tax	(32,489)	36,142	35,627	29,503
Income tax credit/(expense)	2,989	(9,023)	(7,298)	(4,885)
(Loss)/profit for the year	(29,500)	27,119	28,329	24,618

ASSETS, LIABILITIES AND EQUITY

	Year ended 31 December			
	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	340,142	427,977	393,911	398,100
TOTAL LIABILITIES	(218,230)	(347,912)	(319,497)	(279,374)
NET ASSETS	121,912	80,065	74,414	118,726

Note a: The summary of the consolidated results and of the assets, liabilities and equity of the Group for the years ended 31 December 2016, 2017 and 2018 are extracted from the Company's prospectus dated 13 June 2019.

Note b: There are changes in accounting policies in 2019 which the Group has elected to apply without restating comparative figures as permitted by the relevant financial reporting standards. Details are set out in note 2.2 to the consolidated financial statements.

No financial information of the Group for the year ended 31 December 2015 has previously been published.