High Fashion International Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 608)

2019
ANNUAL REPORT

REVITALIZATION PROJECT OF HIGH FASHION CENTRE IN HONG KONG

Our Hong Kong Headquarter is scheduled to move back in late June this year.

CONTENTS

CHAIRMAN'S STATEMENT

2019 was the most complex and challenging year we have ever encountered in our trade. The world economy has firstly been affected by the protracted trade war between China and the USA, hampered further by Brexit uncertainty, exerting heavy burden on the macro economy and consumer sentiment. The outbreak of COVID-19 that has brought substantial disruption to the global market, adding more volatility and uncertainty to the 2020 outlook. Through accelerated and deepened transformation, the Group has once again demonstrated our resilience and navigate the turbulence. The past three years we have taken various transformation initiatives and actions to optimize our operation efficiency and re-engineer our product development strategy. Through system integration and digitalization, we offer a total supply chain solution to our customers, with a lean and quick turn production model. We aim to transform High Fashion into a global leader of Affordable Luxury Fashion Woman's Wear Daily, so that High Fashion would be able to bolster our overall competitive strength.

Our key results for the period ended 31 December 2019 are as follow:

* Net profit attributable to shareholders at HK$71.96 million

* Gearing ratio of non-current liabilities to shareholders' fund at 34%. Current ratio at 1.3

* Basic earnings per share landed at HK$0.24

* Net asset value per share amounted to HK$8.11

We have also made significant progress and achievements in the real estate projects. After three years of detailed planning, our Fashion Integrated Industrial Park in Zhejiang has made a major step forward in the second half of 2019; the blueprint for our next stage of development has been approved by the local government, which will bring us a bigger room of development and better economic benefits. The revitalization project of High Fashion Centre in Hong Kong is about to complete and our Hong Kong Headquarter is scheduled to move back

Chairman's Statement

in late June 2020. Leasing activities has been in full speed and we foresee a stable income for the Group. We are devoted to develop the property business in Zhejiang, to provide synergy to the Group's apparel business transformation. There will be collaboration with different businesses in the garment industry, co-work and co-create business opportunities, pushing for another milestone of the fashion and garment industry.

The Group has reached an agreement with the Hong Kong Inland Revenue Department after prolonged discussion over a tax disputes, and received a total of HK$103 million tax refund in cash as of 9 December 2019. This is going to further strengthen the Group's solid financial fundamentals.

With the highest level of urgency, the Group will fight this unprecedented crisis proactively. We are confident that we will overcome and evolve into a very different enterprise.

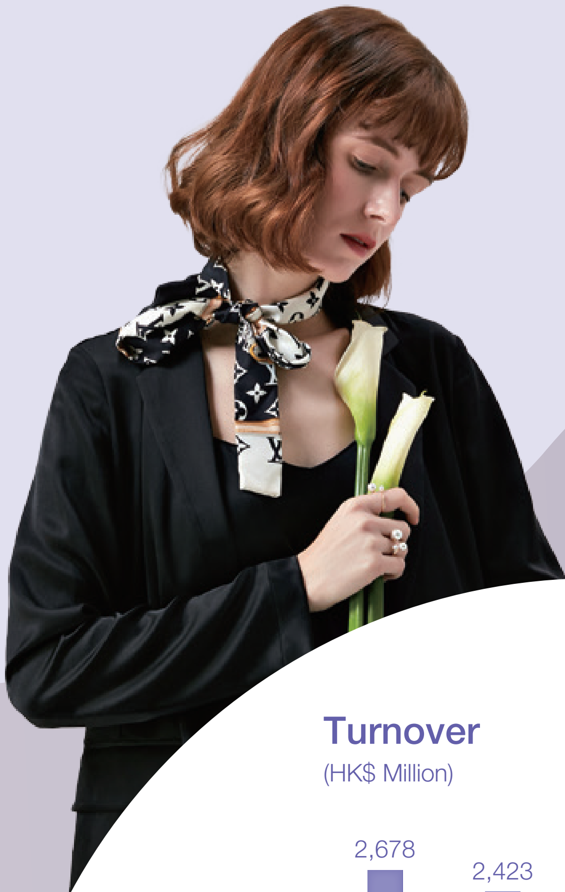
I appreciate very much on the enormous support and advice constantly received from our shareholders, customers, suppliers, banks and our fellow Directors. I would also like to thank the management team and all staff members of our Group for their dedication and contribution.

LAM FOO WAH
Chairman

Hong Kong, 17 April 2020

The aerial view of Tonglu. We recorded ideal sales for Phase I.

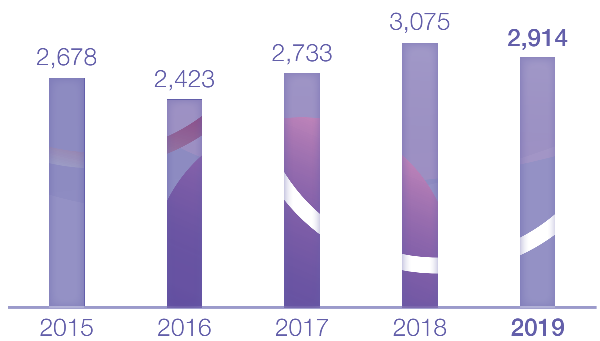
Our development project of WL District in Xiaoshan has obtained the government approval.



FINANCIAL HIGHLIGHTS

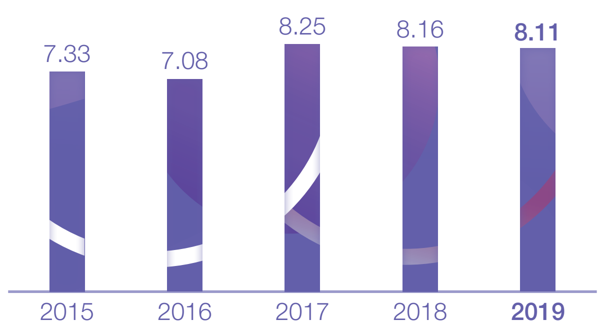
Turnover

(HK$ Million)



Net Asset Value Per Share

(HK$)



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The trade tensions between China and the United States has affected most the manufacturing and trade sectors which bore the brunt of the global slowdown after a prolonged series of trade negotiations between the two countries for almost two years. On one hand, with the growing uncertainties arising from the trade tensions there are adverse impacts to the demands for apparel products. On the other hand, the ever-changing fashion supply chain trading market becomes more challenging. Although the market is highly competitive, High Fashion International Limited (the "Company") and its subsidiaries (collectively the "Group") managed to deliver net profit of HK$65.3 million in 2019 with an increase of 69% from 2018.

In view of the imminent realities and the recovery opportunities that will lie ahead, we are meanwhile strengthening our capabilities for sustainable growth. China will remain as the Group's key and strategic location for our manufacturing facilities, but we are concurrently diversifying our tariffs-related risks profile by expanding our investment and business operations in South Asia. During 2019, the Group was to re-engineer our operating structure which will serve to achieve enhanced product development to win more businesses from existing and prospective customers through better accountability for costs, operational efficiency and new successes into the local China apparel market.

Management Discussion and Analysis

BUSINESS REVIEW (Cont'd)

We will continue to enhance the Group's traditional quality of garment manufacturing skill sets with innovative spirit to serve our customers' orders particularly in the affordable luxury fashion woman's wear daily markets. Our re-engineered structure will enable us to reach out more successfully to meet our customers' changing value and needs.

In 2019, manufacturing and trading operation continued to be the core business of the Group, but residential property sales in China in 2019 as well as the properties leasing income in China are providing increasing contribution to the Group's overall financial results.

Since beginning of 2020, the outbreak of 2019 Novel Coronavirus ("COVID-19") which had soon developed into a pandemic causing severe volatility in major global stock markets and weakened demand in commodities. The outbreak of COVID-19 is evolving and growing into a large-scale and multi-country epidemic which challenges the operating environment for every industry in the first quarter of 2020. The Group will continue to closely monitor the situation and take appropriate actions to respond proactively for customers and stakeholders.

FINANCIAL REVIEW

Revenue of the Group decreased by HK$0.2 billion to HK$2.9 billion for the year ended 31 December 2019, representing a fall of 5.2%. Nevertheless, gross margin increased by HK$21 million to HK$579.1 million in 2019 with a growth rate of 3.8% as a result of improved gross margin in 2019 at 19.9% versus 2018 at 18.2%. Better gross margin was attributable to our dedicated efforts in costs control and streamlining process flows in production and operation as well as the RMB depreciation.

At expenses side, administrative expenses were increased slightly by 2.4% while selling and distribution expenses were decreased by 7.7% comparing with that of last year. Increase in administrative expenses was due to certain non-recurring provision of staff incentive made in 2019. Excluding the one-off provision, administrative expenses will decrease by HK$15 million or 4.3%. Less expenses were attributable to the implementation of various effective measures that monitor the costs across the Group, coupled with the impact from RMB depreciation. Other expenses mainly for professional and consultancy fees on various projects decreased by HK$2.9 million to HK$11.9 million in 2019.

Other income was increased by HK$7.3 million at net basis. Other gains mainly represent change in fair value of investment property and impairment loss recognised on intangible assets, which at net basis were decreased by 3.6%.

Net profit attributable to shareholders for the year ended 2019 was HK$72.0 million, representing an improvement of 64.9% compared to HK$43.6 million in last year. Basic earnings per share were HK$0.24 (2018: HK$0.14) and net asset value per share was HK$8.11 (2018: HK$8.16).

Management Discussion and Analysis

SEGMENT INFORMATION

	Revenue		Contribution	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
By principal activities:				
Manufacturing and trading	**2,613,136**	2,854,997	**58,983**	79,297
Brand business	**86,858**	135,567	**(32,808)**	(43,465)
Property investment and development	**213,716**	84,181	**60,764**	15,632
	2,913,710	3,074,745	**86,939**	51,464
By geographical segments:				
United States of America ("USA")	**993,364**	1,061,319	**17,780**	15,960
Europe	**360,906**	475,194	**14,302**	14,708
Greater China	**1,248,239**	1,219,348	**46,771**	13,217
Others	**311,201**	318,884	**8,086**	7,579
	2,913,710	3,074,745	**86,939**	51,464

Manufacturing and trading

The Group's revenue declined in 2019 by 8.5% comparing with last year amid the trade tensions between China and the United States and keen competition from the factories in Southeast Asia. Segment profit margin was reduced to 2.3% in 2019 from 2.8% in 2018 due to certain one-off provisions made. On recurring basis, the profit margin is about 3% representing an improvement from with last year attributable to the continuous efforts in monitoring the production costs and optimizing the work flows which enhance further the operating profitability.

On top of process re-engineering to enhance competitiveness, the Group also explores and assigns specific resources to further strengthen the production supply chain capabilities in the Southeast Asian regions. In addition, the expanding domestic sales market in China was offering opportunities to the Group by leveraging on its overseas market expertise in local domestic market development. These measures enable the Group to maintain stable growth and contended the stresses from uncertainties in overseas markets.

Brand business

Revenue from brand business decreased significantly by HK$48.7 million or 35.9%, to HK$86.9 million in 2019 as a result of the sluggish retail market especially in the USA and the competition from online fashion sales. In addition, discounters tended to squeeze on the price affecting the margin of our brand business in the already competitive market. The performance from our brand operations were impacted adversely. In order to focus on the apparel manufacturing business and to provide our customers with better services, the Group accelerated the scale-down of retail brand business during the year, resulting in narrowing the net loss by 24.5%.

Management Discussion and Analysis

SEGMENT INFORMATION (Cont'd)

Property investment and development

Revenue from property investment and development business increased to HK$213.7 million comparing HK$84.2 million in 2018, while segment profit soared by HK$45.1 million to HK$60.8 million in 2019. The higher contribution was mainly due to recognition of sales of a property project at HK$168.7 million with net profit of HK$44.5 million in China. On the other hand, the revitalization of High Fashion Centre in Hong Kong is near completion and will be ready for leasing in 2020. Other property development projects in Zhejiang Province are in well progress as planned.

The Group have been investing in recent years various property development and management projects in order to utilise the Group resources more effectively and to generate stable cash flow to support the core trading and manufacturing business. The Group's quality portfolio of property projects in the mainland China and Hong Kong at different stages of investment and development continue to create value to the Group and will serve as additional growth drivers in the coming future.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

Our Group plays an essential role in supporting sustainable economic development throughout the manufacturing processes and in our long-term strategic plan. We recognize the importance of environmental protection and social welfare on subjects such as resource use, consumption of water and energy, hazardous and non-hazardous wastage, people development, health and safety and ethical manufacturing facilities.

Our factories located in Cambodia and different provinces in China have awarded various certificates issued by different Environmental Organizations established internationally. Our production facilities are proved to have met certain social and quality compliances. These certificates include those from OEKO-TEX® granted for our woven and knitted fabric which are produced sustainably in accordance with Standard 100 by OEKO-TEK. One of the OEKO-TEK's certificates is granted for the running of production site in compliance with the requirement of Sustainable Textile Production (STeP) by OEKO-TEX® representing that the processes of pre-treatment, piece-dying, printing, finishing and packaging meet the standards in relation to chemical management, environment performance, social responsibility, quality management and safety.

In addition, two gold certificates were obtained from the Worldwide Responsible Accredited Production (WRAP) Certification Program. WRAP's Certification Program is the largest independent facility certification program in the world mainly focused on the apparel, footwear, and sewn products sectors. Certification is issued based on a facility's compliance with WRAP's 12 Principles, in accordance with the rule of law within each individual country demonstrating the spirit of the relevant conventions under the International Labor Organization.

Furthermore, there are different level of certifications awarded for environmental and quality management, occupational health and safety management issued by China Quality Certification Centre, Ministry of Industry and Handicraft of Cambodia as well as by Dongguan safety production association.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY (Cont'd)

On the other hand, the Group considers all employees as our important assets and has long placed emphasis on their well-being and development. Quality management training program covering the Group were launched during the year of 2019. Our commitment on such endeavors has well been recognized in product quality and business activities.

The Group also cares about the community investment and takes great pride in working closely with them. The Group strives to have more positive impact by collaborating with academy and charity to support our new generation. Our co-construction with Hangzhou Vocational and Technical College (杭州職業技術學院) has celebrated its 10th Anniversary in early 2019. In addition, the Group has established Tonglu High Fashion Education Foundation (桐廬達利教育基金會) which not only supports students and teachers in Tonglu, but also bridges the connection between the charity group in Hong Kong and education sector in Tonglu.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total outstanding bank borrowings were at the same level of HK$1.4 billion at the end of both years of 2019 and 2018. The bank borrowings were mainly for certain properties construction, development projects and fixed assets investments to develop and upgrade the China manufacturing plants. Our gearing ratio of non-current liabilities to shareholders' funds was 34% at the end of 2019 with current ratio at 1.3.

The Group's total cash and bank balances were HK$912.8 million at the end of reporting period. Along with the available banking facilities, the Group had a healthy working capital and liquidity to meet the operating needs and future growth.

Foreign currency risk exposure is primarily related to RMB and USD since a considerable portion of our operating expenses are denominated in RMB while sales are mainly denominated in USD. As HKD is pegged to the USD, the Group considers that its foreign currency risk in respect of USD is minimal. Bank borrowings were denominated mainly in HKD and partly in USD.

Barring the pledge of a property in Hong Kong of HK$977.1 million (2018: HK$855.2 million), there were no charges on the Group's assets.

CAPITAL EXPENDITURE

The Group has purchased the plant and equipment, leasehold improvement and construction in progress of around HK$58.5 million in order to upgrade the manufacturing capabilities and improve the environmental protection facilities during the year. The Group also injects HK$154.4 million into certain properties construction and development projects during the year.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group is committed to capital expenditure in respect of acquisition of property, plant and equipment and construction work contracted but not provided for amounted to HK$100.1 million.

Management Discussion and Analysis

TAX AUDIT

For the tax audit case initiated by the Hong Kong Inland Revenue Department ("IRD") since February 2006 on certain group companies for the years of assessment as from 1999/2000, the tax audit was completed in 2019 and reach an agreement with the IRD. Tax refund of HK$103.0 million was received from the IRD which consisted of refund for excesses of prior tax paid and Tax Reserve Certificates purchased, along with the associated interest. Please refer to note 10 to the consolidated financial statements for details.

HUMAN RESOURCES

The total number of employees of the Group including joint ventures as at the end of the reporting year was about 6,300. The Group remunerates its staff according to their performance, qualifications and industry practices. Other than the competitive remuneration package offered to the employees, share options may also be granted to selected employees based on the Group's performance. No share options were granted to employees during the year.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LAM Foo Wah, aged 71, is the founder of the Group. Mr. Lam is the Chairman and the chairman of the Nomination Committee of the Company. He was the Managing Director of the Company until February 2020. He is also a director of various subsidiaries of the Company. Mr. Lam is the visionary leader and is responsible for the overall strategic planning with goals setting for the Group to pursue aggressively. He has over 40 years of experience in manufacturing of apparel industry and marketing of brand and retail management. Mr. Lam is the father of Mr. Lam Gee Yu, Will and Mr. Lam Din Yu, Well, the Executive Directors. Mr. Lam is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). He is also a director of Hinton Company Limited ("Hinton") and High Fashion Charitable Foundation Limited ("HF Charitable"), the substantial shareholders of the Company.

Ms. SO Siu Hang, Patricia, aged 61, joined the Group in 1990. Ms. So is an Executive Director and a director of various subsidiaries of the Company. She is responsible for the Group's global business development, strategic planning and implementation. She has an in-depth knowledge of the fashion apparel industry and substantial valuable experience in value chain management and e-commerce sales and marketing. She holds a Bachelor Degree in Commerce and Finance from the University of Toronto and a Master Degree in Business Administration from York University in Canada. Prior to joining the Group, she worked for Standard Chartered Bank for 4 years.

Mr. LAM Gee Yu, Will, aged 37, joined the Group in 2010. Mr. Will Lam is an Executive Director and a member of the Remuneration Committee and Risk Management Committee of the Company. He has been appointed as the Managing Director of the Company since February 2020 and is responsible for the management of all the businesses in the Group. He is also a director of various subsidiaries of the Company. Mr. Will Lam serves as an honorary president of The Hong Kong Ningxia Youth Association, a president of High Fashion Women Wear Institute, a vice president of Shenzhen Garment Industry Association, a vice president of Hong Kong Hangzhou Entrepreneurs Association, an executive director of the National Council of Zhejiang Zheshang Chuanmei Limited （浙江浙商傳媒有限公司）, a member of The Hong Kong Real Property Federation Limited, a member of retail and tourism committee of Hong Kong General Chamber of Commerce, a member of The Chinese Manufacturers' Association of Hong Kong, a member of The Hong Kong Institute of Directors, a member of The Federation of Hong Kong Garment Manufacturers and a member of Hong Kong 3D Printing Association. He holds a Bachelor of Science Degree from The Chinese University of Hong Kong and a Master of Finance Degree from Princeton University. Prior to joining the Group, he worked for an international bank in Asia and an international investment bank in the United States. He is a son of Mr. Lam Foo Wah and a brother of Mr. Lam Din Yu, Well, the Executive Directors. He is also a director of Hinton and HF Charitable, the substantial shareholders of the Company.

Mr. LAM Din Yu, Well, aged 35, joined the Group in 2006. Mr. Well Lam is an Executive Director and has been appointed as the Managing Director (China) of the Company since February 2020. He is also a director of various subsidiaries of the Company. He is responsible for the group business in the Mainland China, as well as the new business development area. He is also the principal member of China Silk Association, Zhejiang Silk Association, Zhejiang New High-Tech Enterprises Association, Hangzhou Silk Association, Federation of Industry and Commerce of Xiaoshan Hangzhou and International Silk Union. He holds a Bachelor Degree in Business Administration from Boston University. He is a son of Mr. Lam Foo Wah and a brother of Mr. Lam Gee Yu, Will, the Executive Directors. He is also a director of Hinton and HF Charitable, the substantial shareholders of the Company.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Professor YEUNG Kwok Wing, aged 72, joined the Group in 2000. Professor Yeung is a Non-executive Director, a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He has been appointed as a member of the Risk Management Committee of the Company with effect from 30 March 2020. He is currently the executive director of Clothing Industry Training Authority ("CITA") in Hong Kong. He holds a PhD from the Queen's University of Belfast, Northern Ireland. Professor Yeung specializes in textile product development, quality assurance and management, and serves as various honorary fellows and members of international associations of textile, dyers and colorists as well. He has a long and distinguished academic career and was associated with The Hong Kong Polytechnic University ("PolyU") for more than 30 years before joining CITA in June 2006. His administrative ability is also highly appreciated in PolyU when he was posted as its vice president overseeing academic development from 2002 to 2005.

Mr. HUNG Ka Hai Clement, aged 64, joined the Group in 2017. Mr. Hung is a Non-executive Director of the Company and a member of the Audit Committee of the Company. He had served Deloitte China for 31 years. He retired from the chairman role of Deloitte China in June 2016 and had represented Deloitte China in the Deloitte Global Board and Governance Committee as a member during at that time. Mr. Hung assumed various leadership roles in Deloitte, namely he was the audit group leader and office managing partner of Deloitte Shenzhen Office and Guangzhou Office. He was also a member of the China Management Team of Deloitte China. Later on, Mr. Hung assumed the role of the southern audit leader and the deputy managing partner of the Southern Region (including the regions of Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha).

Mr. Hung was an honorary member of the Shenzhen Institute of Certified Public Accountants in 2004. He served as the Guangzhou Institute of Certified Public Accountants consultant from 2004 to 2014. From 2006 to 2011, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen. In June 2016, the Ministry of Finance of The People's Republic of China appointed Mr. Hung as an expert consultant under his extensive experience as a Hong Kong accounting professional. He is a life member of The Institute of Chartered Accountants in England and Wales. He obtained a Bachelor of Arts Degree from the University of Huddersfield, United Kingdom in 1980.

Mr. Hung is an independent non-executive director of Gome Finance Technology Co., Ltd., Sheng Ye Capital Limited, Zhongchang International Holdings Group Limited, Aoyuan Healthy Life Group Company Limited and China East Education Holdings Limited, and was appointed as an independent non-executive director of Huarong International Financial Holdings Limited and Tibet Water Resources Ltd. in December 2019, and Skyworth Group Limited in March 2020, the shares of these companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He served as an independent non-executive director of LT Commercial Real Estate Limited (currently known as "Lerthai Group Limited") until September 2018 and a non-executive director of SMI Holdings Group Limited until February 2019, both companies are listed on the Stock Exchange.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Shiu Hoi, Peter, aged 79, joined the Group in 2004. Mr. Wong is an Independent Non-executive Director, the chairman of the Remuneration Committee and Risk Management Committee, and a member of the Audit Committee and Nomination Committee of the Company. He holds a Master of Business Administration Degree from the University of East Asia, Macau (currently known as the "University of Macau"). Mr. Wong possesses over 45 years of experience in the financial services industry. He is an independent non-executive director of Tianjin Development Holdings Limited, Agile Group Holdings Limited, Target Insurance (Holdings) Limited and Tai Hing Group Holdings Limited, the shares of these companies are listed on the Stock Exchange. He is a consultant of Halcyon Holdings Limited and was an executive director, deputy chairman and chief executive of Haitong International Securities Group Limited, the chairman of The Hong Kong Institute of Directors, a director of Hong Kong Securities and Investment Institute and an overseas business advisor of Haitong Securities Company Limited.

Mr. LEUNG Hok Lim, *FCPA (Aust.), CPA (Macau), FCPA (Practising)*, aged 84, joined the Group in 2004. Mr. Leung is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee, Nomination Committee and Risk Management Committee of the Company. Mr. Leung is the founder and senior partner of PKF Hong Kong Limited. Mr. Leung is an independent non-executive director of Phoenix Media Investment (Holdings) Limited and S E A Holdings Limited, and was an independent non-executive director of Fujian Holdings Limited, Yangtzekiang Garment Limited and YGM Trading Limited, the shares of these companies are listed on the Stock Exchange.

Mr. Chung Kwok Pan, aged 56, joined the Group on 26 July 2019. Mr. Chung is an Independent Non-executive Director, a member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee of the Company. He has been responsible for the business management of Chungweiming Knitting Factory Limited since early 1988. Mr. Chung also has several social positions, including a member of the 5th and 6th Legislative Council of Hong Kong (Textile and Garment Sector), Leader of Liberal Party, Honorary Life Chairman of Hong Kong Apparel Society, Honorary Chairman of Knitwear Innovation And Design Society Limited, a director of The Chinese Manufacturers' Association of Hong Kong, an advisor of New Territories General Chamber of Commerce, a director of Hong Kong Design Centre, Chairman of Design Discipline Advisory Board of Vocational Training Council, Chairman of Fashion Industry Training Advisory Committee, Education Bureau of the Hong Kong Special Administrative Region ("HKSAR") and a member of the Advisory Group on Implementation of Fashion Initiatives, The Commerce and Economic Development Bureau of the HKSAR. He was also a member of the 9th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference in 1998. Mr. Chung has been appointed as an independent non-executive director of Planetree International Development Limited with effect from 1 April 2020, a company listed on the Stock Exchange. Mr. Chung obtained a Bachelor's degree in Quantity Surveying from Robert Gordon's Institute of Technology, Scotland (currently known as "Robert Gordon University, Aberdeen") in July 1986 and a Master Degree in Business Administration from the University of Stirling, Scotland, United Kingdom in May 1988.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Ms. LEUNG Suk Yin, Hilda, aged 63, has been with the Group since its inception. She is the vice chairman of High Fashion (China) Co., Ltd. and a director of various subsidiaries of the Company. Ms. Leung holds a diploma in business management from the Hong Kong Polytechnic University and the Hong Kong Management Association. She has over 40 years of experience in the marketing, merchandising and production of garments.

Ms. CHOW Siu Ping, Helen, aged 58, joined the Group in 2000. She is the CEO of Knitwear Centre of High Fashion (China) Co., Ltd. and has extensive experience in the merchandising, product development and production of knitting garments. Before joining the Group, she worked as leading roles for many sizable manufacturing groups and apparel brands.

Mr. RUAN Gen Yao, aged 59, joined the Group in 2001. He is the vice chairman of High Fashion (China) Co., Ltd. He is also a director and the general manager of Zhejiang Dali Culture Creativity Co., Ltd. and is responsible for the operation of that company. He is a politician engineer in China and Labour Model of Hangzhou and the representation of the People's Congress of Tonglu, China. He has over 25 years' experience in silk finishing and dyeing industry and extensive experience in business management.

Mr. LIN Ping, aged 59, joined the Group in 1993. He is the chairman and the CEO of High Fashion Silk (Zhejiang) Co., Ltd. and is responsible for the operation and administration. He serves as vice president of Chinese Textile Enterprisers Association, vice president of China Silk Association, vice president of China Fashion Color Association, vice president of Silk Branch of China Textile Chamber of Commerce, vice president of China Silk Quilt Association, an executive member of China Textile Photography Association, president of Zhejiang Industry Tourism Association, vice president of Zhejiang Textile Association, vice president of Zhejiang Province Silk Association, vice president of Shaoxing Textile Association, vice president of Shaoxing Tourism Association, representative of 6th and 7th NPC of Shaoxing, representative of 13th, 14th and 15th NPC of Xinchang, creative consultant of Donghua University, professor and tutor for master degree of Wuhan Textile University, part-time professor of Zhejiang Sci-Tech University and honorary professor of Hangzhou Vocational Technical College, president of High Fashion Women Wear Institute. He attains EMBA education and is the senior economist in China. He has over 40 years' experience in textile industry and extensive experience in product design and development, silk weaving production and management.

Ms. HU Ze Lin, aged 69, joined the Group in 1993. She is a director and the deputy general manager of High Fashion Silk (Zhejiang) Co., Ltd. and is responsible for the production of that company. She attained matriculated education and is an economist in China. She has over 40 years of experience in textile industry and extensive experience in quality control in silk weaving production management.

Mr. Valentine DUNNE, aged 49, joined the Group in 2002. He is the CEO of High Fashion Garments Inc. and August Silk Inc., and is responsible for promotion and development of product in the U.S.A market. He is a graduate of Colaiste Ide Vocational College in accounting program and holds a bachelor degree in aeronautics from Embry-Riddle Aeronautical University. Before joining the Group, he worked for Dillard's Department Stores and Saks Fifth Ave Inc.

Report of the Directors

The Directors (the “Director(s)”) present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, property investment and development. Details of the principal activities of the principal subsidiaries are set out in note 54 to the consolidated financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019, including a fair review of the Group’s business, the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the year and indication of likely future development in the Group’s business is set out in the “Chairman’s Statement” and the “Management Discussion and Analysis” on pages 2 to 3 and 7 to 12 respectively of this annual report. An analysis using financial key performance indicators for the year is set out in the “Financial Summary” on page 161 of this annual report.

The Group has complied with the relevant laws and regulations, which have significant impact on the Group’s operation during the year. Details of the Group’s compliance are set out in the “Corporate Governance Report” and “Management Discussion and Analysis” of this annual report.

Discussions on the Group’s environmental policies and performance, relationships with its employees, suppliers and customers are set out in the “Management Discussion and Analysis” of this annual report and the Environmental, Social and Governance Report of the Company.

RESULTS AND DIVIDENDS

The Group’s results for the year ended 31 December 2019 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 54 to 160 of this annual report.

An interim dividend of 3 HK cents per ordinary share was paid on 18 October 2019. The board of Directors (the “Board”) recommended the payment of a final dividend of 3 HK cents (2018: 3 HK cents) per ordinary share for the year ended 31 December 2019 to shareholders whose names appear on the Register of Members of the Company on Friday, 3 July 2020. The proposed final dividend is subject to the approval of shareholders of the Company at the forthcoming annual general meeting to be held on Wednesday, 24 June 2020 (the “2020 AGM”). If being approved, dividend warrants for the final dividend is expected to be despatched on or around Friday, 17 July 2020.

RESULTS AND DIVIDENDS (Cont'd)

Dividend Policy

The Company adopted the dividend policy on 29 March 2019 to allow shareholders of the Company to participate in its profits whilst preserving adequate reserves and liquidity for the Company's future development.

The Board would consider the following factors before recommendation or declaration of dividends:

(a) the actual and expected financial performance of the Group;

(b) the working capital requirements for future business needs and expansion plans of the Group;

(c) the liquidity position of the Group;

(d) the retained earnings and distributable reserves of the Group;

(e) general economic conditions and other internal and external factors which may have an impact on the financial and business performance of the Group; and

(f) any other factors that the Board deems relevant.

The Board is at its discretion to declare interim dividends. The recommendation of final dividends is subject to the approval of shareholders at general meetings of the Company. The payment of dividends is subject to the restrictions under the Memorandum of Association and Bye-laws of the Company and other applicable laws, rules and regulations. Dividends may be distributed in cash or be satisfied wholly or partly in the form of securities of the Company pursuant to the Bye-laws of the Company.

The Board will review the policy from time to time and has absolute and sole discretion to update, amend or modify the policy.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 22 June 2020 to Wednesday, 24 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to determine shareholders who are entitled to attend and vote at the 2020 AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 June 2020.

In addition, the Register of Members will also be closed from Thursday, 2 July 2020 to Friday, 3 July 2020, both days inclusive, during which period no transfer of shares will be registered. In order to determine shareholders who are entitled to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 30 June 2020.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 161 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 18 to the consolidated financial statements, respectively.

PROPERTIES

Details of the properties of the Group held for investment and sale purposes at 31 December 2019 are set out in the section headed "Schedule of Principal Investment Properties" on page 162 of this annual report.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution as at 31 December 2019 amounted to HK$109,934,000 (2018: HK$120,514,000).

DONATIONS

During the year, the Group made charitable and other donations of approximately HK$2,802,000 (2018: HK$3,036,700).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, less than 30% of the Group's revenue from sales of goods or rendering of services was attributable to the Group's five largest customers, and less than 15% of the Group's total purchases were attributable to the Group's five largest suppliers.

Report of the Directors

DIRECTORS

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

Executive Directors:

Mr. Lam Foo Wah
Ms. So Siu Hang, Patricia
Mr. Lam Gee Yu, Will
Mr. Lam Din Yu, Well

Non-executive Directors:

Professor Yeung Kwok Wing
Mr. Hung Ka Hai, Clement

Independent Non-executive Directors:

Mr. Woo King Wai *(retired at the conclusion of AGM held on 6 June 2019)*
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim
Mr. Chung Kwok Pan *(appointed with effect from 26 July 2019)*

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Lam Gee Yu, Will, Mr. Lam Din Yu, Well and Professor Yeung Kwok Wing will retire by rotation and being eligible, have confirmed to offer themselves for re-election at the 2020 AGM.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Chung Kwok Pan, who was appointed as an Independent Non-executive Director of the Company ("INED") with effect from 26 July 2019, will retire at the 2020 AGM and being eligible, has confirmed to offer himself for re-election.

Pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, each INED re-affirmed his independent status with the Company as at 31 December 2019, and the Company considered that they are independent.

DIRECTORS' EMOLUMENTS

The emoluments of Directors are determined by reference to his duties and responsibilities with the Company, the prevailing market condition as well as the performance of the Company's results. Particulars as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 9 to the consolidated financial statements.

The Company has adopted a share option scheme to provide recognition to the contributions or services of Directors. Details are set out in the section headed "Share Option Scheme" on pages 24 to 25 of this annual report and note 42 to the consolidated financial statements.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and the senior management of the Group are set out on pages 13 to 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2020 AGM has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, Executive Directors and Non-executive Directors have confirmed that they have no interests in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business which is required to be disclosed pursuant to the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

Other than the related party transactions as disclosed in note 51 to the consolidated financial statements, no Director or any entity connected with him had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

At no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contracts of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

PERMITTED INDEMNITY PROVISION

In accordance with the Bye-laws of the Company, the Directors and officers of the Company, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he may sustain or incur in or about the execution of their duty, provided that this indemnity shall not extend to any matter in respect of wilful negligence, wilful default, fraud or dishonesty which may attach to any of said persons.

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout this year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests and short positions of the Directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its 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 interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

(i) Long Positions in the Shares and Underlying Shares of the Company

(a) Ordinary shares of the Company

Name of Directors	*Notes*	Capacity	Nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital *(Note 4)*
Lam Foo Wah		Beneficial owner	Personal	1,789,901	0.59%
	1, 2	Other interest	Other	199,541,460	65.29%
So Siu Hang, Patricia		Beneficial owner	Personal	2,963,207	0.97%

(b) Share options granted by the Company

Name of Directors	Capacity	Number of underlying shares held pursuant to share options *(Note 3)*	Percentage of the Company's issued share capital *(Note 4)*
Lam Gee Yu, Will	Beneficial owner	2,500,000	0.82%
Lam Din Yu, Well	Beneficial owner	2,500,000	0.82%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

(ii) Long Position in Ordinary Shares of Associated Corporation

Name of Director	*Note*	Name of associated corporation	Relationship with the Company	Capacity	Number of ordinary shares held	Percentage of the associated corporation's issued share capital *(Note 6)*
Lam Foo Wah	*5*	High Fashion Knitters Limited	Subsidiary	Interest of controlled corporations	5,339,431	35.60%

Notes:

1. Mr. Lam Foo Wah is deemed to have interests in 154,565,620 ordinary shares which are beneficially owned by Hinton, the entire issued share capital of which is held under The Lam Foo Wah 1992 Trust. Mr. Lam is regarded as a founder of the trust.

2. Mr. Lam Foo Wah is deemed to have interests in 44,975,840 ordinary shares which are beneficially owned by HF Charitable, the entire issued share capital of which is held under High Fashion Trust. Mr. Lam is regarded as a founder of the trust.

3. Particulars of these share options and their movements as at 31 December 2019 are set out in the "Share Option Scheme" section below.

4. The issued share capital of the Company is 305,615,420 shares as at 31 December 2019.

5. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

6. The issued share capital of High Fashion Knitters Limited was 15,000,000 shares as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors, chief executives of the Company nor their associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which have been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

Furthermore, save as disclosed in the "Share Option Scheme" section below, at no time during the year ended 31 December 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the following substantial shareholders, other than Directors and chief executives of the Company, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to section 336 of SFO:

Long Positions in the Ordinary Shares of the Company:

Name of Shareholders	*Notes*	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital *(Note 3)*
Leung Shuk Bing	*1*	Interest of spouse	201,331,361	65.88%
Hinton Company Limited	*2*	Beneficial owner	154,565,620	50.58%
High Fashion Charitable Foundation Limited	*2*	Beneficial owner	44,975,840	14.72%

Notes:

1. Ms. Leung Shuk Bing is spouse of Mr. Lam Foo Wah and is deemed to have interests in 201,331,361 ordinary shares.

2. Such interests have been disclosed as interests of Mr. Lam Foo Wah in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

3. The issued share capital of the Company is 305,615,420 shares as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, no person, other than the Directors or chief executives of the Company, whose interests are set out in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" section above, had registered a long or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to section 336 of the SFO.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, is set out in note 41 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company passed a resolution at the annual general meeting to adopt a new share option scheme on 30 May 2012 (the "New Scheme") for a period of 10 years commencing on the adoption date following the expiry of the old share option scheme for the continuation of providing recognition to the contributions or services of employees, executives and Non-executive Directors.

SHARE OPTION SCHEME (Cont'd)

The movements in the Company's share options during the year ended 31 December 2019 are disclosed as follows:

				Number of share options				
Name of grantees	Date of grant	Exercise price per share HK$	Exercise period	As at 1 January 2019	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	As at 31 December 2019
Directors								
Lam Gee Yu, Will	3 December 2018	1.76	3 December 2019 to 2 December 2028	1,250,000	–	–	–	1,250,000
			3 December 2020 to 2 December 2028	1,250,000	–	–	–	1,250,000
				2,500,000	–	–	–	2,500,000
Lam Din Yu, Well	3 December 2018	1.76	3 December 2019 to 2 December 2028	1,250,000	–	–	–	1,250,000
			3 December 2020 to 2 December 2028	1,250,000	–	–	–	1,250,000
				2,500,000	–	–	–	2,500,000
			Total	5,000,000	-	-	-	5,000,000

Note:

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

Save as disclosed above, no share options of the Company was granted, exercised, lapsed or cancelled during the year.

As at the date of this annual report, the total number of share options available for issue under the New Scheme is 24,721,355, representing 8.09% of the issued share capital of the Company. Further information of the New Scheme during the year is set out in note 42 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed above and note 42 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Report of the Directors

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2019, which do not constitute connected transactions under the Listing Rules are disclosed in note 51 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is a sufficiency of public float of the Company's securities as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2019, except for the deviations as mentioned in the "Corporate Governance Report" set out on pages 28 to 48 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 were audited by Deloitte Touche Tohmatsu.

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the 2020 AGM.

ON BEHALF OF THE BOARD

LAM FOO WAH
Chairman

Hong Kong, 17 April 2020

Corporate Governance Report

The Board and the management of the Company are committed to maintaining good corporate governance practices and procedures as it is a prior focus for a well-managed organization. The Company believes that good corporate governance provides a framework that is essential for effective management and enhancement of shareholders' value. The corporate governance principles of the Company emphasise a quality and diversified Board with responsible decision-making, sound and effective risk management and internal control systems, improvement in accountability and transparency to all shareholders with recognition of their legitimate interests.

The Company has applied the principles of, and complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2019, except for the deviations as described below:

Code provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Lam Foo Wah was the Chairman and Managing Director of the Company during the year. With the in-depth knowledge and extensive business network and connections in fashion apparel industry, and brand and retail management, the Board believed that it is in the best interest of the Group to have Mr. Lam taking up both roles for effective strategic planning and business development.

Mr. Lam Foo Wah tendered his resignation as the Managing Director of the Company with effect from 1 February 2020 and remains as the Chairman of the Company. Following the appointment of Mr. Lam Gee Yu, Will as the Managing Director of the Company and Mr. Lam Din Yu, Well as the Managing Director (China) of the Company at the same date, both are the Executive Directors, the Company has complied with this code provision.

Code provision A.4.1

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

The current Non-executive Directors and INEDs were not appointed for a specific term. However, as all Directors are eligible for re-election and subject to retirement by rotation at the annual general meetings of the Company in accordance with Bye-law 87 of the Company's Bye-laws and code provision A.4.2 of the CG Code, the Board considers that sufficient resources have been taken to ensure that the Company's corporate governance practices are no less than exacting than those in the CG Code.

Code provision A.5.1

Under the code provision A.5.1 of the CG Code, Nomination Committee should comprise a majority of independent non-executive directors.

Following the retirement of Mr. Woo King Wai as an INED at the conclusion of the annual general meeting of the Company held on 6 June 2019 (the "2019 AGM"), (i) the number of INEDs fell below the minimum number of three and the number of INEDs could not represent at least one-third of the Board, as required respectively under Rules 3.10(1) and 3.10A of the Listing Rules; and (ii) the number of INEDs on the Audit Committee, Remuneration Committee and Nomination Committee did not meet the respective majority requirement under Rule 3.21 and Rule 3.25 of the Listing Rules, and code provision A.5.1 of the CG Code.

On 26 July 2019, Mr. Chung Kwok Pan was appointed as (i) an INED; and (ii) a member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee of the Company. Subsequent to the appointment, the Company complied with the Listing Rules and code provision as mentioned in the above paragraph.

Code provision D.1.4

Under the code provision D.1.4 of the CG Code, directors should clearly understand delegation arrangements in place and listed companies should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Board considers that though there are no formal letters of appointment entered into between the Company and the Directors, the current arrangement has been adopted for years and proved to be effective, more appropriate and flexible for the business operation of the Company. The Directors also have a clear understanding of the terms and conditions of their appointment with close communication with the Company and awareness on their relevant rights and duties pursuant to the applicable laws and regulations.

Corporate Governance Report

THE BOARD

The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders' value.

Up to the date of this annual report, the Board comprised a total of nine Directors, including four Executive Directors, two Non-executive Directors and three INEDs. The names of Directors and their positions are as follows:

Executive Directors:
Mr. Lam Foo Wah *(Chairman) (Note 1)*
Ms. So Siu Hang, Patricia
Mr. Lam Gee Yu, Will *(Managing Director) (Note 2)*
Mr. Lam Din Yu, Well *(Managing Director (China)) (Note 3)*

Non-executive Directors:
Professor Yeung Kwok Wing
Mr. Hung Ka Hai, Clement

Independent Non-executive Directors:
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim
Mr. Chung Kwok Pan *(Note 4)*

Notes:

1. Mr. Lam Foo Wah tendered his resignation as the Managing Director with effect from 1 February 2020.

2. Mr. Lam Gee Yu, Will was appointed as Managing Director with effect from 1 February 2020.

3. Mr. Lam Din Yu, Well was appointed as Managing Director (China) with effect from 1 February 2020.

4. Mr. Chung Kwok Pan was appointed as an INED with effect from 26 July 2019.

The Directors' biographical information and relationships among the Directors are set out on pages 13 to 16 of this annual report.

An updated list of directors of the Company and their respective roles and functions have been maintained on the websites of the Company and the Stock Exchange.

THE BOARD (Cont'd)

Pursuant to Rule 3.10A of the Listing Rules, listed issuers should appoint independent non-executive directors representing at least one-third of the board. As at the date of this annual report, the Board comprises nine Directors, in which the number of INEDs represents one-third of the Board. One of the three INEDs has appropriate professional qualifications, or accounting or related financial management expertise.

Directors' and Officers' Insurance

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group. Regular review of the insurance coverage and amount is conducted.

Board Meetings

During the year, four regular Board meetings were held for facilitating the function of the Board. The Chairman of the Board (the "Chairman") met with the INEDs once without the presence of other Directors. In any event, all Directors were available for consultation by management from time to time.

In order to ensure that the Board is able to fulfill its responsibilities, it has established and delegated specific responsibilities to the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. The main duties and meeting details of these committees are stipulated on pages 34 to 40 of this annual report.

The Company provides at least 14 days' notices of every Board meeting to all Directors. Board papers are circulated not less than 3 days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

During the financial year, the Group Finance Director and the Company Secretary attended the regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors had full access to information on the Group and were able to seek independent professional advice, upon reasonable request, whenever deemed necessary by the Directors. The Company Secretary prepared minutes and kept records of matters discussed and decisions resolved at all Board meetings.

Corporate Governance Report

THE BOARD (Cont'd)

Directors' attendance records

During the year ended 31 December 2019, details of Directors' attendance at the Board and respective Board Committees meetings and the 2019 AGM are as follows:

	Meetings Attended/Held					
Name of Directors	Board	Audit Committee *(Note 1)*	Remuneration Committee	Nomination Committee	Risk Management Committee	2019 AGM *(Note 1)*
Executive Directors:						
Mr. Lam Foo Wah	4/4	N/A	N/A	2/2	N/A	1/1
Ms. So Siu Hang, Patricia	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Lam Gee Yu, Will *(Note 2)*	4/4	N/A	1/1	N/A	1/1	1/1
Mr. Lam Din Yu, Well	4/4	N/A	N/A	N/A	N/A	1/1
Non-executive Directors:						
Professor Yeung Kwok Wing	4/4	1/2	2/2	2/2	N/A	1/1
Mr. Hung Ka Hai, Clement *(Note 3)*	3/4	1/1	N/A	N/A	N/A	1/1
Independent Non-executive Directors:						
Mr. Woo King Wai *(Note 4)*	1/1	1/1	1/1	1/1	N/A	0/1
Mr. Wong Shiu Hoi, Peter	4/4	2/2	2/2	2/2	1/1	0/1
Mr. Leung Hok Lim	4/4	2/2	2/2	2/2	0/1	1/1
Mr. Chung Kwok Pan *(Note 5)*	2/2	1/1	N/A	N/A	N/A	N/A

Notes:

1. Representatives of the external auditor participated in every Audit Committee meeting and the 2019 AGM.

2. Mr. Lam Gee Yu, Will was appointed as a member of the Remuneration Committee with effect from 29 March 2019.

3. Mr. Hung Ka Hai, Clement was appointed as a member of the Audit Committee with effect from 29 March 2019.

4. Mr. Woo King Wai retired as an INED and ceased as a member of the Audit Committee, Remuneration Committee and Nomination Committee at the conclusion of 2019 AGM.

5. Mr. Chung Kwok Pan was appointed as an INED, a member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee with effect from 26 July 2019.

THE BOARD (Cont'd)

Nomination, Appointment and Re-election of Directors

The Company has established the Nomination Committee with specific terms of reference in March 2012 and formal nomination procedures were adopted. Any nomination of Directors will be reviewed and discussed by the Nomination Committee for his suitability on the basis of qualifications, experience and background. Suitable candidates will be recommended by the Nomination Committee to the Board for consideration of the appointment.

In accordance with Bye-law 87 of the Company's Bye-laws, every Director shall be subject to retirement by rotation at least once every three years and that one-third (or the number nearest to one-third) of the directors shall retire from office every year at annual general meeting of the Company and being eligible for re-election. Mr. Lam Gee Yu, Will, Mr. Lam Din Yu, Well and Professor Yeung Kwok Wing will retire by rotation and being eligible, have confirmed to offer themselves for re-election at the 2020 AGM.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Chung Kwok Pan who has been appointed as an INED with effect from 26 July 2019, shall retire at the 2020 AGM and being eligible, has confirmed to offer himself for re-election.

The re-election of Directors is conducted through a separate resolution and there is no cumulative voting in Director elections. The biographical details of the above retiring Directors have been set out in the circular to assist shareholders of the Company for making an informed decision.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

During the financial year, each of the INEDs has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent. None of the INEDs holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Managing Director were held and performed by Mr. Lam Foo Wah during the year ended 31 December 2019. With the in-depth knowledge and extensive business network and connections in fashion apparel industry, and brand and retail management, the Board believed that it is in the best interest of the Group to have Mr. Lam taking up both roles for effective strategic planning and business development.

Mr. Lam Foo Wah has tendered his resignation as the Managing Director of the Company with effect from 1 February 2020 and remains as the Chairman. At the same date, Mr. Lam Gee Yu, Will was appointed as the Managing Director of the Company to manage all the businesses of the Group and Mr. Lam Din Yu, Well was appointed as the Managing Director (China) of the Company to manage businesses of the Group in Mainland China.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (Cont'd)

The Board, led by the Chairman, is responsible for approving and monitoring the Group's overall strategies and policies; approving the financial budget; evaluating the performance of the Group against targets and objectives; and assuming responsibility for the development of the Group. The important roles of the Chairman are to provide leadership to the Board and encourage all Directors to make a full and active contribution to the Board's affairs so as to ensure that the Board acts in the best interests of the Group. The Chairman ensures that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary.

Management is responsible for the day-to-day operations of the Group under the leadership of the Chairman. The Managing Directors, working with the other Executive Directors and the executive management team of each business division, is responsible for managing the businesses of the Group, including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group. All Directors have full and free access to the Group's information to ensure informed decision making and have made full and active contribution to the affairs of the Board.

With the support from Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receives adequate and reliable information in a timely manner. Apart from the regular Board meetings, the Chairman holds meetings with the INEDs without the presence of other Directors.

BOARD COMMITTEES

The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. Four board committees have been established and each of them has its specific duties and authorities setting out in its own terms of reference. Written terms of reference, which are in line with the CG Code, of each of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the websites of the Company and the Stock Exchange. The Risk Management Committee was established in 2016.

Each Committee is provided with sufficient resources to perform its duties and where necessary, to seek independent professional advice, at the Company's expense, to perform its responsibility.

Minutes drafted by secretary of the committees are circulated to members of the committees within a reasonable time after each meeting.

Audit Committee

During the year, the Audit Committee comprises Mr. Leung Hok Lim (Chairman), Professor Yeung Kwok Wing, Mr. Hung Ka Hai, Clement (appointed as a member with effect from 29 March 2019), Mr. Woo King Wai (ceased to be a member at the conclusion of 2019 AGM), Mr. Wong Shiu Hoi, Peter and Mr. Chung Kwok Pan (appointed as a member with effect from 26 July 2019).

BOARD COMMITTEES (Cont'd)

Audit Committee (Cont'd)

The Company has complied with the requirement of the Listing Rules in establishing an audit committee comprising at least three members who must be Non-executive Directors only, and the majority thereof must be INEDs, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Audit Committee adopted the terms of reference with reference to the guidelines issued by the Hong Kong Institute of Certified Public Accountants and in accordance with the requirements of the CG Code.

The main duties of the Audit Committee are set out below:

(i) to recommend to the Board on the appointment, reappointment and removal of the external auditor, and address any questions of resignation or dismissal of the auditor;

(ii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(iii) to develop and implement policy on the engagement of external auditor to supply non-audit services;

(iv) to monitor integrity of financial statements, annual and interim reports of the Company and accounts, and to review significant financial reporting judgments contained in such reports;

(v) to review the Company's financial controls, internal control and risk management systems; and

(vi) to review the Group's financial and accounting policies and practices.

No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the two years after he ceases to be a partner of the auditing firm.

BOARD COMMITTEES (Cont'd)

Audit Committee (Cont'd)

During the year, the Audit Committee held two regular meetings to:

(a) review the annual financial results of the Group for the year ended 31 December 2018 and the interim financial results of the Group for the six months ended 30 June 2019;

(b) review the 2018 Annual Report and 2019 Interim Report of the Company;

(c) review the significant findings and recommendations from the internal audit department and the external auditor of the Company;

(d) review and provide supervision of the Group's financial reporting system;

(e) evaluate the effectiveness of the risk management and internal control procedures; and

(f) review the relationship with the external auditor of the Company and consider their remuneration.

The Audit Committee members' attendance to the meetings is listed out on page 32 of this annual report.

The Group places high standard and strict compliance of code of conduct as one of the important corporate cultures. The Board adopted the Whistle-Blowing Policy in August 2013 setting out the approach for employees and those who deal with the Company (eg. customers and suppliers) to raise concerns on any possible misconduct, violation of company policies or fraudulent activities, in confidence, with Audit Committee about possible improprieties in any matter related to the Company. All complaints and whistle-blowing are directed to the internal audit department for concurrent investigations. The Company shall present the quarterly whistle-blowing report to the Audit Committee for review, if any.

Remuneration Committee

During the year, the Remuneration Committee comprises Mr. Wong Shiu Hoi, Peter (Chairman), Professor Yeung Kwok Wing, Mr. Woo King Wai (ceased to be a member at the conclusion of 2019 AGM), Mr. Leung Hok Lim, Mr. Chung Kwok Pan (appointed as a member with effect from 26 July 2019) and Mr. Lam Gee Yu, Will (appointed as a member with effect from 29 March 2019).

BOARD COMMITTEES (Cont'd)

Remuneration Committee (Cont'd)

The main duties of the Remuneration Committee are set out below:

(i) to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management;

(ii) to review the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time;

(iii) to make recommendation to the Board on the remuneration packages, including benefits in kind, pension rights and compensation payments, of individual Executive Directors and senior management;

(iv) to make recommendations to the Board on the remuneration of Non-executive Directors; and

(v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

The Remuneration Committee consulted the Chairman about their proposals relating to remuneration package and other human resources issues of the Directors and senior management of the Company. The emoluments of Directors and senior management are based on the skill, knowledge, duties and responsibilities of each Director and senior management and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

During the year, the Remuneration Committee met twice to:

(a) review the policy and structure for all Directors' and senior management's remuneration;

(b) review the remuneration packages of Executive Directors and senior management, and make relevant recommendations to the Board;

(c) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; and

(d) make recommendations to the Board on the remuneration package for the appointment of Mr. Chung Kwok Pan as an INED, a member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee.

The Remuneration Committee members' attendance to the meetings is listed out on page 32 of this annual report.

Particulars of Directors' emoluments and employees' emoluments for the year ended 31 December 2019 are set out in note 9 to the consolidated financial statements.

BOARD COMMITTEES (Cont'd)

Nomination Committee

During the year, the Nomination Committee comprises Mr. Lam Foo Wah (Chairman), Professor Yeung Kwok Wing, Mr. Woo King Wai (ceased to be a member at the conclusion of 2019 AGM), Mr. Wong Shiu Hoi, Peter, Mr. Leung Hok Lim and Mr. Chung Kwok Pan (appointed as a member with effect from 26 July 2019).

The main duties of the Nomination Committee are set out below:

(i) to review the structure, size and composition (including the skills, knowledge, experience, expertise and diversity of perspectives) of the Board;

(ii) to make recommendations to the Board on the appointment, re-appointment and succession planning of Directors and senior management, based on merits and having due regard to the benefits of diversity of the Board;

(iii) to assess the independence of INEDs; and

(iv) to conduct regular review on the Board Diversity Policy and make relevant recommendations to the Board for any necessary amendments, if appropriate, to achieve Board diversity.

During the year, the Nomination Committee met twice to:

(a) review the structure, size and composition of the Board;

(b) make recommendations to the Board in relation to the re-appointment of the retiring Directors at the 2019 AGM;

(c) assess the independence of the INEDs;

(d) review the Board Diversity Policy;

(e) make recommendations to the Board on the appointment of an existing Executive Director as an additional member to the Remuneration Committee; and

(f) make recommendations to the Board on the appointment of Mr. Chung Kwok Pan as an INED, a member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee.

The Nomination Committee members' attendance to the meetings is listed out on page 32 of this annual report.

BOARD COMMITTEES (Cont'd)

Nomination Committee (Cont'd)

Nomination Policy

1. Objectives

   (i) to provide guidance on the appointment, re-appointment and succession planning of Directors for the Group's business succession; and

   (ii) to determine the size and composition of the Board in pursuit of diversity perspectives.

2. Selection Criteria

   The selection of potential candidates is based on the merit and the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, professional experience and other qualities. The independence requirements under the Listing Rules would also be considered for the potential candidate as an INED.

3. Nomination Procedures

   Appointment of Directors

   The Nomination Committee identifies and ascertains the integrity, qualification, experience and expertise of the potential candidates based on the criteria set above. If the candidate is considered qualified, the Nomination Committee makes recommendations for the Board consideration. The Board will appoint the candidate to fill a casual vacancy or as an addition to the Board or recommend the candidates to stand for election at a general meeting after due consideration and discussion over the qualification of the candidate.

   During the year, after the retirement of Mr. Woo King Wai as an INED at the conclusion of 2019 AGM, the Nomination Committee nominated Mr. Chung Kwok Pan to fill the casual vacancy after considering nominations of candidates from Board members. The nomination was made in accordance with the Nomination Policy and other objective criteria including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge relevant to the Company's corporate goals and strategies set out in the Board Diversity Policy and the independence guidelines pursuant to the Listing Rules.

   Re-election of Directors

   The Nomination Committee reviews the contribution made by the retiring Directors and whether their capabilities and qualifications continue to satisfy the criteria above and the corporate goals and strategies. Under the advice of the Nomination Committee, the Board will make recommendations to the shareholders of the Company for the re-election of Directors at the general meetings.

4. Review of the Nomination Policy

   The Nomination Committee reviews the Nomination Policy from time to time to ensure its effectiveness. Any necessary amendments will be recommended to the Board for consideration and approval.

BOARD COMMITTEES (Cont'd)

Nomination Committee (Cont'd)

Board Diversity Policy

The Board adopted the Board Diversity Policy in March 2013 for setting the approach to achieve diversity of the Board. The Company recognises that increasing diversity at the Board level is an essential element to attain strategic objectives and thus enhance the quality and sustainability of its performance. A number of factors including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge are considered in designing the composition of the Board. The Nomination Committee is responsible for the implementation and conducting regular review on this policy to make necessary amendments for the Board approval.

All Non-executive Directors are professionals with extensive experience in garments and fashion, accounting and business fields and make major contribution to the strategy planning, risk and management control and future development of the Company. The appointment of Mr. Chung Kwok Pan as an INED during the year further enhances the extent of diversity of the Board in the aspects of industry experience and skills as he has years of experience in the garment and fashion industry and has made valuable social contributions to the industry development in Hong Kong.

Risk Management Committee

During the year, the Risk Management Committee comprises Mr. Wong Shiu Hoi, Peter (Chairman), Mr. Leung Hok Lim, Mr. Chung Kwok Pan (appointed as a member with effect from 26 July 2019), Mr. Lam Gee Yu, Will and Mr. Li Wa Tat, Benedict (Group Finance Director).

The principal responsibilities of the Risk Management Committee are to advise the Audit Committee and the Board on the risks facing the Group and oversee management in the design, implementation and monitoring of the risk management system and the corresponding risk mitigation measures.

During the year, the Risk Management Committee met once to discuss the risk exposure facing the Group in various aspects and the corresponding mitigation measures.

The Risk Management Committee members' attendance to the meetings is listed out on page 32 of this annual report. Key risk exposures of the Group identified are set out in the Management Discussion and Analysis on pages 7 to 12 of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties. Specific terms of reference are set out in the Terms of Reference of the Board and the relevant duties include the following:

1. to develop and review the Company's policies and practices on corporate governance, if appropriate, raise recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Specific enquiry has been made of all Directors and they have complied with the required standard set out in the Model Code for the year ended 31 December 2019.

The Company has established the written guidelines on no less exacting terms than the Model Code relating to securities transactions for the relevant employees.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Comprehensive orientation packages on the Group structure, corporate governance practices and policies, directors' rights and duties and updates on applicable laws, rules and regulations are provided for newly appointed Directors.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company in accordance with code provision A.6.5 of the CG Code.

The participation by every Director in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2019 is recorded in the table below.

	Type of Continuous Professional Development	
Name of Directors	**Reading regulatory updates or information**	**Attending seminar(s)/ workshop(s)/ programme(s)**
Executive Directors:		
Mr. Lam Foo Wah	✓	–
Ms. So Siu Hang, Patricia	✓	–
Mr. Lam Gee Yu, Will	✓	✓
Mr. Lam Din Yu, Well	✓	–
Non-executive Directors:		
Professor Yeung Kwok Wing	✓	–
Mr. Hung Ka Hai, Clement	✓	–
Independent Non-executive Directors:		
Mr. Woo King Wai *(retired at the conclusion of 2019 AGM)*	✓	–
Mr. Wong Shiu Hoi, Peter	✓	–
Mr. Leung Hok Lim	✓	✓
Mr. Chung Kwok Pan *(appointed with effect from 26 July 2019)*	✓	–

The Company Secretary updates Directors on the latest developments and changes to the Listing Rules and other applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with support from the Finance Department, the consolidated financial statements of the Group.

The Directors are responsible for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period in accordance with the applicable laws and regulations. In preparing the accounts for the year ended 31 December 2019, the Directors believe that they have selected suitable accounting policies which are applied in consistency, made judgments and estimates that are prudent and reasonable, and ensured the financial statements are prepared on a "going concern" basis.

The final and interim results of the Company are announced in a timely manner within the limits of three months and two months respectively after the end of the relevant year or period.

The auditing process for the final results of the Group for the year ended 31 December 2019 was hindered due to the outbreak of 2019 Novel Coronavirus ("COVID-19") in China. The Company published the relevant unaudited final results of the Group on 30 March 2020 and the audited final results of the Group on 17 April 2020 after the review of Audit Committee.

A statement by the Auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 49 to 53 of this annual report.

External Auditors

The Group has engaged Deloitte Touche Tohmatsu to perform audit services and KPMG to perform non-audit services for the year ended 31 December 2019. The Group paid or payable to Deloitte Touche Tohmatsu in respect of audit services fee amounted to approximately HK$3,300,000 and KPMG in respect of non-audit services fee (including tax services) amounted to approximately HK$3,003,000.

Risk Management

The Board has overall responsibility for the system of risk management of the Company and for reviewing its effectiveness. The Board is committed to the management, identification and monitoring of risks associated with its business activities and has implemented an effective and sound risk management system to safeguard the interests of the shareholders and the Group's assets. The Board carries out review on the risk management systems annually.

Review of the Group's risk management covering major operational, financial and compliance controls of different systems and has been done on a systematic and on-going basis based on the risk assessments of the operations and controls for the year ended 31 December 2019. The adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions is ensured. No major issue but areas for improvement have been identified during the year. The Board, the Audit Committee and the Risk Management Committee considered that the present risk management controls of the Group are reasonably implemented and effective.

ACCOUNTABILITY AND AUDIT (Cont'd)

Risk Management (Cont'd)

In addition, up to the date of approval of the Company's 2019 Annual Report based on the respective assessments made by management and also taking into account the results of the audit conducted by the external auditor, the Audit Committee and the Directors considered that:

(i) the risk management and accounting systems of the Group are designed to provide reasonable but not absolute assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication;

(ii) the risk management systems of the Group have been implemented with room for improvement and the Group internal audit department has actively conducted follow-up audit for any improvements which were identified; and

(iii) there is an on-going process in place for identifying, evaluating and managing significant risks faced by the Group.

Internal Control

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board conducts reviews of the effectiveness of the internal control system for the year ended 31 December 2019 covering all material controls, including financial, operational and compliance controls and risk management functions by considering reviews performed by the Risk Management Committee, Audit Committee, executive management and both the Group internal audit department and external auditor. The Group's system of internal control comprises a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations.

The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The criteria for the Board to assess the effectiveness of the system of internal control are listed below:

(i) Organisational Structure

An organisational structure with operating policies and procedures, lines of responsibility and delegated authority has been already established.

(ii) Authority and Control

The relevant Executive Directors and senior management are delegated with respective levels of authorities with regard to key corporate strategy and policy and contractual commitments. The Board is responsible for handling and dissemination of inside information through discussion and delegation of authority to the Company Secretary.

ACCOUNTABILITY AND AUDIT (Cont'd)

Internal Control (Cont'd)

(iii) Budgetary Control and Financial Reporting

Budgets are prepared annually by the senior management and are subject to review and approval of the Executive Directors prior to being adopted. There are procedures for the appraisal, review and approval of major capital and recurrent expenditure. Results of operations against budgets are reported regularly to the Executive Directors. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the preparation of consolidated financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

(iv) Systems and Procedures

Systems and procedures are set to identify, measure, manage and control risks including business, compliance, operational, financial and information services risks that may have an impact on the Group and each principal division. Exposure to these risks is monitored by the Executive Directors and the management of the respective principal divisions.

(v) Internal Audit

The Group internal audit department performs independent reviews of the controls and risks identified to provide reasonable assurance to management of the Company and principal divisions and the Audit Committee that controls have been set in place and adequately addressed.

The Group internal audit department monitors compliance with policies and procedures as well as the effectiveness of internal control structures across the Company and the Group. The effectiveness of internal control system is reviewed annually. To preserve the independence of the Group internal audit department, the Group internal audit department reports directly to the Audit Committee. The Group internal audit department plans its internal audit schedules annually in consultation with, but independent of, management of the Group and the principal divisions. In addition to its agreed annual schedule of work, the Group internal audit department conducts other special reviews as required. As a key criterion of assessing the effectiveness of the internal control system, the Board and the Audit Committee actively monitor the number and seriousness of findings raised by the Group internal audit department and also the corrective actions taken by relevant departments.

According to the 2019 internal audit reports, the Group's internal control system is functioning effectively and there was no significant weakness found in the course of the audits carried out during the year. The Board, through the Audit Committee and the internal audit function, has reviewed the effectiveness of the Group's internal control system and is of the view that there are no suspected frauds and irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations that cause the Board to believe that the systems are ineffective or inadequate. The Board is satisfied that the Company and the Group have fully complied with the code provisions on internal control as set forth in the CG Code for the year ended 31 December 2019.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT (Cont'd)

Internal Control (Cont'd)

The Group complies with the requirements of the SFO and the Listing Rules in the disclosure of inside information to the public as soon as reasonably practicable unless it is exempted under the Information Disclosure Provisions. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. Where the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group ensures that the information contained in an announcement be accurate and complete in all material respects and not be misleading or deceptive, and there are no omissions that would make the information misleading. The information would be presented in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. All Directors have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed. Mr. Li Wa Tat, Benedict, the Group Finance Director, was appointed in place of Ms. Yau Oi Kwan, Angela as the Company Secretary with effect from 15 May 2019. For the year ended 31 December 2019, both Ms. Yau and Mr. Li have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of communication with our shareholders. In March 2012, the Company adopted a shareholders communication policy to set out the Company's processes to provide shareholders and investment public with equal and timely information on the Company for them to make informed assessments of the Company's strategy, operations and financial performance.

COMMUNICATION WITH SHAREHOLDERS (Cont'd)

General Meeting

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meeting in person. The process of the Company's general meeting will be reviewed from time to time to ensure the compliance with the relevant requirements of the Listing Rules and the relevant legislations.

At the 2019 AGM held:

(i) A separate resolution was proposed by the Chairman of that meeting in respect of each separate issue, including the re-election of Directors.

(ii) The Chairman, and Chairmen of the Audit Committee and Nomination Committee, and members from the respective committees, attended the 2019 AGM to address shareholders' queries.

(iii) External auditor attended the 2019 AGM and was available to assist the Directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

(iv) All resolutions were voted by poll. Tricor Secretaries Limited, the Company's Hong Kong branch share registrar and transfer office, was engaged as scrutineer to ensure the votes were properly counted.

The 2020 AGM will be held at 11th Floor, High Fashion Centre, 1-11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong on Wednesday, 24 June 2020 at 10:30 a.m. Notice of the 2020 AGM will be sent to all shareholders at least 20 clear business days before the said meeting.

Voting by poll

All resolutions put forward at the general meetings will be voted on by poll in accordance with the requirements of the Listing Rules. The poll results will be posted on the websites of the Company and the Stock Exchange on the same day following the meeting.

Shareholders' Rights

Procedures for shareholders convening meetings

The Company holds a general meeting as its annual general meeting every year. Each general meeting, other than annual general meeting, shall be called a special general meeting ("SGM").

Pursuant to Bye-law 58 of the Company's Bye-Laws, shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition. The written requisition must be deposited at the Company's head office and principal place of business in Hong Kong, for the attention of the Company Secretary.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS (Cont'd)

Shareholders' Rights (Cont'd)

Procedures for shareholders convening meetings (Cont'd)

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 requisitionists themselves may do so in accordance with the Bermuda Companies Act 1981.

Procedures for shareholders putting forward proposals

Pursuant to the Bermuda Companies Act 1981, shareholder(s) of the Company representing not less than one-twentieth of the total voting rights at the date of the requisition or not less than 100 shareholders may put forward a proposal at general meeting, by sending a written requisition to the Board at the Company's head office and principal place of business in Hong Kong. The proposal should be stated in the written requisition and such written requisition should be submitted as early as practicable to enable the Company to make necessary arrangement (in case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and in case of any other requisition, not less than one week before the meeting).

Procedures for shareholders nominating Directors

Pursuant to Bye-law 88 of the Company's Bye-Laws, any shareholder, shall at all times have the right, to propose a person other than a retiring Director for election as a Director at a general meeting of the Company. The Company's procedures for shareholders to propose a person for election as a Director are available on the Company's website.

Investor Relations

The Company has adopted and regularly reviews Shareholders Communication Policy to ensure that the views and concerns raised by the shareholders are properly addressed. The Company has established different communication channels with shareholders and investors: (i) shareholders can receive printed copies of corporate information and correspondence; (ii) the general meeting provides a forum for shareholders to raise comments and exchange views with the Board, (iii) the Company's website offers communication channel between the Company and its shareholders and investors; (iv) the Company's Hong Kong branch share registrar and transfer office serve the shareholders respecting all share registration matters; and (v) investor/analysts briefings and media interviews and marketing activities for investors will be available where necessary to facilitate communication between the Company and the investment public.

Shareholders may also send their enquiries in writing to the Company's head office and principal place of business in Hong Kong by email to info@highfashion.com.hk for the attention of the Company Secretary.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents, together with the latest corporate information are also made available on the Company's website. The corporate information and shareholders & investors relation information is set out on pages 163 to 164 of this annual report.

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED
達利國際集團有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of High Fashion International Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 54 to 160, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

KEY AUDIT MATTERS

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

Independent Auditor's Report

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED (Cont'd)
達利國際集團有限公司
(incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS (Cont'd)

Key audit matter

Valuation of investment properties

We identified valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgment and estimate associated with determining the fair value.

The Group's investment properties portfolio comprises office and retail properties. The carrying value of the Group's investment properties amounted to approximately HK$2,120,188,000 as at 31 December 2019.

During the year ended 31 December 2019, certain property, plant and equipment and right-of-use assets with carrying amounts of HK$8,120,000 and HK$749,000, respectively, were transferred to investment properties. Fair value at the date of transfer was approximately HK$14,609,000. The difference between the carrying amounts and the fair value of these properties of HK$5,740,000 was credited to property revaluation reserve.

The fair value change recognised in profit or loss in respect of these investment properties was approximately HK$40,034,000 for the year ended 31 December 2019.

All of the Group's investment properties are measured using the fair value model based on a valuation performed by independent qualified professional valuers (the "Valuers"). As disclosed in note 4 to the consolidated financial statements, in determining the fair value, the Valuers have applied a market value basis that involves, inter-alia, certain estimates, including comparable market transactions, development costs, appropriate capitalisation rates and discount rates and reversionary income potential.

How our audit addressed the key audit matter

Our procedures in relation to valuation of investment properties as at date of transfer from property, plant and equipment and right-of-use assets, and as at year end date included:

- evaluating the competence, capabilities, and objectivity of the Valuers and obtaining an understanding of the Valuers' scope of work and their terms of engagement;
- evaluating the appropriateness of the valuation methodology used and the reasonableness of key assumptions, such as market price, market rents, capitalisation rate and discount rates applied in the valuation models based on our knowledge of the real estate industry; and
- evaluating the accuracy and relevance of the key data inputs used in the valuation of the Group's investment properties, including market price, rental income, development costs, capitalisation rates and discount rates, on a sample basis, against the appropriate supporting documents.

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED (Cont'd)
達利國際集團有限公司
(incorporated in Bermuda with limited liability)

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors 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.

Those charged with governance are 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 solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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.

Independent Auditor's Report

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED (Cont'd)
達利國際集團有限公司
(incorporated in Bermuda with limited liability)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor’s Report

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED (Cont'd)
達利國際集團有限公司
(incorporated in Bermuda with limited liability)

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

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor’s report is Stephen C.L. Yuen.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 April 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue			
Goods and services		**2,880,015**	3,044,016
Rental		**33,695**	30,729
Total revenue	*5*	**2,913,710**	3,074,745
Cost of sales		**(2,334,594)**	(2,516,612)
Gross profit		**579,116**	558,133
Other income		**35,638**	28,324
Other gains and losses	*7*	**40,576**	42,071
Net impairment loss recognised on trade receivables		**(3,691)**	(2,854)
Net impairment loss recognised on amount due from a joint venture		**(17,086)**	–
Administrative expenses		**(350,256)**	(341,821)
Selling and distribution expenses		**(187,578)**	(203,259)
Other expenses		**(11,899)**	(14,792)
Finance costs	*8*	**(36,187)**	(29,937)
Share of losses of joint ventures	*20*	**(2,605)**	(6,117)
Profit before taxation		**46,028**	29,748
Income tax credit	*10*	**19,242**	8,920
Profit for the year	*11*	**65,270**	38,668
Other comprehensive (expense) income	*12*		
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements from functional currency to presentation currency		**(65,489)**	(171,245)
Fair value loss on equity instruments at fair value through other comprehensive income ("FVTOCI")		**(484)**	(4,973)
Gain on revaluation of owner-occupied properties		**5,740**	134,823
Income tax relating to items that will not be reclassified		**(1,435)**	(25,353)
		(61,668)	(66,748)
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**1,629**	(4,363)
Other comprehensive expense for the year, net of tax		**(60,039)**	(71,111)
Total comprehensive income (expense) for the year		**5,231**	(32,443)
Profit for the year attributable to:			
Owners of the Company		**71,964**	43,640
Non-controlling interests		**(6,694)**	(4,972)
		65,270	38,668
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**6,239**	(27,632)
Non-controlling interests		**(1,008)**	(4,811)
		5,231	(32,443)
Earnings per share	*14*		
Basic		**HK$0.24**	HK$0.14
Diluted		**HK$0.24**	HK$0.14

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**528,462**	533,391
Right-of-use assets	16	**80,246**	–
Prepaid lease payments	17	**–**	62,738
Investment properties	18	**2,120,188**	1,926,240
Intangible assets	19	**–**	8,223
Interests in joint ventures	20	**7,556**	10,456
Equity instruments at FVTOCI	21	**19,009**	19,493
Deferred tax assets	22	**29,111**	28,839
Other non-current assets	23	**32,199**	31,729
		2,816,771	2,621,109
Current assets			
Inventories	24	**404,452**	456,413
Properties held for sale	25	**167,258**	221,482
Trade receivables	26	**535,813**	433,309
Prepaid lease payments	17	**–**	2,034
Deposits, prepayments and other receivables	28	**171,166**	153,513
Amounts due from joint ventures	29	**5,860**	24,920
Tax recoverable		**2,100**	187,871
Structured deposits	30	**549,849**	269,435
Short-term bank deposits	31	**3,358**	55,203
Bank balances and cash	32	**359,583**	658,463
		2,199,439	2,462,643
Current liabilities			
Trade payables	33	**417,160**	306,413
Other payables and accruals	34	**203,107**	184,811
Provision	28	**2,239**	2,372
Lease liabilities	35	**8,978**	–
Amount due to a joint venture	29	**–**	3,984
Amount due to an associate	36	**583**	583
Contract liabilities	37	**189,553**	280,705
Tax payable		**51,863**	161,685
Derivative financial instruments	38	**–**	8,498
Bank borrowings	39	**812,223**	688,358
		1,685,706	1,637,409
Net current assets		**513,733**	825,234
Total assets less current liabilities		**3,330,504**	3,446,343

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Deferred tax liabilities	*22*	**254,202**	256,803
Bank borrowings	*39*	**582,500**	692,500
Lease liabilities	*35*	**11,443**	–
Provision for long service payments	*40*	**2,729**	2,803
		850,874	952,106
Net assets		**2,479,630**	2,494,237
Capital and reserves			
Share capital	*41*	**30,562**	30,562
Share premium and reserves		**2,480,203**	2,493,802
Equity attributable to owners of the Company		**2,510,765**	2,524,364
Non-controlling interests		**(31,135)**	(30,127)
Total equity		**2,479,630**	2,494,237

The consolidated financial statements on pages 54 to 160 were approved and authorised for issue by the Board on 17 April 2020 and are signed on its behalf by:

LAM FOO WAH
DIRECTOR

SO SIU HANG, PATRICIA
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Reserve funds HK$'000 *(note i)*	Property revaluation reserve HK$'000 *(note ii)*	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Other reserve HK$'000 *(note iii)*	Retained profits HK$'000	Subtotal HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	30,562	287,656	282,817	79,173	192,856	23,466	8,511	–	39,853	1,625,358	2,570,252	(25,316)	2,544,936
Profit for the year	–	–	–	–	–	–	–	–	–	43,640	43,640	(4,972)	38,668
Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	–	(171,234)	–	–	–	–	–	–	–	(171,234)	(11)	(171,245)
Fair value loss on equity instruments at FVTOCI	–	–	–	–	–	(4,973)	–	–	–	–	(4,973)	–	(4,973)
Gain on revaluation of owner-occupied properties	–	–	–	–	134,823	–	–	–	–	–	134,823	–	134,823
Income tax relating to items that will not be reclassified	–	–	–	–	(25,353)	–	–	–	–	–	(25,353)	–	(25,353)
Exchange differences arising on translation of financial statements of foreign operations	–	–	(4,535)	–	–	–	–	–	–	–	(4,535)	172	(4,363)
Other comprehensive (expense) income for the year	–	–	(175,769)	–	109,470	(4,973)	–	–	–	–	(71,272)	161	(71,111)
Total comprehensive (expense) income for the year	–	–	(175,769)	–	109,470	(4,973)	–	–	–	43,640	(27,632)	(4,811)	(32,443)
Transfer to reserve funds	–	–	–	3,825	–	–	–	–	–	(3,825)	–	–	–
Dividends declared and paid in cash *(note 13)*	–	–	–	–	–	–	–	–	–	(18,336)	(18,336)	–	(18,336)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	80	–	–	80	–	80
	–	–	–	3,825	–	–	–	80	–	(22,161)	(18,256)	–	(18,256)
At 31 December 2018	30,562	287,656	107,048	82,998	302,326	18,493	8,511	80	39,853	1,646,837	2,524,364	(30,127)	2,494,237

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Reserve funds HK$'000 *(note i)*	Property revaluation reserve HK$'000 *(note ii)*	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Other reserve HK$'000 *(note iii)*	Retained profits HK$'000	Subtotal HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 31 December 2018	30,562	287,656	107,048	82,998	302,326	18,493	8,511	80	39,853	1,646,837	2,524,364	(30,127)	2,494,237
Adjustments *(note 2)*	-	-	-	-	-	-	-	-	-	(2,459)	(2,459)	-	(2,459)
At 1 January 2019 (restated)	30,562	287,656	107,048	82,998	302,326	18,493	8,511	80	39,853	1,644,378	2,521,905	(30,127)	2,491,778
Profit for the year	-	-	-	-	-	-	-	-	-	71,964	71,964	(6,694)	65,270
Exchange differences arising on translation of financial statements from functional currency to presentation currency	-	-	(65,486)	-	-	-	-	-	-	-	(65,486)	(3)	(65,489)
Fair value loss on equity instruments at FVTOCI	-	-	-	-	-	(484)	-	-	-	-	(484)	-	(484)
Gain on revaluation of owner-occupied properties	-	-	-	-	5,740	-	-	-	-	-	5,740	-	5,740
Income tax relating to items that will not be reclassified	-	-	-	-	(1,435)	-	-	-	-	-	(1,435)	-	(1,435)
Exchange differences arising on translation of financial statements of foreign operations	-	-	(4,060)	-	-	-	-	-	-	-	(4,060)	5,689	1,629
Other comprehensive (expense) income for the year	-	-	(69,546)	-	4,305	(484)	-	-	-	-	(65,725)	5,686	(60,039)
Total comprehensive (expense) income for the year	-	-	(69,546)	-	4,305	(484)	-	-	-	71,964	6,239	(1,008)	5,231
Transfer to reserve funds	-	-	-	6,544	-	-	-	-	-	(6,544)	-	-	-
Dividends declared and paid in cash *(note 13)*	-	-	-	-	-	-	-	-	-	(18,336)	(18,336)	-	(18,336)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	957	-	-	957	-	957
	-	-	-	6,544	-	-	-	957	-	(24,880)	(17,379)	-	(17,379)
At 31 December 2019	30,562	287,656	37,502	89,542	306,631	18,009	8,511	1,037	39,853	1,691,462	2,510,765	(31,135)	2,479,630

Notes:

(i) As stipulated by the relevant People's Republic of China (the "PRC") laws and regulations, before distribution of the profit each year, the subsidiaries established in the PRC with limited liability shall set aside 10% of their net profit to the statutory surplus reserve. The statutory surplus reserve can only be used upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

(ii) Property revaluation reserve represents the revaluation reserve arising upon the transfer of owner-occupied property and prepaid lease payments to investment property, net of deferred tax. The property revaluation reserve will be transferred to retained profits when the relevant properties are disposed of.

(iii) Other reserve represents capitalisation of retained profits of a subsidiary.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**46,028**	29,748
Adjustments for:		
Net allowance for inventory obsolescence	**48,652**	24,320
Net impairment loss on trade receivables	**3,691**	2,854
Net impairment loss recognised on amount due from a joint venture	**17,086**	–
Finance costs	**31,269**	24,501
Interest income	**(19,808)**	(11,865)
Increase in fair value of investment properties	**(40,034)**	(55,204)
Depreciation of property, plant and equipment	**43,452**	56,490
Amortisation of prepaid lease payments	**–**	1,842
Depreciation of right-of-use assets	**12,206**	–
Write off of intangible assets	**8,223**	–
Loss on deregistration of subsidiaries	**1,114**	–
(Gain) loss on disposal/written-off of property, plant and equipment	**(1,210)**	1,497
Fair value change of derivative financial instruments	**(1,698)**	3,279
Fair value change of financial assets at fair value through profit or loss ("FVTPL")	**(3,038)**	(3,355)
Provision	**–**	2,372
Share of losses of joint ventures	**2,605**	6,117
Equity-settled share option expense	**957**	80
Operating cash flows before movements in working capital	**149,495**	82,676
(Increase) decrease in inventories	**(6,922)**	25,055
Decrease (increase) in properties held for sale	**52,829**	(51,412)
Increase in trade receivables	**(107,755)**	(30,214)
(Increase) decrease in deposits, prepayments and other receivables	**(20,977)**	19,459
Increase (decrease) in trade payables	**113,020**	(54,685)
Increase (decrease) in other payables and accruals	**37,275**	(4,737)
(Decrease) increase in amount due to a joint venture	**(3,984)**	3,984
(Decrease) increase in contract liabilities	**(91,152)**	238,916
Long service payments utilised	**(74)**	(56)
Increase in discounted bills with recourse	**25,418**	500
Net cash from operations	**147,173**	229,486
Hong Kong Profits Tax refunded (paid)	**103,598**	(16,294)
Overseas taxes paid	**(7,240)**	(8,768)
NET CASH FROM OPERATING ACTIVITIES	**243,531**	204,424

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES		
New short-term bank deposits placed	**(3,358)**	(56,702)
Withdrawal of short-term bank deposits	**54,247**	478,055
New structured deposits placed	**(283,550)**	(276,963)
Interests received	**19,808**	16,027
Purchases of property, plant and equipment	**(72,018)**	(52,511)
Settlement of derivative financial instruments	**(6,800)**	–
Proceeds on disposal of property, plant and equipment	**3,335**	938
Additions to investment properties	**(161,253)**	(57,167)
Additions to intangible assets	**–**	(1,694)
Repayment from joint ventures	**2,236**	1,132
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(447,353)**	51,115
FINANCING ACTIVITIES		
New bank borrowings raised	**651,440**	1,245,180
Repayment of bank borrowings	**(663,110)**	(1,249,573)
Interests paid	**(44,658)**	(38,433)
Dividends paid by the Company	**(18,336)**	(18,336)
Repayments of obligations under finance leases	**–**	(93)
Interest paid on obligations under finance leases	**–**	(6)
Repayment of lease liabilities	**(10,370)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(85,034)**	(61,261)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(288,856)**	194,278
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**658,463**	502,663
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**(10,024)**	(38,478)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**359,583**	658,463
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**359,583**	658,463

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL

High Fashion International Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed on page 163 to the annual report.

At 31 December 2019, Hinton Company Limited and High Fashion Charitable Foundation Limited, companies ultimately owned by Mr. Lam Foo Wah ("Mr. Lam"), the Chairman and Managing Director of the Company, and Mr. Lam, collectively own 65.33% of ordinary shares of the Company and collectively hold the same percentage of the voting rights of the Company. Accordingly, Mr. Lam is considered as the ultimate controlling party of the Company.

The functional currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the Company and its major subsidiaries operates. For the purpose of the preparation of consolidated financial statements and convenience of the financial statements users, the consolidated results and financial position of the Company and its subsidiaries are presented in Hong Kong dollars ("HK$").

The Company acts as investment holding company. The principal activities of the Group are the manufacture, retailing and trading of garments, as well as property investment and development.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

New and amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group assesses whether a contract is or contains a lease based on the definition of a lease in accordance with the requirements set out in HKFRS 16.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iii. applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

New and amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

As a lessee (Cont'd)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.69%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	34,675
Lease liabilities discounted at relevant incremental borrowing rates	31,903
Less: Recognition exemption – short-term leases	(1,366)
Lease liabilities as at 1 January 2019	30,537
Analysed as	
Current	10,330
Non-current	20,207
	30,537

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	**Right-of-use assets** HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		28,078
Reclassified from prepaid lease payments	*(a)*	64,772
Reclassified from property, plant and equipment	*(b)*	1,833
		94,683

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$2,034,000 and HK$62,738,000 respectively were reclassified to right-of-use assets.

(b) Leasehold land in Hong Kong was classified as property, plant and equipment as at 31 December 2018. Upon application of HKFRS 16, the leasehold land in Hong Kong amounting to HK$1,833,000 was reclassified to right-of-use assets.

(c) Effective from 1 January 2019, leasehold lands which were classified as properties held for sale are measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

New and amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

As a lessee (Cont'd)

The following table summarises the impact of transition to HKFRS 16 on retained profits at 1 January 2019.

	Impact of adopting HKFRS 16 at 1 January 2019 HK$'000
Retained profits	
Decrease upon application of HKFRS 16 *(note)*	(2,459)

Note: The amount represents the difference between the right-of-use assets related to the leased properties and the lease liabilities under HKFRS 16 at 1 January 2019 in accordance with HKFRS 16.C8(b)(i) transition.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current Assets				
Prepaid lease payments	*(a)*	62,738	(62,738)	–
Right-of-use assets		–	94,683	94,683
Property, plant and equipment	*(b)*	533,391	(1,833)	531,558
Current Assets				
Prepaid lease payments	*(a)*	2,034	(2,034)	–
Current Liabilities				
Lease liabilities		–	10,330	10,330
Non-current Liabilities				
Lease liabilities		–	20,207	20,207
Capital and Reserves				
Share premium and reserves		2,493,802	(2,459)	2,491,343

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

New and amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

As a lessee (Cont'd)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(d) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(e) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The application has had no significant impact on the Group's consolidated statement of financial position at 1 January 2019.

There is no material impact in the application of HKFRS 16 as a lessor on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2019.

HK(IFRIC) – Int 23 "Uncertainty over Income Tax Treatments"

HK(IFRIC) – Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

New and amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

HK(IFRIC) – Int 23 "Uncertainty over Income Tax Treatments" (Cont'd)

The Group applied this interpretation retrospectively with the cumulative effect of initially applying the interpretation recognised at the date of initial application, 1 January 2019, without restating comparatives.

As set out in note 10, the Group had certain disputes with the Hong Kong Inland Revenue Department ("IRD") on the taxability of certain offshore income. Prior to application of the interpretation, the Group estimated tax provision in respect of the dispute using the expected value, based on the probability-weighted amounts in a range of possible outcomes. Upon application of the interpretation, the Group reassessed the provision and concluded that it is not probable that IRD will accept the uncertain tax treatment in relation to taxability of certain offshore income. The Group considers the expected value method under the interpredation better predicts the resolution of the uncertainty and concluded that there is no material impact to the tax provision as at 1 January 2019. Accordingly, no adjustment has been made upon application of the interpretation.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Except as mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

New and amendments to HKFRSs in issue but not yet effective (Cont'd)

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets” (“HKAS 36”).

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Interests in joint ventures (Cont'd)

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue from contracts with customers (Cont'd)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Variable consideration

The Group sells brand garments to retail customers who can return the goods for refund. These contracts contain variable consideration. The Group estimates the amount of consideration to which it will be entitled using the expected value method.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Leasing

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Cont'd)

Right-of-use assets (Cont'd)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within “investment properties” and “properties held for sale” respectively.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Cont'd)

Lease liabilities (Cont'd)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group as lessee (prior to 1 January 2019)

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 "Revenue from Contract with Customers" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in joint ventures.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "translation reserve" (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Borrowing costs

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.

Effective from 1 January 2019, any specific borrowing that remain outstanding after the related assets is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Retirement benefit costs

Payments to the Mandatory Provident Fund Schemes and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under HKFRS 16 or prepaid lease payments under HKAS 17) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis the intangible asset that is acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provision

Provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Properties held for sale

Properties for/under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties for/under development/properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (Cont'd)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets and lease receivables

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposits and other receivables, amounts due from joint ventures, short-term bank deposits and bank balances) and lease receivables which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and lease receivables. The ECL on trade and lease receivables are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets and lease receivables (Cont'd)

(i) Significant increase in credit risk (Cont'd)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets and lease receivables (Cont'd)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Derecognition of financial assets (Cont'd)

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by the group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables, amounts due to a joint venture and an associate and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition from sale of garments with no alternative use

Under HKFRS 15.35(c), control of an asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date, or otherwise at a point in time upon customer obtains control of that asset. Significant judgment is required in determining whether the terms of the Group's contracts with customers create an enforceable right to payment for the Group. The Group has considered the contractual terms with the relevant customers, the laws that apply to the relevant contracts for sale of garments with no alternative use and the opinion from external legal counsel. Based on the assessment of the Directors, the terms of these sales contracts do not create an enforceable right to payment to the Group, and accordingly, sale of garments with no alternative use is considered to be performance obligation satisfied at a point in time.

Deferred taxation on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised deferred taxes on changes in fair value of investment properties during the year to reflect the tax consequences through consuming the inherent economic benefits through use.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

All of the Group's investment properties are measured using the fair value model based on a valuation performed by independent qualified professional valuers. In determining the fair value, the valuer has applied a market value basis that involves, inter-alia, certain estimates, including comparable market transactions, development costs, appropriate capitalisation rates and discount rates and reversionary income potential. In relying on the valuation, management of the Group has exercised judgment and is satisfied that the valuation method used is reflective of the current market conditions. At 31 December 2019, the carrying amount of investment properties was HK$2,120,188,000 (2018: HK$1,926,240,000).

Provision in respect of the ongoing enquiry of customs duty

Provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. As disclosed in note 28, the Group has an ongoing enquiry by the customs authority in Shaoxing City of Zhejiang Province in the PRC in relation to customs duty for import of certain machinery parts and apparel accessories for manufacturing by the PRC factories into China. Notwithstanding the judgments made by the court, the Group's legal professionals in the PRC advised that the evidence relied upon by the court is not factually supported. Based on the legal advice, management of the Group determined it is not probable that the Group will be required to settle penalty and unpaid customs stated in the court judgments. At 31 December 2019, the Group made a provision for penalty for not complying the processing trade requirement of RMB2,000,000 (equivalent to approximately HK$2,239,000) (2018: RMB2,000,000 (equivalent to approximately HK$2,372,000)).

5. REVENUE

For the year ended 31 December 2019

Disaggregation of revenue from contracts with customers

	HK$'000
Recognised at a point in time under HKFRS 15:	
Manufacturing and trading of garments	2,613,136
Sale of brand garments	86,858
Sale of properties	180,021
Revenue from contracts with customers	2,880,015
Rental income recognised under HKFRS 16	33,695
	2,913,710
Geographical markets:	
Canada	78,538
Hong Kong	91,479
The PRC	1,156,760
United States of America ("USA")	993,364
Other European countries	360,906
Others	232,663
	2,913,710

Set out below is the reconciliation of revenue from contracts with customers with the amounts disclosed in segment information:

	Manufacturing and trading of garments HK$'000	Brand business HK$'000	Property investment and development HK$'000
Segment revenue	2,652,924	86,858	213,716
Less: rental income recognised under HKFRS 16	–	–	(33,695)
Less: inter-segment sales	(39,788)	–	–
Revenue from contracts with customers	2,613,136	86,858	180,021

5. REVENUE (Cont'd)

For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

	HK$'000
Recognised at a point in time under HKFRS 15:	
Manufacturing and trading of garments	2,854,997
Sale of brand garments	133,567
Sale of properties	53,452
Revenue from contracts with customers	3,044,016
Rental income recognised under HKAS 17	30,729
	3,074,745
Geographical markets:	
Canada	99,252
Hong Kong	202,801
The PRC	1,016,547
USA	1,061,319
United Kingdom	165,760
Other European countries	309,434
Others	219,632
	3,074,745

Set out below is the reconciliation of revenue from contracts with customers with the amounts disclosed in segment information:

	Manufacturing and trading of garments HK$'000	Brand business HK$'000	Property investment and development HK$'000
Segment revenue	2,896,695	135,567	84,181
Less: rental income recognised under HKAS 17	–	–	(30,729)
Less: inter-segment sales	(41,698)	–	–
Revenue from contracts with customers	2,854,997	135,567	53,452

5. REVENUE (Cont'd)

Performance obligations for contracts with customers

Manufacturing and trading of garments

Contracts with customers within the Group's manufacturing and trading business include promises to sell garments, fabrics and accessories. Significant judgment is required in determining the timing of revenue recognition in accordance with HKFRS 15.35(c) on whether the terms of the Group's contracts with customers create an enforceable right to payment for the Group. The Group has considered the contractual terms with the relevant customers, the laws that apply to the relevant contracts for sale of garments with no alternative use and the opinion from external legal counsel. Based on the assessment of the Directors, the terms of these sales contracts do not create an enforceable right to payment to the Group, and accordingly, revenue associated with the sale of products are recognised at the point in time when control of the promised goods has been transferred to the customers. The point in time when control transfers to the customer depends on the contractually agreed upon shipping terms, but typically occurs once the product has been shipped or once it has been delivered to a location specified by the customers. Transportation and handling activities that occur before the customers obtain control over the relevant goods are considered as fulfilment activities.

Certain contracts, primarily those for sale of tailor-made products, require upfront customer deposits that result in a contract liability. Upfront deposits or prepayments are usually invoiced upon acceptance of sales orders for certain customers. Revenue is recognised when the products have been shipped to the customer's specific location (delivery) as specified in the customer contract. Upon delivery, customers are granted credit terms which generally range from 30 to 90 days from the invoice date, which approximates the respective revenue recognition dates. Such terms are common within the industries in which the Group is associated and are not considered financing arrangements.

Sale of brand garments (retail business)

Revenue within the Group's retail business is recognised when the customer takes physical possession of the products, which occurs at the point of sale for merchandise purchased at the Group's retail stores. Customers are allowed to return the goods for refund within 7 days after the respective sales take place. Revenue is recognised at an expected value of the transaction price adjusted for estimated returns based on historical trends. Payment is due at the point of sale. The payments settled by credit cards or mobile payment by customers are normally received within one to two days from the transaction date.

Sale of properties

For contracts entered into with customers on sale of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment in the PRC, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sale of residential properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains control of the completed property and the Group has present right to payment and collection of the consideration is probable.

5. REVENUE (Cont'd)

Performance obligations for contracts with customers (Cont'd)

Sale of properties (Cont'd)

The Group receives certain portion of contract value as deposits from customers when they sign the sale and purchase agreement. Such advance payment is recognised as a contract liability in the consolidated statement of financial position.

The Group has elected not to adjust the promised amount of consideration for a significant financing component as the Group expects that the period of time between the Group's satisfaction of the performance obligation and the customer's payment would be one year or less. Besides, the Group has elected to apply the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred as the amortisation period would be one year or less.

Transaction price allocated to the remaining performance obligations

As at 31 December 2019, contracts with customers with unsatisfied performance obligations have original expected duration of one year of less. As permitted under HKFRS 15, the aggregate amount of transaction price allocated to these unsatisfied contract is not disclosed.

Leases

	2019 HK$'000
For operating leases:	
Lease payments that are fixed	33,695

6. SEGMENT INFORMATION

Information reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment, is analysed based on components of the Group that are regularly reviewed by the CODM. These components are (i) manufacturing and trading of garments; (ii) brand business; and (iii) property investment and development.

Notes to the Consolidated Financial Statements

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6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2019

	Manufacturing and trading of garments HK$'000	Brand business HK$'000	Property investment and development HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	2,613,136	86,858	213,716	2,913,710	–	2,913,710
Inter-segment sales *(note i)*	39,788	–	–	39,788	(39,788)	–
Segment revenue	2,652,924	86,858	213,716	2,953,498	(39,788)	2,913,710
RESULTS						
Segment profit (loss)	58,983	(32,808)	60,764	86,939	–	86,939
Change in fair value of derivative financial instruments						1,698
Change in fair value of investment properties						40,034
Corporate overhead and other expenses *(note ii)*						(56,760)
Unallocated items						(25,883)
Profit before taxation						46,028

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

For the year ended 31 December 2018

	Manufacturing and trading of garments HK$'000	Brand business HK$'000	Property investment and development HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	2,854,997	135,567	84,181	3,074,745	–	3,074,745
Inter-segment sales *(note i)*	41,698	–	–	41,698	(41,698)	–
Segment revenue	2,896,695	135,567	84,181	3,116,443	(41,698)	3,074,745
RESULTS						
Segment profit (loss)	79,297	(43,465)	15,632	51,464	–	51,464
Change in fair value of derivative financial instruments						(43,395)
Change in fair value of investment properties						55,204
Corporate overhead and other expenses *(note ii)*						(24,560)
Unallocated items						(8,965)
Profit before taxation						29,748

Notes:

(i) Inter-segment sales are charged at agreed terms set out in the subcontracting agreement entered into between group companies.

(ii) Central administration costs are apportioned between segments and corporate and allocated to the respective segments according to segment revenue in the respective reporting periods.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) earned (incurred) by each segment without the allocation of change in fair value of derivative financial instruments and investment properties, certain portion of the central administration costs and other expenses. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment. Furthermore, as the assets and liabilities for operating segments are not provided to the CODM for the purposes of resources allocation and performance assessment, no segment assets and liabilities is presented accordingly.

6. SEGMENT INFORMATION (Cont'd)

Other segment information

For the year ended 31 December 2019

	Manufacturing and trading of garments HK$'000	Brand business HK$'000	Property investment and development HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	41,360	859	1,233	43,452
Depreciation of right-of-use assets	7,677	3,741	788	12,206
Gain on disposal of property, plant and equipment	1,210	–	–	1,210
Impairment loss on trade receivables recognised in profit or loss	3,647	44	–	3,691
Net allowance for inventory obsolescence (Note)	44,810	3,842	–	48,652
Interest income	18,851	28	929	19,808
Finance costs	35,860	288	39	36,187
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Fair value gain on derivative financial instruments	1,698	–	–	1,698
Increase in fair value of financial assets at FVTPL	3,038	–	–	3,038
Increase in fair value of investment properties	–	–	40,034	40,034
Impairment loss recognised on amount due from a joint venture	17,086	–	–	17,086
Share of losses of joint ventures	2,605	–	–	2,605

6. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

For the year ended 31 December 2018

	Manufacturing and trading of garments HK$'000	Brand business HK$'000	Property investment and development HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	55,661	829	–	56,490
Amortisation of prepaid lease payments	1,842	–	–	1,842
Loss on disposal/written-off of property, plant and equipment	1,497	–	–	1,497
Impairment loss on trade receivables recognised (reversed) in profit or loss	3,397	(543)	–	2,854
Net allowance for inventory obsolescence (Note)	19,993	4,327	–	24,320
Interest income	11,464	36	365	11,865
Finance costs	29,784	127	26	29,937
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Fair value loss on derivative financial instruments	43,395	–	–	43,395
Increase in fair value of financial assets at FVTPL	3,355	–	–	3,355
Increase in fair value of investment properties	–	–	55,204	55,204
Share of losses of joint ventures	6,117	–	–	6,117

Note: Allowance for obsolete inventory was written back when the relevant inventory was sold.

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For the year ended 31 December 2019

6. SEGMENT INFORMATION (Cont'd)

Geographical information

The Group's operations are mainly located in the Greater China.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
USA	**993,364**	1,061,319	**365**	516
Europe	**360,906**	475,194	**76**	235
Greater China	**1,248,239**	1,219,348	**2,722,507**	2,526,068
Others	**311,201**	318,884	**5,948**	3,773
	2,913,710	3,074,745	**2,728,896**	2,530,592

Note: Non-current assets excluded interests in joint ventures, equity instruments at FVTOCI, deferred tax assets and other non-current assets.

Information about major customer

During the years ended 31 December 2019 and 2018, there is no customer from manufacturing and trading of garments segment, brand business nor property investment and development segment which contributed over 10% of the total revenue of the Group.

7. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Change in fair value of derivative financial instruments	**1,698**	(43,395)
Change in fair value of financial assets at FVTPL	**3,038**	3,355
Gain (loss) on disposal/written-off of property, plant and equipment	**1,210**	(1,497)
Net foreign exchange gain	**3,933**	28,404
Increase in fair value of investment properties	**40,034**	55,204
Write off of intangible assets	**(8,223)**	–
Loss on deregistration of subsidiaries	**(1,114)**	–
	40,576	42,071

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interests on:		
Bank borrowings and overdrafts	**43,575**	39,683
Finance leases	**–**	6
Lease liabilities	**1,326**	–
Bank charges on discounted bills	**4,918**	5,436
Total borrowing costs	**49,819**	45,125
Less: Amount capitalised in investment properties that is arisen from specific borrowings	**(13,632)**	(15,188)
	36,187	29,937

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

9. DIRECTORS' AND MANAGING DIRECTOR'S EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS

Directors' and Managing Director's emoluments

The emoluments paid or payable to each of the ten (2018: nine) directors, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinances, are as follows:

		Other emoluments				
	Fees	Salaries and other benefits	Retirement benefits schemes contributions	Performance related incentive payments	Equity-settled share option expense	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2019						
Executive directors						
Lam Foo Wah	200	5,070	–	3,000	–	8,270
So Siu Hang, Patricia	200	3,300	18	1,200	–	4,718
Lam Gee Yu, Will	200	3,625	18	1,800	479	6,122
Lam Din Yu, Well	200	2,728	18	1,800	478	5,224
Non-executive directors						
Yeung Kwok Wing	200	–	–	–	–	200
Hung Ka Hai, Clement	200	840	–	–	–	1,040
Independent non-executive directors						
Wong Shiu Hoi, Peter	200	–	–	–	–	200
Leung Hok Lim	200	–	–	–	–	200
Woo King Wai	86	–	–	–	–	86
Chung Kwok Pan	87	–	–	–	–	87
Total for 2019	1,773	15,563	54	7,800	957	26,147

9. DIRECTORS' AND MANAGING DIRECTOR'S EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS (Cont'd)

Directors' and Managing Director's emoluments (Cont'd)

		Other emoluments				
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits schemes contributions HK$'000	Performance related incentive payments HK$'000	Equity-settled share option expense HK$'000	Total emoluments HK$'000
2018						
Executive directors						
Lam Foo Wah	200	5,070	–	3,000	–	8,270
So Siu Hang, Patricia	200	3,300	18	1,200	–	4,718
Lam Gee Yu, Will	200	3,000	18	1,400	40	4,658
Lam Din Yu, Well	200	2,700	18	1,400	40	4,358
Non-executive directors						
Yeung Kwok Wing	200	–	–	–	–	200
Hung Ka Hai, Clement	200	840	–	–	–	1,040
Independent non-executive directors						
Wong Shiu Hoi, Peter	200	–	–	–	–	200
Leung Hok Lim	200	–	–	–	–	200
Woo King Wai	200	–	–	–	–	200
Total for 2018	1,800	14,910	54	7,000	80	23,844

The executive directors' emoluments, except for their fees, are for their services in connection with the management of the affairs of the Company and the Group, while the emoluments for non-executive directors and independent non-executive directors and the fees for the executive directors are for their services as Directors.

The performance related incentive payment is determined by reference to the individual performance of the directors and approved by the Remuneration Committee.

9. DIRECTORS' AND MANAGING DIRECTOR'S EMOLUMENTS AND EMPLOYEE'S EMOLUMENTS (Cont'd)

Directors' and Managing Director's emoluments (Cont'd)

Mr. Lam Foo Wah is also the Managing Director of the Company and his emoluments disclosed above include those for services rendered by him as the Managing Director.

During both years, no emolument was paid by the Group to the directors as compensation for loss of office or an inducement to join or upon joining the Group. None of the directors has waived any emoluments for both years.

During the year ended 31 December 2018, share options were granted to certain directors in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 42.

Employee's emoluments

Out of the five individuals with the highest emoluments in the Group, four (2018: four) of them are directors whose emoluments are disclosed above. The emoluments of the remaining one individual (2018: one) are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other benefits	**–**	1,690
Retirement benefits schemes contributions	**–**	18
Performance related incentive payments	**4,000**	1,300
	4,000	3,008

The number of the highest paid individual whole emoluments fell within the following bands is as follows:

	2019	2018
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	–

10. INCOME TAX CREDIT

	2019 HK$'000	2018 HK$'000
Current tax charge:		
Hong Kong	**992**	2,033
PRC	**17,682**	7,406
Other jurisdictions	**337**	246
	19,011	9,685
(Over)underprovision in prior years:		
Hong Kong	**(37,158)**	(3,856)
PRC	**(3,136)**	1,723
	(40,294)	(2,133)
Deferred taxation *(note 22)*:		
Current year	**2,041**	2,728
Reversal of withholding tax in respect of undistributed earning of PRC subsidiaries *(note i)*	**–**	(19,200)
	2,041	(16,472)
	(19,242)	(8,920)

Notes:

(i) Pursuant to the Announcement of the State Administration of Taxation [2018] No. 9 on 3 February 2018, wholly-owned offshore subsidiaries of companies with Hong Kong resident ("HK resident") having subsidiaries in the PRC ("PRC subsidiaries") have the same beneficial owner status as the HK resident for the purpose of tax treaties between Hong Kong and the PRC with effective from 1 April 2018. The withholding tax rate on profits earned by these PRC subsidiaries will be decreased from 10% to 5%, and accordingly, HK$19,200,000 deferred tax liabilities previously recognised has been reversed.

(ii) The IRD initiated a tax audit on certain group companies for the year of assessment from 1999/2000 onwards in relation to the taxability on certain offshore income. As a matter of IRD's practice, the IRD has issued estimated/additional assessments ("Assessments") demanding for tax to the relevant group companies for the years of assessment from 1999/2000 to 2010/2011. During the course of the tax audit, there is a possibility that estimated additional assessments for subsequent years will be issued by the IRD to these group companies.

Up to 31 December 2018, the Group has made tax payment of approximately HK$188,464,000 for conditional standover order of objection against the Assessments, including approximately HK$172,944,000 tax reserve certificates purchased by the Group. The amount is included in "tax recoverable" in the consolidated statement of financial position. No further tax payment was made in 2019.

In 2019, the Group has reached an agreement with IRD to settle the case with a settlement amount of HK$85,427,000 and received a tax refund of HK$103,037,000. As a result, the Group has reversed the overprovided tax provision of HK$37,163,000, which represents the excess of accumulated tax provision of HK$122,590,000 made over the settlement amount, in the profit or loss.

10. INCOME TAX CREDIT (Cont'd)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards, except for High Fashion Silk (Zhejiang) Co., Ltd. ("High Fashion Silk"), which have been recognised as an advanced technology enterprise by the PRC Tax Bureau in 2018. High Fashion Silk is subject to an income tax rate of 15% for three years starting from the year being recognised as an advanced technology enterprise in Hangzhou.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

The income tax credit for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 **HK$'000**	2018 HK$'000
Profit before taxation	**46,028**	29,748
Tax at the income tax rate of 16.5% (2018: 16.5%)	**7,595**	4,908
Effect of different tax rates of subsidiaries operating in other jurisdictions	**9,995**	3,951
Tax effect of share of results of joint ventures	**430**	1,009
Tax effect of income not taxable for tax purpose	**(3,216)**	(3,350)
Tax effect of expenses not deductible for tax purpose	**20,981**	10,674
Tax effect of tax losses not recognised	**3,044**	11,266
Utilisation of tax losses previously not recognised	**(6,941)**	(4,367)
Overprovision in prior years	**(40,294)**	(2,133)
Tax relief in relation to additional tax deductions on research and development costs incurred and amount spent on acquisition of plant and equipment made in the PRC	**(9,617)**	(9,790)
Reversal of withholding tax in respect of undistributed earning of PRC subsidiaries	**–**	(19,200)
Others	**(1,219)**	(1,888)
Income tax credit	**(19,242)**	(8,920)

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2019 HK$'000	2018 HK$'000
Costs of inventories recognised as expenses (including net allowance for inventory obsolescence) *(note i)*	**2,165,019**	2,396,705
Research and development costs recognised as expenses (included in cost of sales)	**37,705**	79,112
Cost of properties sold (included in cost of sales)	**124,415**	32,795
Amortisation of prepaid lease payments	**–**	1,842
Depreciation of property, plant and equipment	**43,452**	56,490
Depreciation of right-of-use assets	**12,206**	–
Less: Amount capitalised in inventories	**(30,108)**	(36,130)
	25,550	22,202
Auditor's remuneration	**3,300**	3,600
Minimum lease payments in respect of land and buildings	**–**	22,052
Contingent rental expense *(note ii)*	**–**	777
Staff costs (including directors' emoluments):		
Wages, salaries and bonuses	**578,937**	556,358
Retirement benefits schemes contributions	**75,222**	61,861
Equity-settled share option expense	**957**	80
Less: Amount capitalised in investment properties under construction, construction in progress, intangible assets and inventories	**(288,648)**	(325,063)
	366,468	293,236
Gross rental income from investment properties	**(33,695)**	(30,729)
Less: Outgoings for investment properties rented out	**7,455**	6,817
Outgoings for investment properties not rented out	**–**	1,183
Net rental income	**(26,240)**	(22,729)
Government grants (included in other income) *(note iii)*	**(15,823)**	(11,508)
Interest income (included in other income):		
Bank interest income	**(19,808)**	(11,846)
Interest income on other receivables	**–**	(19)

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11. PROFIT FOR THE YEAR (Cont'd)

Notes:

(i) The amount includes net allowance for inventory obsolescence of HK$48,652,000 (2018: HK$24,320,000).

(ii) Contingent rental expenses for the year ended 31 December 2018 are determined based on a certain percentage of the gross sales of the relevant shops when the sales meet certain specified level.

(iii) The amounts represent subsidies received from the PRC government for the purpose of encouraging the Group to expand its business in the PRC. There is no conditions attached to the subsidies granted to the Group and the grants are not related to capital expenditures.

12. OTHER COMPREHENSIVE (EXPENSE) INCOME

	2019 **HK$'000**	2018 HK$'000
Fair value loss on equity instruments at FVTOCI	**(484)**	(4,973)
Gain on revaluation of owner-occupied properties	**5,740**	134,823
Exchange differences on translation to presentation currency	**(65,489)**	(171,245)
Exchange differences on translation of foreign operations	**1,629**	(4,363)
Other comprehensive expense	**(58,604)**	(45,758)
Income tax relating to components of other comprehensive income:		
Revaluation of owner-occupied properties	**(1,435)**	(25,353)
	(1,435)	(25,353)
Other comprehensive expense for the year, net of tax	**(60,039)**	(71,111)

13. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividends recognised as distribution and paid during the year:		
Interim dividend – 3 HK cents per ordinary share for 2019 (2018: 3 HK cents for 2018)	**9,168**	9,168
Final dividend – 3 HK cents per ordinary share for 2018 (2018: 3 HK cents for 2017)	**9,168**	9,168
	18,336	18,336

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of 3 HK cents (2018: final dividend in respect of the year ended 31 December 2018 of 3 HK cents) per ordinary share, in an aggregate amount of HK$9,168,000 (2018: HK$9,168,000) has been proposed by the Directors and is subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

Earnings

	2019 HK$'000	2018 HK$'000
Earnings for the purpose of basic and diluted earnings per share attributable to owners of the Company	**71,964**	43,640

Number of shares

	'000	'000
Number of ordinary shares for the purpose of basic and diluted earnings per share	**305,616**	305,616

The computation of diluted earnings per share for the years ended 31 December 2019 and 31 December 2018 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares.

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15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land (in Hong Kong)	Buildings (in Hong Kong)	Buildings (outside Hong Kong)	Construction in progress	Leasehold improvements	Plant and equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST									
At 1 January 2018	5,058	13,886	487,062	37,503	120,635	567,994	171,806	34,249	1,438,193
Additions	–	–	–	26,849	1,553	20,131	4,175	1,231	53,939
Transfers	–	–	–	(5,611)	1,096	4,515	–	–	–
Transfers to investment properties	(2,069)	(5,694)	(43,179)	(1,358)	–	–	–	–	(52,300)
Disposals/written-off	–	–	–	–	(3,099)	(19,218)	(41,243)	(1,650)	(65,210)
Exchange realignment	–	–	(23,696)	(1,289)	(5,360)	(33,347)	(6,380)	(1,191)	(71,263)
At 31 December 2018	2,989	8,192	420,187	56,094	114,825	540,075	128,358	32,639	1,303,359
Adjustments upon application of HKFRS 16	(2,989)	–	–	–	–	–	–	–	(2,989)
At 1 January 2019 (restated)	–	8,192	420,187	56,094	114,825	540,075	128,358	32,639	1,300,370
Additions	**–**	**–**	**297**	**47,730**	**2,919**	**7,835**	**3,475**	**602**	**62,858**
Transfers	**–**	**–**	**99**	**(21,299)**	**–**	**19,624**	**1,576**	**–**	**–**
Transfers to investment properties	**–**	**–**	**(11,877)**	**–**	**–**	**–**	**–**	**–**	**(11,877)**
Disposals/written-off	**–**	**–**	**(4)**	**–**	**(13)**	**(7,667)**	**(1,421)**	**(3,232)**	**(12,337)**
Exchange realignment	**–**	**–**	**(9,612)**	**(2,611)**	**(2,479)**	**(11,327)**	**(2,379)**	**(421)**	**(28,829)**
At 31 December 2019	**–**	**8,192**	**399,090**	**79,914**	**115,252**	**548,540**	**129,609**	**29,588**	**1,310,185**
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 January 2018	1,908	6,178	124,988	–	108,220	426,975	133,120	26,829	828,218
Provided for the year	65	173	13,489	–	7,492	25,989	6,101	3,181	56,490
Transfers to investment properties	(817)	(2,587)	(8,315)	–	–	–	–	–	(11,719)
Eliminated on disposals/ written-off	–	–	–	–	(2,656)	(17,705)	(40,835)	(1,579)	(62,775)
Exchange realignment	–	–	(7,743)	–	(4,652)	(21,792)	(4,979)	(1,080)	(40,246)
At 31 December 2018	1,156	3,764	122,419	–	108,404	413,467	93,407	27,351	769,968
Adjustments upon application of HKFRS 16	(1,156)	–	–	–	–	–	–	–	(1,156)
At 1 January 2019 (restated)	–	3,764	122,419	–	108,404	413,467	93,407	27,351	768,812
Provided for the year	**–**	**164**	**9,333**	**–**	**5,499**	**21,498**	**5,001**	**1,957**	**43,452**
Transfers to investment properties	**–**	**–**	**(3,757)**	**–**	**–**	**–**	**–**	**–**	**(3,757)**
Eliminated on disposals/ written-off	**–**	**–**	**(3)**	**–**	**(13)**	**(6,173)**	**(1,188)**	**(2,835)**	**(10,212)**
Exchange realignment	**–**	**–**	**(3,481)**	**–**	**(2,200)**	**(8,330)**	**(2,266)**	**(295)**	**(16,572)**
At 31 December 2019	**–**	**3,928**	**124,511**	**–**	**111,690**	**420,462**	**94,954**	**26,178**	**781,723**
CARRYING VALUE									
At 31 December 2019	**–**	**4,264**	**274,579**	**79,914**	**3,562**	**128,078**	**34,655**	**3,410**	**528,462**
At 31 December 2018	1,833	4,428	297,768	56,094	6,421	126,608	34,951	5,288	533,391

15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Buildings	2% to 5% or over remaining lease term if shorter
Leasehold improvements	The shorter of lease terms and 5 years
Plant and equipment	9% to 20%
Furniture and fixtures	9% to 25%
Motor vehicles	15% to 25%

At 31 December 2019, the cost of leasehold improvement and plant and equipment which have been fully depreciated and still in use amounted to HK$422,077,000 (2018: HK$417,117,000).

The Group has pledged its buildings in Hong Kong with a net book value of approximately HK$4,264,000 (2018: Leasehold land and buildings of HK$6,261,000) to secure general banking facilities granted to the Group.

16. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties HK$'000	Total HK$'000
As at 1 January 2019			
Carrying amount	66,605	28,078	94,683
As at 31 December 2019			
Carrying amount	62,252	17,994	80,246
For the year ended 31 December 2019			
Depreciation charge	1,886	10,320	12,206

	2019 HK$'000
Expenses relating to short-term leases	**6,368**
Variable lease payments not included in lease liabilities	**825**
Total cash outflow for leases	**18,889**
Addition of right-of-use assets	**259**

16. RIGHT-OF-USE ASSETS (Cont'd)

For both years, the Group leases various offices premises, retail stores, factories and warehouses for its operations. Lease contracts are entered into for fixed term of 12 months to 10 years, but may have termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for retail stores. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Leases of retail stores are either with only fixed lease payments or contain variable lease payment that are based on certain percentage of gross sales when the sales meet certain specified level and minimum annual lease payment that are fixed over the lease term. For leases with both fixed and variable lease payments, the amount of fixed and variable lease payments paid/payable to relevant lessors for the year ended 31 December 2019 are HK$4,740,000 and HK$825,000 respectively. The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

The Group has a termination option in a lease for a warehouse. This is used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The termination option held is exercisable only by the Group and not by the lessor.

16. RIGHT-OF-USE ASSETS (Cont'd)

The Group assesses at lease commencement date whether it is reasonably certain not to exercise the termination option. The potential exposures to the future lease payments for termination option in which the Group is not reasonably certain not to exercise is summarised below:

	Lease liabilities recognised as at 31 December 2019	**Potential future lease payments not included in lease liabilities (undiscounted)**
	HK$'000	HK$'000
Warehouse	21	270

The Group has pledged its leasehold land with a carrying amount of approximately HK$1,772,000 to secure general banking facilities granted to the Group. In addition, lease liabilities of HK$20,421,000 are recognised with related right-of-use assets of HK$17,994,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 35.

17. PREPAID LEASE PAYMENTS

	2018
	HK$'000
Analysed for reporting purposes as:	
Non-current assets	62,738
Current assets	2,034
	64,772

18. INVESTMENT PROPERTIES

	Completed investment properties HK$'000	Investment properties held for development/ under construction HK$'000	Total HK$'000
FAIR VALUE			
At 1 January 2018	1,350,819	299,036	1,649,855
Additions	448	96,995	97,443
Transfer from property, plant and equipment and prepaid lease payments	71,899	104,000	175,899
Transfer	(677,000)	677,000	–
Increase in fair value recognised in profit or loss (included in other gains and losses) – unrealised	17,651	37,553	55,204
Exchange realignment	(34,686)	(17,475)	(52,161)
At 31 December 2018	729,131	1,197,109	1,926,240
Additions	**–**	**163,505**	**163,505**
Transfer from property, plant and equipment and right-of-use assets	**14,609**	**–**	**14,609**
Increase in fair value recognised in profit or loss (included in other gains and losses) – unrealised	**11,077**	**28,957**	**40,034**
Exchange realignment	**(14,103)**	**(10,097)**	**(24,200)**
At 31 December 2019	**740,714**	**1,379,474**	**2,120,188**

The Group leases out various offices and retail stores under operating leases with rentals payable monthly. The leases typically run for an initial period of 2 to 5 years, with extension option subject to agreement of both lessor and lessee.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

All of the Group's completed investment properties are held under operating leases to earn rentals or for capital appreciation purposes. They are measured using the fair value model and are classified and accounted for as investment properties.

18. INVESTMENT PROPERTIES (Cont'd)

During the year ended 31 December 2019, certain property, plant and equipment and right-of-assets with carrying amounts of HK$8,120,000 and HK$749,000, respectively (2018: property, plant and equipment and prepaid lease payments of HK$40,581,000 and HK$495,000, respectively), were transferred to investment properties. Valuations which were made by Centaline Surveyors Limited and 新昌信安達資產評估有限公司, independent qualified professional valuers not connected with the Group, at the date of transfer was approximately HK$14,609,000 (2018: HK$175,899,000). The difference between the carrying amount and the fair value of these properties amounting to HK$5,740,000 (2018: HK$134,823,000) was credited to "property revaluation reserve".

The fair value of the Group's investment properties at 31 December 2019 have been arrived at on the basis of a valuation carried out by Centaline Surveyors Limited and 新昌信安達資產評估有限公司, independent qualified professional valuers not connected with the Group. Centaline Surveyors Limited are members of the Institute of Valuers, while 新昌信安達資產評估有限公司 are certified public valuers in the PRC.

For the completed investment properties, the valuations were arrived at by making reference to market evidence of transaction prices for similar properties in similar locations and conditions or on the basis of capitalisation of net income with due allowance for the reversionary income and redevelopment potential. The net income is the market rentals of all lettable units of the properties and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by making reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by making reference to the yields derived from analysing the sales transactions of similar properties in the relevant locations and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

For investment properties held for development/under construction, the valuations were arrived at by direct comparison with comparable properties as available in the market with due allowance for development costs and indirect cost that will be expended to complete the development of the properties, as well as developer's risks associated with the development at the valuation date and the return that the developer would require for bringing the properties to the completion status, which is determined by the valuers on the analysis of recent land transactions and the market value of similar completed properties in the relevant locations.

In estimating the fair value of the completed properties, the highest and best use of the properties is their current use. In estimating the fair value of investment properties held for development/under construction, management of the Group has taken into account the highest and best use of the properties from the perspective of market participants, taking into account the future development potential of the properties.

18. INVESTMENT PROPERTIES (Cont'd)

The Group's investment properties are categorised into level 3 of the fair value hierarchy. At the end of each reporting period, the Group Finance Director ("GFD") works closely with the independent qualified professional valuers to establish and determine the appropriate valuation techniques and inputs to be used in determining the fair value of the investment properties. Discussions on valuation processes and results are held between GFD and the Directors at least twice a year.

There is no transfer into or out of Level 3 for both years.

The following table shows the valuation techniques used in the determination of the fair values of investment properties and unobservable inputs used in the valuation models:

Description	Fair value as at		Valuation techniques	Unobservable inputs	Significant inputs	Relationship of inputs to fair value
	2019 HK$'000	2018 HK$'000				
Completed investment properties						
Office premises						
– Shenzhen	**197,134**	191,386	Income capitalisation approach	(i) Capitalisation rate taking into account the capitalisation of rental income potential and nature of properties	4.5% (2018: 4%)	The higher the capitalisation rate, the lower the fair value
				(ii) Monthly market rent per square meter	RMB136 (2018: RMB115) per month per square meter in average	The higher the market rent, the higher the fair value
– Xiaoshan	**206,090**	194,097	Income capitalisation approach	(i) Capitalisation rate taking into account the capitalisation of rental income potential and nature of properties	8% (2018: 8%)	The higher the capitalisation rate, the lower the fair value
				(ii) Monthly market rent per square meter	RMB18 (2018: RMB17) per month per square meter in average	The higher the market rent, the higher the fair value

18. INVESTMENT PROPERTIES (Cont'd)

Description	Fair value as at		Valuation techniques	Unobservable inputs	Significant inputs	Relationship of inputs to fair value
	2019	2018				
	HK$'000	HK$'000				
Completed investment properties (Cont'd)						
Office premises (Cont'd)						
– Shanghai	**35,195**	35,005	Income capitalisation approach	(i) Capitalisation rate taking into account the capitalisation of rental income potential and nature of properties	4.9% (2018: 4.9%)	The higher the capitalisation rate, the lower the fair value
				(ii) Monthly market rent per square meter	RMB30 (2018: RMB27) per month per square meter in average	The higher the market rent, the higher the fair value
Retail premises						
– Xinchang	**302,295**	308,643	Income capitalisation approach	(i) Capitalisation rate taking into account the capitalisation of rental income potential and nature of properties	4.6% (2018: 4.6%)	The higher the capitalisation rate, the lower the fair value
				(ii) Monthly market rent per square meter	RMB26 (2018: RMB27) per month per square meter in average	The higher the market rent, the higher the fair value
	740,714	729,131				

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18. INVESTMENT PROPERTIES (Cont'd)

Description	Fair value as at 2019 HK$'000	Fair value as at 2018 HK$'000	Valuation techniques	Unobservable inputs	Significant inputs	Relationship of inputs to fair value
Investment properties held for development/under construction						
Commercial Complex – Tonglu	**327,998**	266,544	Residual approach	(i) Monthly market rent per square meter	RMB17,900 (2018: RMB17,540) per month per square meter in average	The higher the market rent, the higher the fair value
				(ii) Construction costs	RMB8,300 (2018: RMB7,469) per square meter	The higher the cost, the lower the fair value
Vacant land – Xiaoshan	**80,376**	81,565	Comparison approach	Market price per square meter	RMB854 (2018: RMB848) per square meter in average and adjusting for location of the land	The higher the market price, the higher the fair value
Commercial Complex – Hong Kong	**971,100**	849,000	Comparison approach	Market price per square foot	HK$9,000 (2018: HK$8,000) per square foot in average and adjusting for age, location, condition and surrounding facilities of the properties	The higher the market price, the higher the fair value
	1,379,474	1,197,109				
	2,120,188	1,926,240				

The premises located in Hong Kong have been pledged to secure banking facilities granted to the Group.

19. INTANGIBLE ASSETS

Intangible assets represent costs of setting up a computer platform for trading of garments. Intangible assets are amortised on a straight-line basis over their estimated useful lives when the assets are available for use. No amortisation on the intangible assets is made for both years as the development of the platform has yet to complete. During the year ended 31 December 2019, management of the Group determined to cease the development of the platform and write off the amount of HK$8,223,000 in profit or loss.

20. INTERESTS IN JOINT VENTURES

	2019 **HK$'000**	2018 HK$'000
Cost of unlisted investments in joint ventures	**17,920**	17,920
Share of post-acquisition losses	**(14,029)**	(11,424)
Exchange realignment	**3,665**	3,960
	7,556	10,456

Included in interests in joint ventures is High Fashion New Media Corporation Limited's ("New Media") 100% investment in Longford Information & Technology Co., Limited ("Longford"). Longford was established in the PRC during the year ended 31 December 2014 by New Media with a registered capital of RMB30,000,000. The legal representative of Longford is Ms. Mary Leong Ma Li ("Ms. Leong"), who kept the company chops, books and records as well as other relevant documents of Longford since establishment.

On 26 September 2014, the High Court of the Hong Kong Special Administrative Region made an interim order ("Longford Order") to New Media, under which the bank mandate of Longford had to be followed to the effect that one representative of the Group and Ms. Leong shall form joint signatories of the bank account and to operate it jointly. As a result of the Longford Order, Longford has become effectively jointly controlled by New Media and Ms. Leong as decisions regarding the relevant activities of the Longford effectively required unanimous consent of both the Group and Ms. Leong starting from 26 September 2014. As the Longford Order has not been released as at 31 December 2019, Longford is accounted for as a joint venture of the Group irrespective of the Group's 65% effective shareholding thereon.

20. INTERESTS IN JOINT VENTURES (Cont'd)

As at 31 December 2019 and 2018, the Group has interests in the following joint ventures:

Name	Form of business structure	Place of registration and operations	Percentage of Ownership interest 2019 %	Ownership interest 2018 %	Voting power 2019 %	Voting power 2018 %	Profit sharing 2019 %	Profit sharing 2018 %	Principal activities
Hangzhou Dalifu Silk Finishing Co., Ltd. *(note i)*	Established	PRC	**51**	51	**50**	50	**51**	51	Dyeing, printing and sandwashing of fabric
Suzhou High Fashion Garment Co., Ltd. ("Suzhou High Fashion") *(notes i & iii)*	Established	PRC	**51**	51	**60**	60	**51**	51	Garment manufacturing
The Silk Passion Company Limited ("Silk Passion") *(notes ii & iii)*	Incorporated	Hong Kong	**51**	51	**60**	60	**51**	51	Trading, marketing and promoting silk products
Flaming China Limited	Incorporated	Hong Kong	**50**	50	**50**	50	**50**	50	Inactive
Longford	Established	PRC	**65**	65	**67**	67	**65**	65	E-commerce

Notes:

(i) These joint ventures provide subcontracting services to the Group during both years.

(ii) This joint venture aims to enter into the fashion market in France.

(iii) The Group holds 51% of the registered/issued share capital and 60% voting power of Suzhou High Fashion and Silk Passion. However, under the terms of memorandum and articles of association of Suzhou High Fashion and joint venture agreement of Silk Passion, all significant events including operating and financial decisions must require unanimous consent by the Group and the other shareholder. Therefore, Suzhou High Fashion and Silk Passion are classified as joint ventures of the Group.

20. INTERESTS IN JOINT VENTURES (Cont'd)

In the opinion of the Directors, these joint ventures, are not individually material to the Group for both years and therefore no separate disclosure on summarised financial information of these joint ventures is presented. The aggregate financial information of all individually immaterial joint ventures, which are accounted for using the equity method is set out below:

	2019 HK$'000	2018 HK$'000
Current assets	**59,431**	54,540
Non-current assets	**13,294**	14,420
Current liabilities	**49,943**	49,994
Income recognised in profit or loss	**39,799**	23,804
Expenses recognised in profit or loss	**43,586**	29,792
Group's share of losses of joint ventures for the year	**2,605**	6,117

The Group has discontinued recognition of its share of losses of certain joint ventures. The amount of unrecognised share of results of these joint ventures is as follows:

	2019 HK$'000	2018 HK$'000
Unrecognised share of losses of joint ventures for the year	**3**	–
Accumulated unrecognised share of losses of these joint ventures	**8,241**	8,238

At the end of both reporting periods, the Group has no commitment to fund the losses in relation to its investments in any of the joint ventures.

21. EQUITY INSTRUMENTS AT FVTOCI

	2019 HK$'000	2018 HK$'000
Unlisted equity investments	**19,009**	19,493

Amount represents the Group's equity interests in a private entity incorporated in the British Virgin Islands ("BVI") for long-term strategic purpose. The Directors have elected to designate these investments as equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

22. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The followings are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

	Deferred tax assets						
	Unrealised profit arising on intra-group transactions HK$'000	Allowance for credit losses HK$'000	Allowance on obsolete inventories HK$'000	Impairment loss on property, plant and equipment HK$'000	Government grant received in respect of properties HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	25	3,387	11,864	3,281	7,257	327	26,141
Credit (charge) to profit or loss	17	(283)	3,872	(34)	(141)	724	4,155
Exchange realignment	–	(104)	(788)	(162)	(361)	(42)	(1,457)
At 31 December 2018	42	3,000	14,948	3,085	6,755	1,009	28,839
Credit (charge) to profit or loss	344	323	1,075	(31)	(135)	(662)	914
Exchange realignment	–	(130)	(296)	(64)	(142)	(10)	(642)
At 31 December 2019	386	3,193	15,727	2,990	6,478	337	29,111

	Deferred tax liabilities (assets)							
	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Revaluation of properties and prepaid lease payments/ Right-of-use assets transferred to investment properties HK$'000	Acquisition cost of land use rights HK$'000	Withholding tax in respect of undistributed earnings of PRC subsidiaries HK$'000	Fair value change of derivative financial instruments and structured deposits HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2018	3,463	181,838	60,870	2,696	38,889	242	(36,750)	251,248
(Credit) charge to profit or loss	(1,344)	15,034	–	(1,143)	(19,200)	65	(5,729)	(12,317)
Charge to other comprehensive income	–	–	25,353	–	–	–	–	25,353
Exchange realignment	–	(5,119)	(2,244)	(96)	–	(22)	–	(7,481)
At 31 December 2018	2,119	191,753	83,979	1,457	19,689	285	(42,479)	256,803
(Credit) charge to profit or loss	(531)	7,454	–	–	–	840	(4,808)	2,955
Charge to other comprehensive income	–	–	1,435	–	–	–	–	1,435
Exchange realignment	–	(5,022)	(1,762)	(183)	–	(24)	–	(6,991)
At 31 December 2019	1,588	194,185	83,652	1,274	19,689	1,101	(47,287)	254,202

22. DEFERRED TAXATION (Cont'd)

Under the PRC law, withholding tax is imposed on dividends declared to non-residents in respect of profits earned by subsidiaries in the PRC from 1 January 2008 onwards. Withholding tax rate was decreased from 10% to 5% for the year ended 31 December 2018, with detailed set out in note 10. Deferred tax liabilities have not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits earned by subsidiaries in the PRC amounting to HK$151,732,000 (2018: HK$152,478,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

The ultimate realisation of the above deferred tax assets depends principally on certain subsidiaries in the PRC achieving profitability and generating sufficient taxable profits to utilise the underlying deferred tax assets. Based on the taxable profit or loss projections of these businesses, it is more probable that the Group can fully utilise the deferred tax assets recognised. It may be necessary for some or all of these deferred tax assets to be reduced and charged to profit or loss if there is a significant adverse change in the projected performance and projected taxable profit of the business.

The Group has estimated unused tax losses of HK$819,894,000 (2018: HK$814,372,000) available for offsetting against future taxable profits of the companies in which the losses arose. A deferred tax asset has been recognised in respect of HK$286,588,000 (2018: HK$257,448,000) of the temporary differences, while no deferred tax asset has been recognised in respect of the remaining temporary differences of HK$533,306,000 (2018: HK$556,924,000) due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$69,760,000 (2018: HK$67,797,000) that will expire in 2028 to 2037. Other tax losses may be carried forward indefinitely.

23. OTHER NON-CURRENT ASSETS

The Group entered into a life insurance contract with an insurance company to insure an executive director. Under the contract, the beneficiary and contract holder is High Fashion Garments Management Limited ("HFGML"), a wholly owned subsidiary of the Company, and the total insured sum is approximately US$10,000,000 (equivalent to HK$77,500,000). HFGML paid a gross premium of US$3,582,000 (equivalent to HK$27,763,000), including a premium charge at inception of the contract amounting to US$214,941 (equivalent to HK$1,666,000). HFGML may request a partial surrender or full surrender of the contract at any time and receive cash based on the cash value of the contract at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed income earned and minus insurance premium charged at inception. In addition, if withdrawal is made between the 1st to 15th year, there is a specified surrender charge. The insurer will pay HFGML a guaranteed interest of 5.2% per annum for the first year, followed by minimum guaranteed return of 3% per annum for the following years, with the actual return determined at the discretion of the insurer.

At the inception date, the gross premium was separated into the investment component of a life insurance contract and prepayment of life insurance premium. The prepayment of life insurance premium was amortised to profit or loss over the insured period and the investment component is classified as a financial asset at FVTPL as contractual rights to cash flows do not represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding upon initial application of HKFRS 9 at 1 January 2018. At 31 December 2019, the fair value of the investment component of a life insurance contract was HK$31,594,000 (2018: HK$31,009,000), while the carrying amount of the prepayment of premium was HK$605,000 (2018: HK$720,000).

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24. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**145,145**	185,312
Work in progress	**143,308**	133,482
Finished goods	**115,999**	137,619
	404,452	456,413

25. PROPERTIES HELD FOR SALE

	2019 HK$'000	2018 HK$'000
Properties under development held for sale	**–**	170,736
Completed properties	**167,258**	50,746
	167,258	221,482

	2019 HK$'000
Analysis of leasehold land:	
As at 1 January 2019	
Carrying amount	**54,257**
As at 31 December 2019	
Carrying amount	**26,940**

Effective from 1 January 2019, the carrying amount of leasehold lands is measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2019.

26. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables		
Contract with customers	**538,012**	437,784
Rental	**8,329**	10,434
	546,341	448,218
Less: Allowance for credit loss	**(10,528)**	(14,909)
	535,813	433,309

Trade receivables mainly comprise of receivable from sales of garments and renting of properties. Credit terms granted to the customers for garment trading range from 30 days to 90 days. Rentals are payable by tenants upon presentation of demand notes. No credit period is granted to tenants.

At 1 January 2018, trade receivables from contracts with customers net of allowance for credit loss amounted to HK$397,196,000.

At 31 December 2019, total bills received amounting to HK$31,205,000 (2018: HK$4,958,000) are held by the Group for future settlement of trade receivables, of which certain bills are further discounted by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed in note 27. All bills received by the Group are with a maturity period of less than one year.

The aged analysis of the Group's trade receivables net of allowance for credit loss is presented based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition dates.

	2019 HK$'000	2018 HK$'000
Within 90 days	**500,008**	401,470
91 to 180 days	**21,993**	23,345
181 to 360 days	**9,471**	7,173
Over 360 days	**4,341**	1,321
	535,813	433,309

At 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$188,262,000 (2018: HK$104,693,000) which are past due as at the reporting date. The trade receivables which have been past due 90 days or more from the reporting date amounted to HK$15,708,000 (2018: HK$26,106,000), of which HK$11,095,000 (2018: HK$15,580,000) are not considered as defaulted due to long and on-going business relationship and by considering the expected subsequent and historical repayment from these customers. The Group does not hold any collateral over these balances.

Details of impairment assessment on trade and lease receivables are set out in note 44.

27. TRANSFERS OF FINANCIAL ASSETS

The following is the Group's bills as at 31 December 2019 and 2018 that are transferred to banks by discounting bills on a full recourse basis. If the bills are not paid on maturity, the banks have the rights to request the Group to pay the unsettled balances. As the Group has not transferred the significant risks and rewards relating to the bills, it continues to recognise the full carrying amount of the bills and has recognised the cash received on the transfer as a secured borrowing (see note 39). The bills are carried at amortised cost in the Group's consolidated statement of financial position.

	2019 HK$'000	2018 HK$'000
Carrying amount of transferred assets	**31,205**	4,958
Carrying amount of associated liabilities	**(30,221)**	(4,803)

28. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Customs deposit	**33,583**	34,319
Prepayments and advances to suppliers	**75,719**	56,348
Value-added tax receivables and prepaid other taxes	**43,084**	44,435
Other receivables	**9,640**	7,697
Utility and other deposits	**8,166**	8,601
Others	**974**	2,113
	171,166	153,513

Included in deposits, prepayments and other receivables is a deposit of RMB30,000,000 (equivalent to HK$33,583,000) (2018: RMB30,000,000 (equivalent to HK$34,319,000)) paid to the customs authority in Shaoxing City of Zhejiang Province in the PRC in relation to an ongoing enquiry of customs duty for import of certain machinery parts and apparel accessories for manufacturing by the PRC factories into China.

In June 2016, a judgment was made by the Intermediate People's Court Shaoxing Zhejiang Province (the "Judgment") which stated that the Group had convicted an offence of illicit transportation of common goods or articles without paying customs duty and was required to pay a penalty of approximately RMB28,000,000 and unpaid customs of approximately RMB27,000,000, out of which the RMB30,000,000 deposit previously paid would be confiscated by the customs authority and used to offset the amount payable. In July 2016, the Group appealed against the Judgment (the "Appeal") to the Higher People's Court of Zhejiang Province.

28. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Cont'd)

In June 2017, a ruling was made by the Higher People's Court of Zhejiang Province on the Appeal proceeding to the effect that due to the unclear facts ascertained in the Judgment, the Judgment made by the Intermediate People's Court Shaoxing, Zhejiang Province was revoked, and the customs proceedings were remitted to the Intermediate People's Court Shaoxing, Zhejiang Province for retrial.

In April 2018, the Intermediate People's Court Shaoxing, Zhejiang Province retained the same judgment as was made previously ("2018 Judgment"). After seeking advice from the legal and other professionals, the Group appealed against the 2018 Judgment. The Group has submitted an appeal application to the Higher People's Court of Zhejiang Province.

Management of the Group had sought advice from PRC legal professionals, who advised that the evidence relied upon by the court is not factually supported, against which the Group has strong grounds to refute. Nevertheless, the Group may still be subject to a penalty for not complying the processing trade requirement, which is estimated to be approximately RMB2,000,000 (equivalent to HK$2,239,000). The Group has made a provision for penalty for the same amount accordingly and such amount was included in "other expenses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

In May 2019, a court hearing was held by the Higher People's Court of Zhejiang Province to hear the defense opinion from the Group. In July 2019, the Zhejiang People's Procuratorate（浙江省人民檢察院）visited the Group's office in Hangzhou and performed various verification of defense evidence. According to the external lawyer, the verification process is a common judicial practice in China and it implies a favourable outlook to the Group. As at 31 December 2019, the Group has not yet received the judgment from the Court.

The next court hearing is expected to be held within the next twelve months from the end of the reporting period, and therefore, the deposit has been presented as a current asset in the consolidated statement of financial position.

Details of impairment assessment on deposits and other receivables are set out in note 44.

29. AMOUNTS DUE FROM AND TO JOINT VENTURES

The amounts due from joint ventures are unsecured, interest-free and repayable on demand.

The amounts due from joint ventures represent receivable of HK$5,860,000 (2018: HK$24,920,000) which is non-trade in nature. At 31 December 2019, the Group assessed the ECL for amount due from Longford in accordance with HKFRS 9 as described in note 44. The Group considered the prospect of recovery is remote due to the legal dispute and determined that a full impairment should be made after assessment and an impairment loss of HK$17,086,000 was recognised in profit or loss.

The amount due to a joint venture at 31 December 2018 represents payable for purchases of raw materials and finished goods aged within 90 days. The amount has been settled in 2019.

Details of impairment assessment on amounts due from joint ventures are set out in note 44.

30. STRUCTURED DEPOSITS

The structured deposits are placed with banks in the PRC with coupon linked to certain exchange rates detailed below. The structured deposits are classified as financial assets at FVTPL on initial recognition.

Major terms of the structured deposits at 31 December 2019 are as follows:

Principal amount	Maturity *(note i)*	Annual coupon rate	*Notes*
RMB359,980,000	July – December 2020	From 1% to 3.7%	*(ii)*
RMB92,000,000	February 2020	From 1.1% to 3.1%	*(iii)*

Major terms of the structured deposits at 31 December 2018 are as follows:

Principal amount	Maturity *(note i)*	Annual coupon rate	*Notes*
RMB188,480,000	November – December 2019	From 1% to 7%	*(ii)*
RMB45,000,000	April 2019	From 2.2% to 4.2%	*(iii)*

Notes:

(i) All the deposits are subject to the option for early termination by issuing banks.

(ii) The annual coupon rate is dependent on whether the spot rate for conversion of Euro ("EUR") for US$ as prevailing in the international foreign exchange market falls within ranges as specified in the relevant agreements during the period from inception date to maturity date of the relevant agreements.

(iii) The annual coupon rate is dependent on whether 3-month US$ London Interbank Offered Rate ("LIBOR") falls within ranges as specified in the relevant agreements during the period from inception date to maturity date of the relevant agreements.

The above structured deposits are stated at fair value based on valuation provided by respective counterparties. The fair values are calculated using discounted cash flow analysis based on the applicable yield curves of relevant exchange rates and interest rates. Details are set out in note 44.

31. SHORT-TERM BANK DEPOSITS

The short-term bank deposits carry interests at fixed rate of 1.5% (2018: 2.15%) per annum.

Short-term bank deposits are deposits placed with banks with more than three months to maturity when deposited. Short-term bank deposits will mature within 12 months from the end of the reporting period and are therefore classified as current assets.

Details of impairment assessment of short-term bank deposits are set out in note 44.

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32. BANK BALANCES AND CASH

Bank balances carry interests at market rates which range from 0.001% to 2.80% (2018: 0.01% to 3.10%) per annum.

Bank balances are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and have a short maturity of generally less than three months when acquired.

Included in bank balances are nil (2018: HK$76,391,000) deposits received from pre-sale of properties which can only be applied in the development of designed property project.

Details of impairment assessment of bank balances are set out in note 44.

33. TRADE PAYABLES

The following is an aged analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	2019	2018
	HK$'000	HK$'000
Within 90 days	**130,138**	82,154
91 to 180 days	**8,975**	9,912
181 to 360 days	**2,969**	5,985
Over 360 days	**10,447**	6,379
	152,529	104,430
Accrued purchases	**264,631**	201,983
	417,160	306,413

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Accrued purchases represent the purchase of goods of which the invoices have not been received by the Group. The purchase invoices will normally be received within one month from the receipt of the goods purchased.

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34. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Accruals	27,419	25,006
Construction costs payable	4,088	15,468
Other payables to suppliers	33,034	21,184
Payable for acquisition of property, plant and equipment	5,275	14,435
Overpayment from customers	3,546	3,068
Staff salaries and welfare payable and bonus provision	108,072	75,714
Value-added tax payable	7,732	16,467
Others	13,941	13,469
	203,107	184,811

35. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	8,978
Within a period of more than one year but not more than two years	3,900
Within a period of more than two year but not more than five years	6,556
Within a period of more than five years	987
	20,421
Less: Amount due for settlement within 12 months shown under current liabilities	(8,978)
Amount due for settlement after 12 months shown under non-current liabilities	11,443

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD HK$'000	GBP HK$'000
As at 31 December 2019	3,397	703

36. AMOUNT DUE TO AN ASSOCIATE

The amount due to Sherman-Theme (China) Limited, an associate of the Company, is unsecured, interest-free and repayable on demand.

In the opinion of the Directors, the associate is not material to the Group for both years and therefore no further information for the associate is disclosed.

37. CONTRACT LIABILITIES

	2019	2018
	HK$'000	HK$'000
Receipts in advance from customers	**31,439**	36,829
Pre-sale proceeds received from sale of properties	**158,114**	243,876
	189,553	280,705

As at 1 January 2018, contract liabilities amounted to HK$41,789,000. The amount was recognised as revenue during the year ended 31 December 2018.

All contract liabilities as at 31 December 2018 were recognised as revenue during the year ended 31 December 2019 except for the amount of HK$115,341,000 in respect of pre-sale proceeds received from sale of properties which are expected to be recognised as revenue during the year ended 31 December 2020.

All contract liabilities as at 31 December 2019 are expected to be recognised as revenue during the year ended 31 December 2020.

38. DERIVATIVE FINANCIAL INSTRUMENTS

	2019	2018
	HK$'000	HK$'000
Dual currency interest rate swap	**–**	2,506
Foreign exchange forward contracts	**–**	5,986
Foreign currency and interest rate swap	**–**	6
	–	8,498

Notes to the Consolidated Financial Statements

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38. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Dual currency interest rate swap

At 31 December 2018, the amount represents the fair value of a dual currency interest rate swap. In accordance with the agreement, the Group shall pay fixed interest of 1% per annum on the notional amount of HK$70 million on 20 January 2014 and 2.1% per annum annually from 20 January 2014 to 20 January 2019. In return, the Group shall receive floating interest at Hong Kong Interbank Offered Rate ("HIBOR") on the notional amount of HK$70 million quarterly from 20 April 2012 to 20 January 2019. In addition, the Group shall pay or receive interest on the notional amount of US$9,014,000 annually based on the formula set out in the agreement, while the interest rate that the Group may be required to pay is capped at 2% per annum.

The interest rate swap contract terminated during the year and the net fair value gain of HK$813,000 (2018: fair value loss of HK$334,000) is recognised in profit or loss. There is no outstanding interest rate swap contract at 31 December 2019.

Foreign exchange forward contracts

At 31 December 2018, the Group has outstanding foreign exchange forward contracts with an aggregate notional amount of US$15,800,000 that require the Group to sell US$ for RMB at exchange rates ranging from RMB6.4189 to RMB6.8760 for US$1 with maturity periods up to three months from the end of the reporting period.

The forward exchange forward contracts give rise to a net fair value gain of HK$890,000 (2018: fair value loss of HK$43,837,000) which is recognised in profit or loss. There is no outstanding forward exchange forward contract at 31 December 2019.

Foreign currency and interest rate swap

The amount represents the fair value of foreign currency and interest rate swap contracts to swap US$ denominated bank borrowings with aggregate notional amount of US$30,391,093 to HK$230,000,000 and the interest rate of the loans from US$ LIBOR plus a spread of 1.33% to HK$ HIBOR plus a spread of 1.43%. The contract amounting to HK$190,000,000 was early terminated on 26 March 2018.

The remaining contract was terminated during the year with a net fair value loss of HK$5,000 (2018: fair value gain of HK$776,000) recognised in profit or loss. There is no outstanding foreign currency and interest rate swap contract at 31 December 2019.

The above derivatives are classified as financial assets/liabilities at FVTPL. Their fair values are determined based on the valuation carried out by financial institutions, which are measured using the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and quoted forward exchange rates at the end of the reporting period. Details are set out in note 44.

39. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank borrowings (including discounted bills with full recourse)	**1,394,723**	1,380,858
Analysed as:		
Secured	**724,377**	775,262
Unsecured	**670,346**	605,596
	1,394,723	1,380,858
Carrying amount of bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	**111,656**	77,959
More than one year, but not exceeding two years	**297,500**	110,000
More than two years, but not exceeding five years	**180,000**	417,500
More than five years	**105,000**	165,000
	694,156	770,459
Carrying amount of bank borrowings that contain a repayment on demand clause based on scheduled repayment dates set out in the loan agreements:		
Within one year	**690,567**	590,399
More than one year, but not exceeding two years	**10,000**	10,000
More than two years, but not exceeding five years	**–**	10,000
	700,567	610,399
	1,394,723	1,380,858
Less: Amount due within one year shown under current liabilities	**812,223**	688,358
Amount shown under non-current liabilities	**582,500**	692,500

Included in the carrying amount at 31 December 2018 was bank borrowings of HK$425,000,000 (defined as "hedging loans" by the Directors) that were repayable within one year. The Group undertook that structured deposits, short-term bank deposits and bank balances with an aggregate carrying amount of HK$432,276,000 have to be maintained with the respective banks during the life of these hedging loans. There is no such hedging loan at 31 December 2019.

The ranges of effective interest rates (which are same as the contracted interest rates) on the Group's variable-rate bank borrowings are 2.92% – 5.65% (2018: 1.72% – 4.80%).

During the year, the Group discounted bills with recourse in aggregated amount of HK$145,681,000 (2018: HK$84,563,000) to banks for short-term financing. At 31 December 2019, the associated borrowings amounted to HK$30,221,000 (2018: HK$4,803,000). The relevant cash flows of these borrowings are presented as operating cash flows in the consolidated statement of cash flows as management of the Group considers the cash flows are, in substance, the receipts from trade customers.

40. PROVISION FOR LONG SERVICE PAYMENTS

	HK$'000
At 1 January 2018	2,859
Amount utilised during the year	(56)
At 31 December 2018	2,803
Amount provided during the year	**118**
Amount utilised during the year	**(192)**
At 31 December 2019	**2,729**

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance. The provision represents management's best estimate of the probable future payments which have been earned by the employees from their service to the Group up to the end of the reporting period.

41. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	1,000,000	100,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 31 December 2019	305,616	30,562

All the issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

42. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 30 May 2012 at the annual general meeting for the primary purpose of providing incentives to directors and eligible employees. Unless otherwise terminated or amended, the Share Option Scheme will remain in force for 10 years ending 29 May 2022. Under the Share Option Scheme, the Board may grant options to eligible employees, including Directors and its subsidiaries, to subscribe for shares in the Company.

At 31 December 2019, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 5,000,000 (2018: 5,000,000), which if exercised in full representing 1.64% (2018: 1.64%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

50% of the options granted were exercisable from 3 December 2019 to 2 December 2028, while the remaining 50% of the options granted were exercisable from 3 December 2020 to 2 December 2028. The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of option; (ii) the average closing price of the shares in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of option; and (iii) the nominal value of the Company's share.

Details of options granted are as follows:

Number of share options	Date of grant	Exercise period	Exercise price	Fair value at grant date
			HK$	HK$
5,000,000	3 December 2018	3 December 2019 to 2 December 2028	1.76	0.3828

There is no movement of the Company's share options granted during the year ended 31 December 2019.

42. SHARE-BASED PAYMENTS (Cont'd)

The fair value of the share options granted was calculated using the Binomial Option Pricing Model. The inputs into the model are as follows:

Weighted average share price	HK$1.76
Exercise price	HK$1.76
Validity period	10 years
Risk-free rate	2.31%
Expected volatility	25.56%
Expected dividend yield	3.41%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous two years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised an expense of HK$957,000 for the year ended 31 December 2019 (2018: HK$80,000) in relation to share options granted by the Company.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 39 and lease liabilities, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure on a continuous basis. As part of this review, the Directors consider the cost of capital. The Group will balance its overall capital structure through payment of dividends, share buy-backs, issuance of new shares as well as raising new debts or repayment of existing debts.

44. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Equity instruments at FVTOCI	**19,009**	19,493
Financial assets mandatorily measured at FVTPL	**581,443**	300,444
Financial assets at amortised cost	**923,394**	1,190,306
Financial liabilities		
Derivative financial instruments	**–**	8,498
Amortised cost	**1,967,513**	1,807,292

Financial risk management objectives and policies

The Group's financial instruments include investment component of a life insurance contract, trade receivables, deposits and other receivables, derivative financial instruments, equity instruments at FVTOCI, amounts due from and to joint ventures, structured deposits, short-term bank deposits, bank balances, trade payables, other payables, amount due to an associate and bank borrowings and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases. The carrying amounts of major foreign currency denominated monetary assets and monetary liabilities (including trade receivables, deposits and other receivables, short-term bank deposits, bank balances and cash, trade payables, other payables and bank borrowings) which expose the Group to foreign currency risk at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
HK$ against RMB	**84,672**	74,478	**–**	–
US$ against RMB	**89,134**	91,668	**35,698**	35,699
RMB against HK$	**12,874**	21,706	**6,130**	8,429

The principal and notional amounts of derivative financial instruments which exposed the Group to foreign currency risk at 31 December 2018 are disclosed in note 38.

44. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Currency risk (Cont'd)

In addition, the Group was exposed to foreign currency risks arising from foreign currency forward contracts and foreign currency swap which were not subject to cash flow hedges at 31 December 2018. Management of the Group monitors foreign exchange exposure and considers hedging significant foreign exchange exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 5%) strengthening in the group entities' functional currencies against the relevant foreign currencies except for the Group's exposure of US$ relative to HK$ since the Directors consider HK$ is pegged to US$ and the exposure related to US$ is insignificant. 5% (2018: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, foreign exchange forward contracts and foreign currency swap, and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates and forward exchange rates. A positive/negative number below indicates an increase/decrease in post-tax profit for the year.

	Impact on HK$		Impact on US$		Impact on RMB	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Profit or loss	**(2,975)**	(2,793)	**(983)**	3,753	**(6)**	(549)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits and lease liabilities. The Group is also exposed to cash flow interest rate risk relating to the variable-rate bank balances, bank borrowings and derivative financial instruments, including dual currency interest rate swap and foreign currency interest rate swap, which mainly concentrated on fluctuation of HIBOR and LIBOR. Management of the Group monitors interest rate exposure and considers hedging significant interest rate exposure should the need arise.

Sensitivity analysis

For the variable-rate bank balances at 31 December 2019 and 2018, the directors consider the Group's exposure to cash flow interest rate risk is minimal taking into account the minimal fluctuation on market interest rate. Accordingly, no sensitivity analysis on interest rate risk on bank balances is presented.

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis includes the variable-rate bank borrowings, assuming that outstanding balances at the end of the reporting period are outstanding for the whole year, and interest rate swaps. A 50 basis points (2018: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rate.

44. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Interest rate risk (Cont'd)

Sensitivity analysis (Cont'd)

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately HK$5,823,000 (2018: HK$5,745,000).

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Price risk

The Group is exposed to equity price risk through its equity interests in private entity for long term strategic purposes which has been designated as financial assets at FVTOCI. In addition, the Group also measured investment component of a life insurance contract and structured deposits at FVTPL. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis for unquoted equity investments with fair value measurement categorised within Level 3 is disclosed in "fair value measurements of financial instruments" section in this note. Sensitivity analysis for investment component of a life insurance contract is not disclosed as the effect is considered insignificant.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the financial assets (including structured deposits, investment component of a life insurance contract and derivative financial instruments measured at FVTPL) whose carrying amounts best represent the maximum exposure to credit risk.

Before accepting any new customer, the Group assesses the potential customer's credit quality by internal credit rating and defines credit limits by customer. Credit limits attributed to customers are reviewed twice a year. The terms of payment of the major customers are under bank's letter of credit. Other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables individually. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

For other receivables and deposits and amounts due from joint ventures, the Directors make individual assessment on the recoverability of these balances based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information, to ensure that adequate provisions for impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

44. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

The Group's structured deposits are placed with banks of high credit ratings and the Group's insurance contract is entered into with a reputable insurance company. The Directors assessed the credit risk by reference to information relating to probability of default and loss given default of the respective external credit rating grades published by external credit rating agencies and concluded the risk of default by counterparties is low.

The credit risk on bank deposits is limited because the counterparties are reputable banks and financial institutions with high credit ratings assigned by international credit-rating agencies, and the Group has limited exposure to any single financial institution.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due over 30 days amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

44. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	12-month or lifetime ECL	Gross carrying amount	
				2019	2018
				HK$'000	HK$'000
Financial assets at amortised cost					
Trade receivables *(note i)*	*26*	N/A	Lifetime ECL (not credit-impaired and assessed individually)	**535,922**	437,692
		N/A	Lifetime ECL (credit-impaired and assessed individually)	**10,419**	10,526
Other receivables and deposits *(note ii)*	*28*	N/A	12-month ECL (not credit-impaired and assessed individually)	**18,780**	18,411
Amounts due from joint ventures *(note iii)*	*29*	N/A	12-month ECL (not credit-impaired and assessed individually)	**5,860**	24,920
		N/A	Lifetime ECL (credit-impaired)	**17,086**	–
Short-term bank deposits *(note iv)*	*31*	Baa1 – Aa3	12-month ECL (not credit-impaired and assessed individually)	**3,358**	55,203
Bank balances *(note iv)*	*32*	Baa1 – Aa3	12-month ECL (not credit impaired and assessed individually)	**359,046**	657,876

44. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

Notes:

(i) **Trade receivables**

The expected credit losses on trade receivables are estimated by reference to past due status of the individual debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, future economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

An estimated loss rate is applied to each group of internal credit rating. The loss rates are estimated taking into consideration past repayment histories and proxy to default rates published by international credit-rating agencies and are adjusted for forward-looking information that is available without undue cost or effort.

	2019			2018		
Internal credit rating	**Loss rate**	**Gross carrying amount HK$'000**	**Impairment loss allowance HK$'000**	Loss rate	Gross carrying amount HK$'000	Impairment loss allowance HK$'000
Low risk	**0.47%**	**491,353**	**2,489**	0.51%	382,930	1,947
Watch list	**2.01%**	**14,155**	**284**	2.14%	24,219	518
Doubtful	**5.51%**	**30,414**	**1,677**	6.28%	30,543	1,918
		535,922	**4,450**		437,692	4,383

Debtors which are credit impaired with gross carrying amounts of HK$10,419,000 (2018:HK$10,526,000) are assessed individually, with impairment allowance on the fully impaired balance of HK$5,806,000 (2018:HK$10,526,000) and partially impaired balance of HK$272,000 made at 31 December 2019.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

44. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

Notes: (Cont'd)

(i) **Trade receivables (Cont'd)**

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2018	3,079	11,363	14,442
Changes due to trade receivables recognised at 1 January 2018:			
Transfer to credit-impaired	(238)	238	–
Impairment loss recognised	–	3,677	3,677
Impairment loss reversed	(2,841)	(2,365)	(5,206)
Write off	–	(2,065)	(2,065)
New trade receivables originated	4,383	–	4,383
Exchange realignment	–	(322)	(322)
At 31 December 2018	4,383	10,526	14,909
Changes due to trade receivables recognised at 1 January 2019:			
Transfer to credit-impaired	(272)	272	–
Impairment loss recognised	–	3,382	3,382
Impairment loss reversed	(4,383)	(30)	(4,413)
Write off	–	(7,973)	(7,973)
New trade receivables originated	4,722	–	4,722
Exchange realignment	–	(99)	(99)
At 31 December 2019	4,450	6,078	10,528

The Group recognised an impairment loss when the recovery was considered remote due to long past due and became credit-impaired. The Group writes off a trade receivable when the amount is over two years past due. None of the trade receivables that have been written off is subject to enforcement activities.

(ii) **Other receivables and deposits**

Other receivables and deposits mainly represent refund and claims receivables and utility deposits. The Directors consider that there is no material credit risk inherent with the outstanding balance of other receivables and deposits after individual assessment on the recoverability of these balances based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information.

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44. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

Notes: (Cont'd)

(iii) **Amounts due from joint ventures**

The Directors consider that the risk of default by the counterparties is low taking into account the historical settlement records and the financial position of the joint ventures except for the amount due from Longford. At 31 December 2019, the Group considered the prospect of recovery the amount due from Longford is remote due to the legal dispute and determined that a full impairment of HK$17,086,000 was recognised in profit or loss.

(iv) **Bank balances and short-term bank deposits**

The credit risk on bank balances and short-term bank deposits is limited because the counterparties are banks with high credit rating ranging from Baa1 to Aa3 assigned by international credit-rating agencies. The Group performed an impairment assessment at 12m ECL by reference to information published by external credit rating agencies relating to probability of default and loss given default of the respective credit rating grades, and concluded that the risks of default of these counterparties are low. Accordingly, no impairment loss has been recognised as amount involved is insignificant.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. At 31 December 2019, the Group has available unutilised banking facilities of approximately HK$755 million (2018: HK$1,244 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks which choose to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as management of the Group considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

44. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity tables

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2019								
Non-derivative financial liabilities								
Trade payables	–	417,160	–	–	–	–	417,160	417,160
Other payables	–	155,047	–	–	–	–	155,047	155,047
Amount due to an associate	–	583	–	–	–	–	583	583
Lease liabilities	5.10	3,247	7,545	5,079	7,097	1,666	24,634	20,421
Bank borrowings	3.68	728,625	107,833	310,552	203,179	105,312	1,455,501	1,394,723
		1,304,662	115,378	315,631	210,276	106,978	2,052,925	1,987,934
2018								
Non-derivative financial liabilities								
Trade payables	–	306,413	–	–	–	–	306,413	306,413
Other payables	–	115,454	–	–	–	–	115,454	115,454
Amount due to a joint venture	–	3,984	–	–	–	–	3,984	3,984
Amount due to an associate	–	583	–	–	–	–	583	583
Bank borrowings	3.22	634,623	77,758	129,400	447,158	170,581	1,459,520	1,380,858
		1,061,057	77,758	129,400	447,158	170,581	1,885,954	1,807,292
Derivative-net settlement								
Derivative financial instruments		2,506	6	–	–	–	2,512	2,512
Derivative-gross settlement								
Derivative financial instruments								
– inflow		(117,793)	–	–	–	–	(117,793)	(117,793)
– outflow		123,779	–	–	–	–	123,779	123,779
		5,986	–	–	–	–	5,986	5,986

44. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

The table below is the maturity analysis of bank borrowings, which includes interest payments computed using contractual rates, based on agreed scheduled repayments set out in the loan agreements irrespective of whether the terms of the bank borrowings contain a repayable on demand clause. As a result, these amounts are smaller than the amounts disclosed in the "on demand or less than 3 months" time band in the maturity analysis above. Taking into account the Group's financial position of the Group, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2019	**3.68**	**715,603**	**113,229**	**320,714**	**203,179**	**105,312**	**1,458,037**	**1,394,723**
31 December 2018	3.22	585,786	108,610	139,796	457,448	170,581	1,462,221	1,380,858

The amounts included above for variable interest rate instruments of non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's structured deposits, investment component of a life insurance contract, equity instruments at FVTOCI and derivative financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

44. FINANCIAL INSTRUMENTS (Cont'd)

Fair value measurements of financial instruments (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

For valuation technique using discounted cash flows, the discount rates used take into consideration the credit risk of the relevant counterparties of the contracts or the Group, as appropriate.

Financial assets/ financial liabilities	Fair value as at 31 December 2019	Fair value as at 31 December 2018	Fair value hierarchy	Valuation technique(s) and key input(s)
Foreign exchange forward contracts	–	Liabilities – HK$5,986,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward exchange rates, contracted exchange rates and discount rates.
Dual currency interest rate swap	–	Liability – HK$2,506,000	Level 2	Valuation technique: Discounted cash flow and option pricing model. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, discount rate and HSBC Dynamic Term Premium Index 10 as published on Bloomberg Screen and its volatility.
Foreign currency and interest rate swap	–	Liability – HK$6,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, discount rate and volatility of exchange rate of HK$ vs US$.

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44. FINANCIAL INSTRUMENTS (Cont'd)

Fair value measurements of financial instruments (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Financial assets/ financial liabilities	Fair value as at 31 December 2019	Fair value as at 31 December 2018	Fair value hierarchy	Valuation technique(s) and key input(s)
Structured deposits	**Assets – HK$549,849,000**	Assets – HK$269,435,000	Level 2	Valuation techniques: Discounted cash flow. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, contracted exchange rates and volatility of exchange rates.
Investment component of a life insurance contract *(note i)*	**Assets – HK$31,594,000**	Assets – HK$31,009,000	Level 3	Valuation technique: account value quoted by insurer.
Equity instruments at FVTOCI *(note ii)*	**Assets – HK$19,009,000**	Assets – HK$19,493,000	Level 3	Valuation technique: Market approach. Key inputs: Median/average of the EV-to-EBITDA ratio based on publicly available information including Bloomberg database and the financial statements and announcements of respective comparable companies, marketability discount.

Notes:

(i) The return of the investment is at the discretion of the insurer and the surrender charge is for termination of both the insurance and investment components. Accordingly, the Directors consider the account value quoted by insurer as at 31 December 2019 as an appropriate estimate of fair value. The higher the discount rates, the lower the fair value. Fair value gain of HK$585,000 (2018: gain of HK$1,192,000) is recognised in profit or loss for the year ended 31 December 2019.

(ii) As disclosed in note 21, the Group's investment in equity interest in a private entity located in BVI was classified as equity instruments at FVTOCI. The fair value of the investments is measured using a valuation technique with significant unobservable inputs, and hence being classified as Level 3 of the fair value hierarchy. Key unobservable inputs used include marketability discount of 25%. The higher the marketability discount, the lower the fair value. Fair value loss of HK$484,000 (2018: loss of HK$4,973,000) is recognised in other comprehensive income for the year ended 31 December 2019.

44. FINANCIAL INSTRUMENTS (Cont'd)

Fair value measurements of financial instruments (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

There is no transfer amongst level 1, 2 and 3 for both years.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

45. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING ENFORCEABLE MASTER NETTING ARRANGEMENTS

The Group has entered into certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Netting Agreements ("ISDA Agreements") signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

Financial assets of the Group subject to ISDA Agreements by counterparty:

	Carrying amounts of financial assets in the consolidated statement of financial position Bank balances	Related amounts not set off in the consolidated statement of financial position – derivative financial liabilities	Net amount
	HK$'000	HK$'000	HK$'000
At 31 December 2018			
Bank A	99	(99)	–
Bank B	265	(265)	–
Total	364	(364)	–

45. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING ENFORCEABLE MASTER NETTING ARRANGEMENTS (Cont'd)

Derivative financial liabilities of the Group subject to ISDA Agreements by counterparty:

	Carrying amounts of financial liabilities presented under "Derivative financial instruments" in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position – financial assets HK$'000	Net amount HK$'000
At 31 December 2018			
Bank A	(2,549)	99	(2,450)
Bank B	(1,774)	265	(1,509)
Bank C	(2,087)	–	(2,087)
Bank D	(2,088)	–	(2,088)
Total	(8,498)	364	(8,134)

The gross amounts of the recognised financial assets and financial liabilities disclosed in the above tables, which are subject to enforceable master netting arrangements, are measured as follows:

- Bank balances – amortised cost
- Derivatives financial instruments – fair value

46. PLEDGE OF ASSETS

At the end of the reporting period, in addition to the bills discounted to banks as disclosed in note 27 and properties pledged to bank as disclosed in notes 15, 16 and 18, the Group has pledged the following assets to secure credit facilities granted to the Group:

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**–**	7,470

47. OPERATING LEASES

(a) The Group as lessor

The Group leases its investment properties under operating lease arrangements with average lease term of one to ten years.

Fixed lease payments receivable on leases are as follows:

	2019 **HK$'000**
Within one year	**29,529**
In the second year	**32,407**
In the third year	**27,156**
In the fourth year	**19,228**
In the fifth year	**14,689**
After five years	**21,462**
	144,471

	2018 HK$'000
Within one year	42,071
In the second to fifth year, inclusive	94,567
Over five years	9,171
	145,809

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47. OPERATING LEASES (Cont'd)

(b) The Group as lessee

The Group has commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000
Within one year	13,748
In the second to fifth year, inclusive	20,927
	34,675

Operating lease payments represent rental payable by the Group for certain of its office premises, retail stores, factories and warehouses. Leases are negotiated for terms ranging from one to ten years and rental are fixed over the lease terms. In addition to the fixed rentals which are disclosed above, pursuant to the terms of certain lease agreements, the Group has to pay a rental based on certain percentage of the gross sales of the relevant shop.

48. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of the property, plant and equipment and investment properties contracted for but not provided for in the consolidated financial statements	**100,134**	235,674

49. RETIREMENT BENEFITS SCHEMES

The Group participates in the Mandatory Provident Fund Schemes (the "MPF Schemes") for all qualifying employees of the Group in Hong Kong. The Group follows the minimum contribution requirement of 5% of eligible employees' relevant aggregated income with a cap of HK$1,500 per month. The assets of the MPF Schemes are held separately from those of the Group, in funds under the control of the trustees. The employees of the subsidiaries in the PRC are members of retirement benefits schemes operated by the PRC government. The contributions are charged to the profit or loss as incurred. The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable HK$'000	Bank borrowings *(note 39)* HK$'000	Lease liabilities/ obligations under finance leases HK$'000	Total HK$'000
At 1 January 2018	–	(1,387,004)	(95)	(1,387,099)
Net cash flows	18,336	42,826	99	61,261
Cash inflow from discounted bills with recourse	–	(84,563)	–	(84,563)
Finance costs *(note 8)*	–	(45,119)	(6)	(45,125)
Dividends declared	(18,336)	–	–	(18,336)
Non-cash movement of discounted bills with recourse	–	89,499	–	89,499
Exchange realignment	–	3,503	2	(3,505)
At 31 December 2018	–	(1,380,858)	–	(1,380,858)
Adjustment on HKFRS 16	–	–	(30,537)	(30,537)
At 1 January 2019	**–**	**(1,380,858)**	**(30,537)**	**(1,411,395)**
Net cash flows	**18,336**	**55,002**	**11,696**	**85,034**
Cash inflow from discounted bills with recourse	**–**	**(145,681)**	**–**	**(145,681)**
Finance costs *(note 8)*	**–**	**(48,493)**	**(1,326)**	**(49,819)**
New lease/lease modified	**–**	**–**	**(259)**	**(259)**
Dividends declared	**(18,336)**	**–**	**–**	**(18,336)**
Non-cash movement of discounted bills with recourse	**–**	**125,181**	**–**	**125,181**
Exchange realignment	**–**	**126**	**5**	**131**
At 31 December 2019	**–**	**(1,394,723)**	**(20,421)**	**(1,415,144)**

51. RELATED PARTY TRANSACTIONS

Apart from amounts due from and to joint ventures and amount due to an associate as set out in notes 29 and 36, respectively, the Group had the following transactions with related parties during the year:

	2019 HK$'000	2018 HK$'000
Purchases of raw materials and finished goods from joint ventures	**4,111**	11,949

Compensation of key management personnel

The remuneration of Directors, which are the key management personnel during the year are set out in note 9, is determined by the remuneration committee having regard to the performance of individuals and market trends.

52. CONTINGENT LIABILITIES

In addition to the ongoing enquiry of customs duty as disclosed in note 28, the Group has the following contingent liabilities:

There were disputes amongst the Group, Tai Ding Century Limited ("Tai Ding"), Ms. Leong, the beneficial owner of Tai Ding, and certain Directors. Several legal proceedings are taking place in relation to court orders over bank accounts of Longford and the claim for damages for breaching the cooperation agreement. The aforesaid parties in the action have agreed to generally extend the deadlines of filing various documents with court. In the opinion of Directors, the evidence is still at an early stage and the amount of claim is not yet provided by the counterparty, it is not probable that a material outflow of resources will be required and no provision has been made accordingly.

53. EVENTS AFTER REPORTING PERIOD

The outbreak of 2019 Novel Coronavirus ("COVID-19") and the subsequent quarantine measures imposed by the Chinese government in early 2020 had caused challenges to the operating environment of the Group in the first quarter of 2020, as most of the Group's operations are located in China.

The Group had stopped its manufacturing production due to mandatory government quarantine measures since mid-January 2020. Although the Group had resumed its manufacturing activities in early March, they were not operating at normal capacity as certain workers had to complete the mandatory quarantine period before returning to work. The delay in production will have certain negative impact to the Group's financial performance of the Groups in the first half of the year. However, the Directors considered that the financial impact of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated yet at the date these consolidated financial statements are authorised for issue.

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group 2019 %	2018 %	Principal activities
Angel Star Investment Limited	Hong Kong	HK$2 Ordinary HK$2 Non-voting deferred	65	65	Holding of trademarks
August Silk Inc.	USA	US$10	100	100	Marketing and garment trading
Bramead International Inc.	BVI/USA	US$1	100	100	Holding of trademarks
Da Fu Li Co., Limited	Taiwan	New Taiwan dollars 300,000	65	65	Garment trading
Dongguan Dalisheng Fashion Co., Ltd. *(note a)*	PRC	HK$28,000,000	100	100	Garment manufacturing
Dongguan Yihao Fashions Limited *(note a)*	PRC	HK$20,500,000	100	100	Garment manufacturing
Eminent Garment (Cambodia) Limited	Cambodia	US$250,000	100	100	Garment manufacturing
Eminent Garment Limited	Hong Kong	HK$2	100	100	Garment trading
Hangzhou Fortune Property Co., Ltd. *(note a)*	PRC	US$7,500,000	100	100	Property holding
杭州譽瑞資產管理有限公司 *(note a)*	PRC	RMB1,000,000	100	100	Property development
High Fashion Accessories and Gifts Limited	Hong Kong	HK$2	100	100	Accessories trading

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54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group 2019 %	2018 %	Principal activities
High Fashion Apparel Limited	BVI/Hong Kong	US$1,000	**100**	100	Investment holding
High Fashion (China) Co., Ltd. *(note a)*	PRC	US$116,865,779	**100**	100	Dyeing, printing and sandwashing of fabrics and garment manufacturing
High Fashion Garments Company Limited	Hong Kong	HK$2 ordinary HK$10,000,000 Non-voting deferred	**100**	100	Garment trading
High Fashion Garments, Inc.	USA	US$5,000	**100**	100	Marketing and garment trading
High Fashion Garments Macao Commercial Offshore Limited *(note b)*	Macau	Macau Pataca 100,000	**–**	100	Garment trading and agency
HFGML	Hong Kong	HK$20 Ordinary HK$20 Non-voting deferred	**100**	100	Provision of management services
High Fashion International (USA) Inc.	USA	US$1,800	**100**	100	Investment holding
High Fashion Knit Company Limited	Hong Kong	HK$2	**100**	100	Garment trading
High Fashion Garments International Company Limited	Hong Kong	HK$2 Ordinary HK$1,000,000 Non-voting deferred	**100**	100	Garment trading

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
			2019 %	2018 %	
High Fashion Knitwear Overseas Limited	Hong Kong	HK$2 Ordinary HK$10,000 Non-voting deferred	**100**	100	Garment trading
High Fashion (Shenzhen) Supply Chain Management Co., Ltd. *(note a)*	PRC	RMB3,000,000	**100**	100	Provision of management services
High Fashion Silk *(note a)*	PRC	US$50,000,000	**100**	100	Silk weaving
High Fashion (UK) Limited	United Kingdom	British pounds 20,000	**70.5**	70.5	Garment trading
Navigation Limited	BVI/Hong Kong	US$1	**100**	100	Investment holding
Rosso Amaranto S.r.l *(note b)*	Italy	EUR100,000	**–**	80	Trading of fabrics
Shenzhen Daliyu Fashion Co. Ltd. *(note a)*	PRC	RMB1,000,000	**100**	100	Garment retailing
Shenzhen Huijian Fashion Co., Ltd. *(note a)*	PRC	RMB10,000,000	**65**	65	Garment retailing
Stage II Limited	Hong Kong	HK$800,000	**65**	65	Garment trading
Super Topping Limited	Hong Kong	HK$2	**100**	100	Property management
The King Garment Limited	Hong Kong	HK$2	**100**	100	Garment trading
Theme Fashion (Singapore) Pte. Ltd.	Singapore	Singapore dollars 100,000	**65**	65	Garment retailing

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
			2019 **%**	2018 %	
Theme Garments (Shenzhen) Company Limited *(note a)*	PRC	RMB60,000,000	**100**	100	Garment retailing
Theme International Holdings (B.V.I.) Limited	BVI	US$10,001	**100**	100	Investment holding
新昌達利置業有限公司 *(note a)*	PRC	RMB5,000,000	**100**	100	Property development
Win One Retailing (Singapore) Pte. Ltd. *(note b)*	Singapore	Singapore dollars 100,000	**–**	100	Garment retailing
Zhejiang Dali Culture Creativity Co., Ltd. *(note a)*	PRC	US$20,000,000	**100**	100	Culture development

Note a: These companies are registered as a wholly-owned foreign enterprise.

Note b: These Companies are liquidated during the year.

High Fashion Apparel Limited is a directly held wholly owned subsidiary of the Company. Except for High Fashion Apparel Limited, all subsidiaries listed above are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong, PRC, USA and BVI. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Place of incorporation or registration/operations	Number of subsidiaries	
		2019	2018
Investment holding	Hong Kong	**18**	18
	BVI	**5**	5
		23	23
Inactive	Hong Kong	**18**	19
	PRC	**7**	9
	BVI	**11**	12
	USA	**1**	1
		37	41
		60	64

In the opinion of the Directors, there is no subsidiary that has non-controlling interest that is individually material to the Group for both years and therefore no further information is disclosed for these non-wholly owned subsidiaries.

None of the subsidiaries had issued any debt securities at the end of the year.

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55. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current asset		
Investment in a subsidiary	**427,628**	426,761
Current assets		
Prepayment	**145**	149
Amount due from a subsidiary	**26,421**	36,937
Bank balances and cash	**142**	141
	26,708	37,227
Current liabilities		
Other payables and accruals	**116**	145
Net current assets	**26,592**	37,082
	454,220	463,843
Capital and reserves		
Share capital	**30,562**	30,562
Reserves	**423,658**	433,281
Total equity	**454,220**	463,843

Movement in the Company's reserves

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Contribution surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	287,656	16,520	8,511	101,171	–	10,026	423,884
Profit for the year	–	–	–	–	–	27,653	27,653
Dividends declared and paid in cash	–	–	–	–	–	(18,336)	(18,336)
Recognition of equity settled share-based payments	–	–	–	–	80	–	80
At 31 December 2018	**287,656**	**16,520**	**8,511**	**101,171**	**80**	**19,343**	**433,281**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**7,756**	**7,756**
Dividends declared and paid in cash	**–**	**–**	**–**	**–**	**–**	**(18,336)**	**(18,336)**
Recognition of equity settled share-based payments	**–**	**–**	**–**	**–**	**957**	**–**	**957**
At 31 December 2019	**287,656**	**16,520**	**8,511**	**101,171**	**1,037**	**8,763**	**423,658**

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial periods, as extracted from the audited financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**2,913,710**	3,074,745	2,732,974	2,422,545	2,678,240
Profit before taxation	**46,028**	29,748	88,601	85,232	57,011
Taxation	**19,242**	8,920	(45,926)	(43,968)	(13,768)
Profit for the year	**65,270**	38,668	42,675	41,264	43,243
Profit for the year attributable to:					
Owners of the Company	**71,964**	43,640	41,976	43,277	46,424
Non-controlling interests	**(6,694)**	(4,972)	699	(2,013)	(3,181)
	65,270	38,668	42,675	41,264	43,243

ASSETS AND LIABILITIES

	At 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**5,016,210**	5,083,752	4,899,757	4,305,881	4,610,768
Total liabilities	**(2,536,580)**	(2,589,515)	(2,379,649)	(2,142,725)	(2,369,566)
	2,479,630	2,494,237	2,520,108	2,163,156	2,241,202

In 2018, the Group had applied HKFRS 9, HKFRS 15 and other amendments to HKFRSs. Accordingly, certain comparative information for the years ended 31 December 2017, 2016 and 2015 may not be comparable to the years ended 31 December 2018 and 2019 as such comparative information was prepared under HKAS 18, HKAS 11 and HKAS 39.

In 2019, the Group has applied HKFRS 16 and other amendments to HKFRSs. The comparative information for the years ended 31 December 2018, 2017, 2016 and 2015 have not been restated on initial application of HKFRS 16.

Schedule of Principal Investment Properties

Particulars	Approximate Gross Floor Area (square meters)	Lease Term	Usage	Stage of Completion	Group's interest (%)
G/F-10/F, 13/F, High Fashion Centre, 1-11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong. High Fashion Centre *(note i)*	16,777	Medium term	Commercial/Office	Under construction	100%
Shennan Road, Che Gong Miao, Fu Tian District, Shenzhen. Hanggang Fuchun Commercial Building 12units on L1 & L2.	3,667	Long term	Commercial/Office	Completed	100%
8, Qiannong Road (E), Xiaoshan Economic and Technological Development Zone, Hangzhou, Zhejiang Province. *(note ii)*	43,286	Medium term	Industrial	Completed	100%
109, Renmin East Road, Xinchang County, Shaoxing, Zhejiang Province. 達利廣場	33,252	Medium term	Commercial	Completed	100%
Jiangbin East Road, Xinchang County, Shaoxing, Zhejiang Province. 達利大廈	6,913	Long term	Commercial/Office	Completed	100%
Southeast intersection of Yingchun South Road and 320 National Road, Chengxin Zone, Tonglu County, Zhejiang Province. (land lot no. 1&2)	56,632	Medium term	Cultural and tourist attraction	Under development	100%
Qianjiang farm, Qianjiang road south, Bridge south, Xiaoshan, Hangzhou, Zhejiang Province.	84,001	Long term	Industrial	Under development	100%
Unit 1 Block 17, 618 Ding Yuan Lu Songjiang Qu, Shanghai, China	3,795	Medium term	Industrial	Completed	100%

Notes:

(i) 11/F-12/F of High Fashion Centre serving as the Group's head office not included in the above.

(ii) Areas currently occupied by the Group's manufacturing business not included in the above.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Foo Wah *(Chairman)*
(Resigned as Managing Director with effect from 1 February 2020)
Ms. So Siu Hang, Patricia
Mr. Lam Gee Yu, Will
(Appointed as Managing Director with effect from 1 February 2020)
Mr. Lam Din Yu, Well
(Appointed as Managing Director (China) with effect from 1 February 2020)

Non-executive Directors

Professor Yeung Kwok Wing
Mr. Hung Ka Hai, Clement

Independent Non-executive Directors

Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim
Mr. Chung Kwok Pan

AUDIT COMMITTEE

Mr. Leung Hok Lim *(Chairman)*
Professor Yeung Kwok Wing
Mr. Hung Ka Hai, Clement
Mr. Wong Shiu Hoi, Peter
Mr. Chung Kwok Pan

REMUNERATION COMMITTEE

Mr. Wong Shiu Hoi, Peter *(Chairman)*
Professor Yeung Kwok Wing
Mr. Leung Hok Lim
Mr. Chung Kwok Pan
Mr. Lam Gee Yu, Will

NOMINATION COMMITTEE

Mr. Lam Foo Wah *(Chairman)*
Professor Yeung Kwok Wing
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim
Mr. Chung Kwok Pan

RISK MANAGEMENT COMMITTEE

Mr. Wong Shiu Hoi, Peter *(Chairman)*
Mr. Leung Hok Lim
Mr. Chung Kwok Pan
Mr. Lam Gee Yu, Will
Professor Yeung Kwok Wing (Appointed on 30 March 2020)
Mr. Li Wa Tat, Benedict

COMPANY SECRETARY

Mr. Li Wa Tat, Benedict

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISER IN HONG KONG

Wilkinson & Grist

LEGAL ADVISER ON BERMUDA LAW

Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

22/F., CITIC Telecom Tower,
93 Kwai Fuk Road, Kwai Chung,
New Territories, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street,
Hamilton HM11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank Sinopac, Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
Citibank N.A., Hong Kong Branch
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
OCBC Wing Hang Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited, Hong Kong Branch

Shareholders & Investors Relation Information

RESULTS ANNOUNCEMENT:

2019 Final (Audited)	17 April 2020
2019 Final (Unaudited)	30 March 2020
2019 Interim	30 August 2019
2018 Final	29 March 2019
2018 Interim	30 August 2018

2020 ANNUAL GENERAL MEETING

24 June 2020

CLOSURE OF REGISTER OF MEMBERS

Events	Book close period *(both days inclusive)*
For attendance to 2020 Annual General Meeting	22 June 2020 to 24 June 2020
For entitlement to the proposed final dividend	2 July 2020 to 3 July 2020

DIVIDENDS:

2019 Final	3 HK cents per share payable on or about 17 July 2020
2019 Interim	3 HK cents per share payable on 18 October 2019
2018 Final	3 HK cents per share payable on 28 June 2019
2018 Interim	3 HK cents per share payable on 16 October 2018

AUTHORISED SHARES

1,000,000,000 ordinary shares

ISSUED SHARES

305,615,420 ordinary shares (as at 31 December 2019)

BOARD LOT

2,000 shares

FINANCIAL YEAR END

December 31

STOCK CODE

608

COMPANY WEBSITE

www.highfashion.com.hk

LISTING DATE

4 August 1992