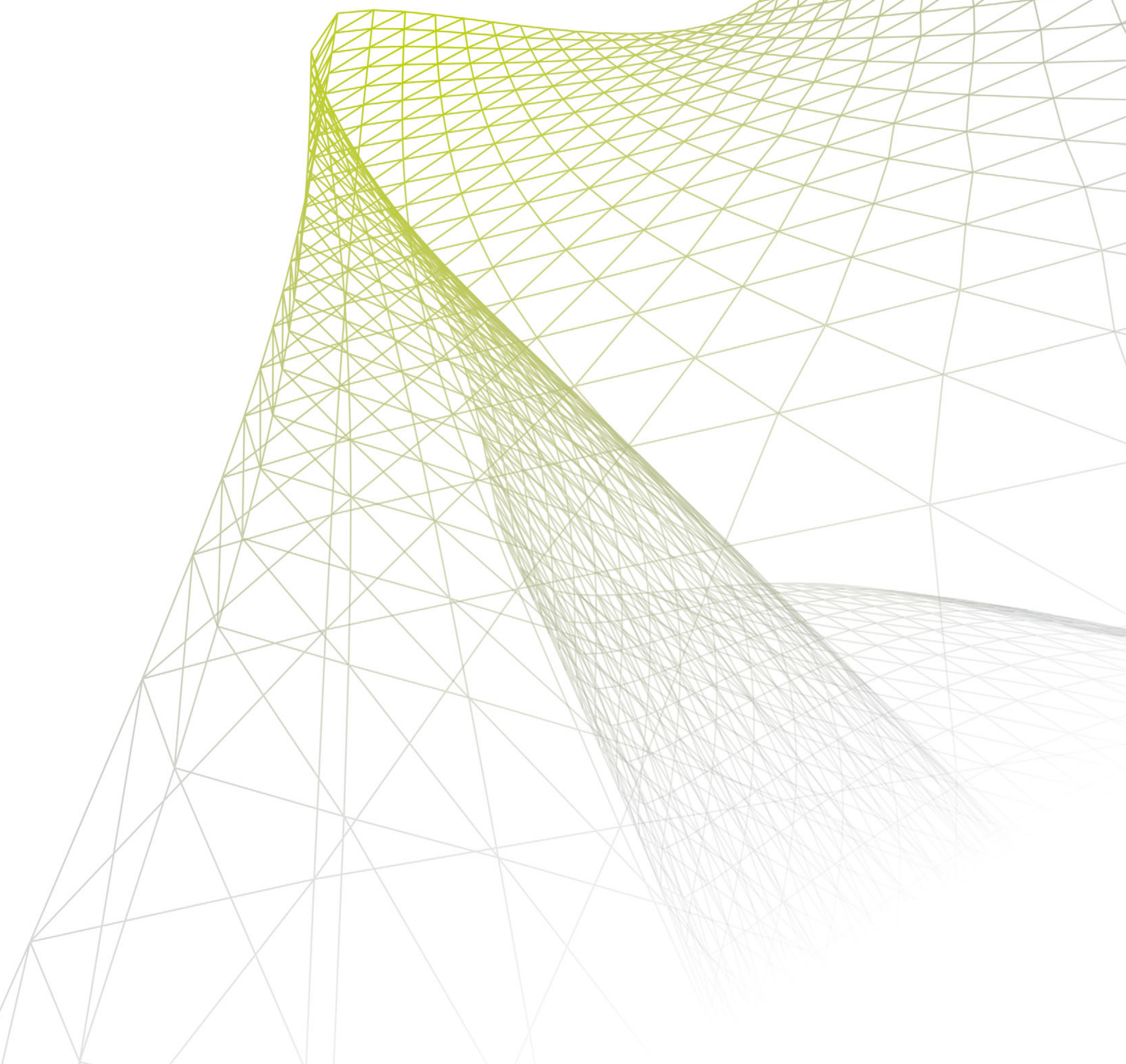
GROWN UP GROUP

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

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

2020
ANNUAL REPORT



CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Thomas Berg *(Chairman)*
Mr. Morten Rosholm Henriksen
Mr. Cheng Wai Man
Mr. Brian Worm *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTOR

Mr. Fung Bing Ngon Johnny

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Mr. Jiang Yuan Kun

AUDIT COMMITTEE

Mr. Tang Tin Lok Stephen *(Chairman)*
Mr. Lau Ning Wa Ricky
Mr. Jiang Yuan Kun

NOMINATION COMMITTEE

Mr. Thomas Berg *(Chairman)*
Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Mr. Jiang Yuan Kun

REMUNERATION COMMITTEE

Mr. Lau Ning Wa Ricky *(Chairman)*
Mr. Tang Tin Lok Stephen
Mr. Jiang Yuan Kun
Mr. Thomas Berg

COMPANY SECRETARY

Ms. Shut Ya Lai

AUTHORISED REPRESENTATIVES

Mr. Thomas Berg
Ms. Shut Ya Lai

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

COMPLIANCE ADVISOR

Dakin Capital Limited

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.grown-up.com

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

PRINCIPAL BANKER

Hang Seng Bank Limited

STOCK CODE

1842

Financial Results	Year ended 31 December 2020 HK$'000	2019 HK$'000
Revenue	347,387	304,788
Loss for the year	(14,477)	(29,500)
Basic loss per share (HK cent)	(1.45)	(3.22)
Diluted loss per share (HK cent)	(1.45)	(3.22)

Statement of Financial Position	As at 31 December 2020 HK$'000	2019 HK$'000
Non-current assets	82,871	88,373
Current assets	212,149	251,769
Total assets	295,020	340,142
Current liabilities	176,031	206,039
Non-current liabilities	11,085	12,191
Total liabilities	187,116	218,230
Net assets	107,904	121,912
Ratio Analysis		
Current ratio (times)	1.2	1.2
Gearing ratio	79.6%	79.6%

Notes:

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

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

CHAIRPERSON'S STATEMENT

Dear Valued Shareholders,

On behalf of the board of directors (the "Directors") (the "Board") of Grown Up Group Investment Holdings Limited (the "Company"), together with its subsidiaries (collectively, the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2020 (the "Reporting Period").

It's been a year like no other for the Company, just as it has been for the wider world. The COVID-19 pandemic (the "COVID-19 Pandemic") has posed significant unforeseen challenges for all businesses, including the Company; however, the transformative changes that we put into action more than 12 months ago, which was originally motivated by the trade tensions between the U.S. and the PRC, has enabled us to navigate the uncertainty with confidence.

Undoubtedly, our 2019 financial year was a challenging year for the Company, and coming out of that period, we defined 2020 as a year for regaining our momentum, which meant taking a critical look at our internal operations and our deployment of spend across the business. We are proud of our accomplishments in 2020 which have resulted in a significantly stronger and more diverse manufacturing footprint, while maintaining our designing and developing capacity. We have focused on constant engagement with our customers through to ensure that we were ready to support and facilitate our customers' accelerated shift to online retail.

The bilateral negotiations between the U.S. and the PRC, has de-escalated trade tensions, but as a manufacturing company we have now incorporated the increase of tariffs between the two countries into our business approach. Being one of the leading Original Equipment Manufacturers and Original Design Manufacturers in bags and luggage to customers around the world, the Group inevitably experienced the need for a diversified manufacturing footprint, whereas in 2020 we have prioritised to further established manufacturing capacity in regions which will minimise our exposure to shifting global trade restrictions. The diverse manufacturing footprint has made our customers less cautious about placing manufacturing orders.

Of course, the COVID-19 Pandemic had significant repercussions, not just for the Company, but for the entire world, and for our customers, too. Throughout the COVID-19 Pandemic, our first priority was to protect the health, safety and wellbeing of our employees. We quickly redesigned our processes to make them COVID-secure and compliant with social distancing guidelines, and we moved all of our interactions with partners, customers and suppliers online. We also took significant steps to protect the business financially, which meant significant and permanent reductions in the deployment of spend globally. To further protect the Company, we also made appropriate use of government support, including payment deferrals and job retention programmes.

The past year has been one of significant challenges, but we have emerged a better business for it. With our internal capabilities aligned to our global growth ambitions, we are ready for whatever the future may hold.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my sincere appreciation to our partners, the Group's management teams and employees for their unwavering commitment and dedication. We would like to thank all parties who have contributed to our performance in 2020, and extend our gratitude to our stakeholders, including our shareholders, customers, suppliers and government authorities for the continued support and trust in us. We are looking forward to bringing value for our shareholders and sharing our greater success with you all.

Thomas Berg
Chairman and executive Director

Hong Kong
26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group has been operating nearly three decades within the industry of designing, developing, manufacturing and selling and distributing bags, luggage and accessories. The Group's products are mainly categorised into (i) private label products; and (ii) branded products, which cater to kid, teen, sports, leisure, business, travel, technical and medical related segments.

The business model of the Group has continuously evolved from a traditional Original Equipment Manufacturing ("OEM") manufacturer mainly based in the PRC, to a comprehensive product manufacturer with multiple geographical manufacturing capabilities rendering services combining OEM, Original Design Manufacturing ("ODM") and Original Brand Manufacturing ("OBM"). Leveraging on the Group's design and development capabilities and manufacturing knowhow, the Group has been able to ensure a stable and quality supply with product design optimisation to our diverse and global customer portfolio which consists of private label customers, distributors, wholesalers and retailers.

During the Reporting Period, the ongoing trade dispute between the U.S. and the PRC continued to pose challenges to our sales in the U.S. market as the Group has become less price competitive over manufacturers located outside the PRC. The Group maintained a relatively low level of sales to the U.S. for the first six months of 2020. In response to the heightened tension between the U.S. and the PRC, the Group has been shifting production of products sold in the U.S. market from its production facility in the PRC to manufacturers located outside the PRC to mitigate the negative impact of the U.S. tariffs on its sales. The Group also reinforced its sales presence with new customers in the U.S. during the Reporting Period. Our sales to the U.S. market improved remarkably in the second half of 2020.

Apart from the trade dispute between the U.S. and the PRC, the outbreak of the COVID-19 Pandemic since early 2020 has also adversely impacted the performance of the Group. During the Reporting Period, due to the outbreak of the COVID-19 Pandemic, the Group's own production facility, global development and supply chain centre in the PRC, as well as certain suppliers were temporarily suspended or limited the scale of production. Also, certain customers temporarily closed their office with limited operation. Particularly near the end of 2020, given various limitations levied by the COVID-19 Pandemic globally, there was overwhelming of ocean freight demands with shortage of shipping equipment and high logistic costs. As such, certain product development, production and delivery schedule of the products were being affected. In addition, due to the preventive measures imposed as a result of the spread of the COVID-19 Pandemic, including but not limited to (i) the widespread travel restrictions; (ii) closure of non-essential business; and (iii) imposition of quarantine and other social distancing measures, certain retail and department stores, as well as schools, were closed which lowered the customers' demand on the Group's products, especially for branded product business which mainly distributes schoolbags and travelling luggage via retail and department stores. The revenue of the Group's branded product business for the Reporting Period was approximately HK$70.7 million, which represents a decline of approximately HK$52.9 million, or approximately 42.8%, from approximately HK$123.6 million as recorded for the year ended 31 December 2019.

In spite of the above, the Group's total revenue for the Reporting Period increased by approximately HK$42.6 million or approximately 14.0%, from approximately HK$304.8 million for the year ended 31 December 2019 to approximately HK$347.4 million for the Reporting Period. Such increase was mainly attributable to the increase in revenue from our private label product business as a result of (i) the increase in sales of tool bags to the U.S. in the second half of 2020; (ii) the sales of isolation gowns in order to accommodate to an immediate demand of personal protective equipment which arose as a consequence of the outbreak of the COVID-19 Pandemic; and (iii) the increase in demand of medical bags and related supplies from existing and new customers during the Reporting Period.

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

	Year ended 31 December			
	2020		2019	
	Revenue HK$'000	%	Revenue HK$'000	%
Private label products				
Backpack and others	70,791	21	107,876	36
Tool bags and luggage	100,575	29	32,836	11
Medical bags and related supplies	105,278	30	40,431	13
Subtotal	276,644	80	181,143	60
Branded products				
Backpack and others	63,247	18	89,644	29
Tool bags and luggage	7,496	2	34,001	11
Subtotal	70,743	20	123,645	40
Total	347,387	100	304,788	100

Our cost of sales increased by approximately HK$45.8 million or approximately 20.3% from approximately HK$226.0 million for the year ended 31 December 2019 to approximately HK$271.8 million for the Reporting Period. Such increase was primarily due to the increase in cost of inventories sold which was in line with our increased revenue. Our overall gross profit margin decreased from approximately 25.9% for the year ended 31 December 2019 to approximately 21.8% for the Reporting Period. The decrease of gross profit margin was mainly driven by higher sales proportion of private label products at lower gross profit margin during the Reporting Period.

Our other income increased by approximately HK$6.0 million from approximately HK$0.8 million for the year ended 31 December 2019 to approximately HK$6.8 million for the Reporting Period. Such increase was mainly attributable to the one-off license fee waiver of approximately HK$5.6 million granted by our licensors for our branded products business as a consequence of the outbreak of the COVID-19 Pandemic.

Our selling and distribution expenses increased by approximately HK$1.6 million from approximately HK$34.7 million for the year ended 31 December 2019 to approximately HK$36.3 million for the Reporting Period. Such increase was mainly due to the combined effect of (i) the decrease in transportation and freight charges as our brand label business that adversely impacted by the COVID-19 Pandemic; and (ii) the increase in sale and marketing expenses and also our design and development expenses to maintain our competitiveness among the industry.

Our administrative expenses decreased by approximately HK$14.6 million from approximately HK$68.5 million for the year ended 31 December 2019 to approximately HK$53.9 million for the Reporting Period. Such decrease was mainly due to (i) the decrease in non-recurring listing expenses by approximately HK$12.7 million and (ii) the decrease in staff salaries by approximately HK$12.2 million during the Reporting Period but partially off-set by (iii) the increase in non-recurring severance payment and restructuring costs by approximately HK$4.9 million and (iv) the increase in corporate expenses after listing by approximately HK$2.7 million for the Reporting Period.

Our finance costs, net decreased by approximately HK$3.1 million from approximately HK$8.1 million for the year ended 31 December 2019 to approximately HK$5.0 million for the Reporting Period. Such decrease was mainly due to the decrease in the average outstanding balance for interest bearing debts for the Reporting Period.

For the Reporting Period, the Group's income tax credit amounted to approximately HK$0.9 million, as compared with HK$3.0 million of income tax credit for the year ended 31 December 2019. Such income tax credit was primarily attributed to the tax loss for branded label business.

Loss attributable to shareholders of the Company decreased by approximately HK$15.0 million to approximately HK$14.5 million for the Reporting Period from loss of approximately HK$29.5 million for the year ended 31 December 2019.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

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

As at 31 December 2020, the Group had net current assets of approximately HK$36.1 million (31 December 2019: HK$45.7 million), cash and bank balances and pledged deposits amounted to approximately HK$77.2 million (31 December 2019: HK$84.5 million) and bank borrowings amounted to approximately HK$79.0 million (31 December 2019: HK$84.9 million). The Group's cash and bank balances as at 31 December 2020 were mainly denominated in Renminbi ("RMB"), Hong Kong Dollars ("HKD") and United Stated Dollars ("USD"). The Group's borrowings carried interest at rates ranging from 1.2% to 5.8% per annum during the Reporting Period (31 December 2019: 2.8% to 5.7%).

The Group's gearing ratio as at 31 December 2020 was 79.6% (31 December 2019: 79.6%), calculated by dividing total debt by total equity multiplied by 100%. Total debt is defined as the sum of lease liabilities and bank and other borrowings.

FUNDING AND TREASURY POLICY

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

LISTING EXPENSES

Listing expenses represented fees paid/payable to various professional parties in connection with the Group successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 June 2019 (the "Listing Date"). The Group did not have any listing expenses recognised in profit or loss for the Reporting Period (2019: approximately HK$12.7 million).

CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material events after the Reporting Period and up to the date of this annual report.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2020 and 2019.

EMPLOYEE INFORMATION

As at 31 December 2020, the Group had 502 employees (31 December 2019: 769). Salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis. Remuneration is reviewed annually. Staff benefits include contribution to mandatory contribution fund, discretionary bonus and share options. As at the date of this annual report, no share option has been granted or agreed to be granted to employees of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

As at 31 December 2020, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group (31 December 2019: Nil).

FURTHER PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

As at 31 December 2020, the Group had no future plan for material investment and capital assets (31 December 2019: Nil).

SIGNIFICANT INVESTMENT HELD

As at 31 December 2020, the Group did not make any significant investments (31 December 2019: Nil).

CHARGE ON ASSETS

As at 31 December 2020 and 2019, the following assets were pledged to banks to secure general banking facilities granted to the Group:

(i) Land and buildings with carrying values of approximately HK$1.2 million (2019: approximately HK$20.6 million);

(ii) There was no pledged for any carrying value of prepaid land use rights included in the right-of-use assets for the year ended 31 December 2020 (2019: approximately HK$1.3 million);

(iii) Pledged deposits of approximately HK$48.8 million (2019: approximately HK$28.0 million);

(iv) Inventories and trade receivables of a subsidiary company of approximately HK$30.6 million (2019: approximately HK$37.9 million); and

(v) Financial assets at fair value through profit or loss of approximately HK$7.0 million (2019: approximately HK$7.0 million).

FOREIGN CURRENCY EXPOSURE

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

DIVIDEND

The Board did not recommend the payment of a final dividend by the Company for the Reporting Period (2019: Nil).

USE OF PROCEEDS FROM LISTING

The net proceeds (the "Net Proceeds") received by the Group, after deducting related expenses, were approximately HK$49.9 million. As at the date of this annual report, the unutilised Net Proceeds amounted to approximately HK$14.2 million ("Unutilised Net Proceeds").

The Board has resolved to change the use of the Unutilised Net Proceeds and details of the change are set out in the announcement of the Company dated 26 March 2021. In response to the continuously changing global economic environment, the Group's change in use of the Unutilised Net Proceeds aims to shift its focus from enhancing manufacturing capabilities in the PRC to (i) further expanding sales and marketing network; and (ii) minimising future finance costs.

The utilisation of the Net Proceeds as at the date of this annual report, the revised allocation of the Unutilised Net Proceeds and the expected timeline on the utilisation of the Unutilised Net Proceeds are as follows:

Intended use of Net Proceeds	Original approximate percentage of Net Proceeds	Original Amount of Net Proceeds (HK$'000)	Unutilised Net Proceeds up to the date of this annual report (HK$'000)	Revised approximate percentage of Net Proceeds	Revised allocation of Unutilised Net Proceeds (HK$'000)	Expected timeline on utilisation of Unutilised Net Proceeds
Intensifying design and development efforts	16.3%	8,088	445	16.3%	445	To be utilised by 31 December 2021
Enhancing design and development capabilities	11.4%	5,738	630	11.4%	630	To be utilised by 31 December 2021
Expanding sales and marketing network	14.6%	7,194	–	23.2%	4,360	To be utilised by 31 December 2021
Expanding and enhancing manufacturing capabilities	23.7%	11,800	10,860	2.0%	–	N/A
Enhancing information technology management system	9.2%	4,634	2,250	9.2%	2,250	To be utilised by 31 December 2022
Repaying outstanding bank loans	15.0%	7,500	–	28.1%	6,500	To be utilised by 31 December 2021
Working capital	9.8%	4,900	–	9.8%	–	N/A
	100.0%	49,854	14,185	100.0%	14,185	

The Unutilised Net Proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong as at the date of this annual report. The Board is of the view that the aforesaid re-allocation of the Unutilised Net Proceeds will be favourable to the Group's long term business development and will represent a more appropriate utilisation of the Unutilised Net Proceeds. The Board considered that the proposed change in the use of Net Proceeds will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and its shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND PROSPECTS

Across our markets, the Group continues to be an important partner to our customers. Our longstanding commitment to having strong design, research, and development capabilities, have diversified us from the competitors in the industry. Purpose-led brands continue to trailblaze, which is why it is vital that moving into 2021, we focus on operating in the right way. Even in these difficult times, we have never lost sight of the big picture. Alongside improving fiscal performance again, we need to drive a transparent and responsible business. This year, we have proven the resilience of our business-model and the strength of our customer engagement. Looking ahead to our priorities for 2021, we will continue our progress towards becoming the preferred partner within global luggage and bags, and we are positioned to capitalise on the accelerated shift in demand for shopping online. The full implications of the COVID-19 Pandemic on consumer demand and the wider economy remain to be seen, but we are in a strong position to face any challenges that come our way. Due to the uncertainty we experienced in 2020, we adjusted our structure and cost base accordingly. We kept our factories going globally, we serviced our customers, and strengthened our presence. With the extraordinary efforts of our employees, we have been able to safeguard our strategic initiatives. Our long-standing relationships with our internationally renowned customers, have proved to be a great strength, and coupled with the manoeuvrability of our manufacturing footprint, the Group's reputation, credibility, and competitiveness, have been further strengthened during these difficult times.

Nevertheless, 2020 was a challenging year for the industry and the Group, and we will remain cautious going into 2021, since travel-restrictions and the reduction of mobility will remain to have an impact. The Group is monitoring and reviewing the market conditions, and we believe that the ongoing countermeasures currently being taken by governments, will gradually stimulate and energise the global demand for our product-portfolio.

The Directors are aware that the success of the Group lies in the persistence to innovate and are determined to revitalise the business strategies by reinforcing the design and development efforts. To further strengthen the Group's position in the backpack and luggage industry, we are continuously looking for new customers to improve our business profile, despite long term business relationships with several international-renowned customers were forged and maintained. Aiming at having an expanded sales network, the Group will continue to develop its sales organisation and online sales platforms to strengthen its position and improve operational efficiency and our customers experience. The Group also intends to remain diversified in its manufacturing capabilities to maintain its production offering to its customers.

The Group is aware of the ever-changing conditions and more than ever, and for 2021 we will remain able and willing to implement any plans and seize any opportunities to realise economic growth and tackle any issues. We place high emphasis on the commitment and connection with the customers and will stay sensitive and alert to their needs. The Group strives to nurture its steadfast position and will adhere to its values in bolstering the quality of its products and services in the coming years.

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

DIRECTORS

Executive Directors

Mr. Thomas Berg ("**Mr. Berg**"), aged 49, is the chairman of our Board and an executive Director. He was concurrently appointed as an executive Director and the chairman of our Board on 16 March 2018. He is also the Director of certain subsidiaries of the Group. He is mainly responsible for overall business development as well as financial and strategic planning of the Group. He is also the chairman of the nomination committee (the "Nomination Committee") and a member of the remuneration committee (the "Remuneration Committee") of the Group.

Mr. Berg has more than 24 years of experience in the sales and marketing industry. From August 1994 to December 1996, Mr. Berg worked for Pacific Market International, a drinkware, bag and luggage supplier, at which his last position was sales executive. In October 1996, Mr. Berg entered into a cooperation agreement with Grown-Up Manufactory Limited ("GPM") to manage our Group's business in Europe, and subsequently joined the Group and was appointed as managing director of the Europe office of GPM in January 1997. In April 2002, Mr. Berg was further appointed as director of GPM. From January 2005 to August 2015, he worked as group chief executive officer of GPM. From December 2005 to June 2012, he was appointed as managing director of Grown-Up ApS. Since April 2015, Mr. Berg has been serving as group executive chairman of GPM.

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

As at 31 December 2020, Mr. Berg was interested in 88.7% of the issued share capital of GP Group Investment Holding Limited ("GPG") and was deemed to be interested in 510,000,000 shares (representing 51.0% of the aggregate number of shares in issue) held by GPG within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). Save as disclosed above, Mr. Berg (i) had no other interests in any shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Morten Rosholm Henriksen ("**Mr. Henriksen**"), aged 52, is an executive Director. He was appointed as an executive Director on 16 March 2018. He is mainly responsible for overall management of our business operation.

Mr. Henriksen has more than 24 years of experience in the sales and marketing industry. From January 1995 to December 1999, Mr. Henriksen worked for Forlaget Benjamin ApS (currently known as Benjamin Media A/S), at which his last position was publisher. From December 2000 to August 2004, Mr. Henriksen was appointed as managing director of Trade2Trade World Wide ApS (currently known as eBay Classifieds Scandinavia ApS). In January 2005, Mr. Henriksen joined the Group, and was appointed as a board member of Berg Brand Management ApS. Since September 2006, Mr. Henriksen has been appointed as managing director of Grown-Up Licenses ApS. In February 2007, Mr. Henriksen was further appointed as a management board member of BBM Berg Brand Management GmbH.

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

As 31 December 2020, Mr. Henriksen was interested in 11.3% of the issued share capital of GPG. Save as disclosed above, Mr. Henriksen (i) had no interests in any shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Cheng Wai Man (鄭偉民) ("**Mr. Cheng**"), aged 61, is an executive Director. He was appointed as an executive Director on 16 March 2018. He is mainly responsible for overall management of our business operation.

Mr. Cheng has more than 25 years of experience in the bags selling, manufacturing and trading industry. In October 1993, Mr. Cheng joined the Group and has been serving as director of GPM since then.

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

Mr. Brian Worm ("**Mr. Worm**"), aged 41, is an executive Director and the chief executive officer of the Group. He was appointed as an executive Director on 7 May 2020. He is mainly responsible for the Company's overall strategic planning and managing the Group's operation.

Mr. Worm has more than 12 years of experience in the financial and manufacturing industry. From 2008 to 2011, Mr. Worm worked as the group controlling manager at Samson Agro A/S, a European manufacturer of heavy industry equipment. From 2011 to 2015, he worked as group finance manager at Arla Foods Amba, a leading global dairy company. From 2015 to 2017, he held various positions including chief financial officer at Hwam A/S, a European manufacturing company of steel components. In April 2017, Mr. Worm joined the Group as the Group's Finance Director and Chief Operational Officer in Europe. In August 2019, Mr. Worm was appointed as the chief executive officer of the Group.

Mr. Worm obtained a bachelor's degree in Management accounting and Control from the University of Aalborg Denmark in 2003 and a master's degree in Economics and Business Administration from the University of Aalborg Denmark in 2005, respectively.

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

Non-executive Director

Mr. Fung Bing Ngon Johnny (馮炳昂) ("**Mr. Fung**"), aged 65, is a non-executive Director. He was appointed as a non-executive Director on 16 March 2018. He is mainly responsible for providing strategic advice to the Group.

Mr. Fung has more than 25 years of experience in the handbags manufacturing and trading industry. In October 1993, Mr. Fung joined the Group and has been serving as director of GPM since then.

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

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

Independent non-executive Directors

Mr. Tang Tin Lok Stephen (鄧天樂) ("**Mr. Tang**"), aged 44, was appointed as an independent non-executive Director on 30 May 2019. He is responsible for providing independent advice to the Group. He is the chairman of the audit committee (the "Audit Committee") of the Group, and a member of each the Remuneration Committee and the Nomination Committee.

Mr. Tang has been in the financial service industry for more than 20 years. Mr. Tang was a director with the Deloitte & Touche Financial Advisory Services Group where he focused on private equity and merger and acquisition transactions in the PRC and the Asia Pacific region. Mr. Tang began his career at the Financial Services Group at Ernst & Young in Sydney, and subsequently relocated to Hong Kong and Beijing. Mr. Tang received a Master Degree of Commerce in Advanced Finance and Bachelor Degree of Commerce from the University of New South Wales in Australia. He is a Chartered Accountant of the Chartered Accountants Australia and New Zealand, and a member of the Hong Kong Institute of Certified Public Accountants. Since December 2015, Mr. Tang has been an independent non-executive director of Maxnerva Technology Services Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock code: 1037).

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

Mr. Lau Ning Wa Ricky (劉寧樺) ("**Mr. Lau**"), aged 35, was appointed as an independent non-executive Director on 30 May 2019. He is responsible for providing independent advice to the Group. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

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

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

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

Mr. Jiang Yuan Kun (蔣远坤) ("Mr. Jiang"), aged 36, was appointed as an independent non-executive Director on 29 July 2020. He is responsible for providing independent advice to the Group. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Jiang was graduated from Chongqing Technology and Business University (重慶工商大學) with a bachelor's degree in law in 2007. Mr. Jiang has extensive experience in the areas of e-commerce and real property. Prior to joining the Group, Mr. Jiang was a deputy general manager of Chongqing Lao Tian Weng E-commerce Company Limited* (重慶老田翁電子商務有限公司), being a company principally engaged in managing online stores for clients for the sale of food and beverages on e-commerce platforms, from February 2011 to January 2019, where he was primarily responsible for overall business management, strategic planning and daily operation. From January 2008 to November 2010, Mr. Jiang was a deputy general manager of Chongqing Zhongchi Property Company Limited (重慶中馳置業有限公司), being a company principally engaged in property development, where he was primarily responsible for the administrative and risk management.

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

* *For identification purpose only*

Senior Management

Ms. Shut Ya Lai (薛雅麗) ("**Ms. Shut**"), aged 38, is our group financial director and company secretary. Ms. Shut joined our Group in February 2013. She is mainly responsible for overseeing the Group's financial planning, treasury and financial control matters as well as company secretarial matters.

Ms. Shut has more than 16 years of experience in the accounting, auditing and manufacturing industry with extensive financial management and company secretarial expertise. From September 2004 to April 2012, Ms. Shut worked for Ernst & Young at which her last position was manager. In February 2013, Ms. Shut joined our Group and worked as assistant financial controller of GPM. She was subsequently promoted to financial controller of GPM in September 2013 and group financial controller of the Group in March 2015. Since June 2016, she has been serving as group finance director of the Group.

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

CORPORATE GOVERNANCE REPORT

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

THE BOARD

Composition

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

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

Executive Directors:

Mr. Thomas Berg (Chairman)
Mr. Morten Rosholm Henriksen
Mr. Cheng Wai Man
Mr. Brian Worm (Chief Executive Officer)

Non-Executive Director:

Mr. Fung Bing Ngon Johnny

Independent Non-Executive Directors:

Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Mr. Jiang Yuan Kun

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

Board Diversity Policy

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

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

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

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

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

Executive Directors

The executive Directors have been appointed by the Company for a fixed term of three years. Such appointment may be terminated in accordance with the terms of service agreements, including by either party giving to the other party no less than three months' advance written notice of termination.

Non-Executive Director

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

Independent Non-Executive Directors

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

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

Throughout the period ended 31 December 2020, the Company had three independent non-executive Directors, meeting the requirements of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board members, and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

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

Appointment, Re-Election and Removal of Directors

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

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

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

Role and Responsibilities

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

The principal roles of the Board are:

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

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

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

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

Directors' Insurance

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

Directors' Training and Professional Development

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

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

	Type of trainings
Mr. Thomas Berg	A&B
Mr. Morten Rosholm Henriksen	B
Mr. Cheng Wai Man	B
Mr. Brian Worm	A&B
Mr. Fung Bing Ngon Johnny	B
Mr. Tang Tin Lok Stephen	A&B
Mr. Lau Ning Wa Ricky	A&B
Mr. Jiang Yuan Kun	B

A: attending seminars/conferences/forums

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

Board Meetings and General meeting

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

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

During the Reporting Period, the Board held 10 meetings and the attendance record of each member of the Board is set out below:

	Meetings attended/ Meetings convened
Mr. Thomas Berg	10/10
Mr. Morten Rosholm Henriksen	8/10
Mr. Cheng Wai Man	9/10
Mr. Brian Worm (appointed on 7 May 2020)	6/8
Mr. Fung Bing Ngon Johnny	9/10
Mr. Tang Tin Lok Stephen	10/10
Mr. Lau Ning Wa Ricky	10/10
Mr. Jiang Yuan Kun (appointed on 29 July 2020)	1/5

During the Reporting Period, an annual general meeting was held on 30 June 2020.

BOARD COMMITTEES

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

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

Audit Committee

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

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

During the Reporting Period, the Audit Committee held five meetings and the attendance record of each member of the Audit Committee is set out below:

	Meetings attended/ Meetings convened
Mr. Tang Tin Lok Stephen *(Chairman)*	5/5
Mr. Lau Ning Wa Ricky	5/5
Mr. Jiang Yuan Kun (appointed on 29 July 2020)	1/4

The following is a summary of the work performed by the Audit Committee during the Reporting Period:

- reviewed the audited annual results and annual report of the Group for the year ended 31 December 2019;
- reviewed the unaudited interim results of the Group for the six months ended 30 June 2020;
- reviewed the Group's financial information, financial report system, risk management and internal control procedures;
- reviewed the Company's Auditors' independence and objective;
- made recommendations to the Board on the change of the Company's external auditors;
- reviewed the Company's external auditors' management letter, significant findings and recommendations;
- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- reviewed and discussed the reports from the Company's external consultant with the management; and
- met with the Company's external auditors, in the absence of the management.

There had been no disagreement between the Board and the Audit Committee during the Reporting Period.

Remuneration Committee

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

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

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

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

Band of remuneration (HK$)	No. of person
HK$1,000,001 – HK$2,000,000	4
HK$2,000,001 – HK$2,500,000	1

Further details of the Directors' and chief executives' emoluments and the five highest paid individuals are set out in notes 8 and 30 to the consolidated financial statements.

During the Reporting Period, the Remuneration Committee held three meetings and the attendance record of each member of the Remuneration Committee is set out below:

	Meetings attended/ Meetings convened
Mr. Lau Ning Wa Ricky *(Chairman)*	3/3
Mr. Tang Tin Lok Stephen	3/3
Mr. Jiang Yuan Kun (appointed on 29 July 2020)	0/1
Mr. Thomas Berg	3/3

The following is a summary of the work performed by the Remuneration Committee during the Reporting Period:

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

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

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

Nomination Committee

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

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

During the Reporting Period, the Nomination Committee held three meetings and the attendance record of each member of the Nomination Committee is set out below:

	Meetings attended/ Meetings convened
Mr. Thomas Berg *(Chairman)*	3/3
Mr. Tang Tin Lok Stephen	3/3
Mr. Lau Ning Wa Ricky	3/3
Mr. Jiang Yuan Kun (appointed on 29 July 2020)	N/A

During the Reporting Period, the Nomination Committee had reviewed the Board Diversity Policy and reported on the Board's composition under diversified perspectives and had monitored the implementation of the Board Diversity Policy. The Nomination Committee had also recommended to re-elect Mr. Tang Tin Lok Stephen, Mr. Lau Ning Wa Ricky and Mr. Jiang Yuan Kun at the forthcoming AGM.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' REMUNERATION

For the Reporting Period, the fee paid/payable to Grant Thornton Hong Kong Limited ("**Grant Thornton**") by the Group, is set out as follows:

	HK$'000
Audit services	1,275
Non-audit services	58

The amount of fee incurred for the non-audit services represented approximately HK$58,000 of the tax service and consultancy fees paid to Grant Thornton as the tax representative of certain subsidiaries of the Group. The Audit Committee was satisfied that non-audit services for the Reporting Period did not affect the independence of the auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

Although the Company does not have internal audit function, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group. During the Reporting Period, the Group has continued to engage an independent internal control adviser to review the effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls, and the results were summarised and discussed with the Audit Committee and the Board. The Audit Committee and the Board are satisfied with the effectiveness and adequacy of the risk management and internal control systems of the Group.

INSIDE INFORMATION POLICY

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

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meetings by Shareholders

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

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

Such requisition shall be made in writing to the Board or the Company Secretary by mail at Flat D, 7/F, Block 2, Tai Ping Industrial Centre, 55 Ting Kok Road, Tai Po, New Territories, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at Shareholders' Meeting

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

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

Procedures by which Enquiries may be Put to the Board

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

INVESTOR RELATIONS

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

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

Although the Company regards the annual general meeting as the primary forum for communication by the Company with its shareholders and for shareholder participation, in light of the COVID-19 Pandemic and in accordance with the recent guidelines for prevention and control of the spread of the COVID-19 Pandemic, the Company would like to remind the shareholders that physical attendance in person at the annual general meeting is not necessary for the purpose of exercising voting rights. As an alternative, the shareholders may complete the proxy forms and appoint the chairman of the annual general meeting as their proxy to vote on the relevant resolutions at the annual general meeting instead of attending the annual general meeting in person.

The annual general meeting of the Company will be held on Friday, 25 June 2021, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company, the principal activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

RESULTS/BUSINESS REVIEW

The results of the Group for the Reporting Period are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 50 in this annual report. The business review of the Group for the Reporting Period is set out in the section headed "Management Discussion and Analysis" on pages 6 to 12.

SHARE CAPITAL

Details of movement in the share capital of the Company during the Reporting Period are set out in note 25 to the consolidated financial statements.

RESERVES

Details of movement in the reserves of the Group during the Reporting Period are set out in the section headed "Consolidated Statement of Changes in Equity" on pages 53 to 54.

DISTRIBUTABLE RESERVES

The Directors consider that the Company's reserves available for distribution to shareholders comprise the share premium, capital reserve and the accumulated losses which amounted to HK$107.9 million (2019: HK$110.3 million). Under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2020, the Company had distributable reserves amounting to HK$107.9 million (2019: HK$110.3 million). Under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands, the share premium account, capital reserve and the retained earnings are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

DIVIDEND POLICY

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

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

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

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

FINAL DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The shares of the Company were listed on the Listing Date. During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Group during the Reporting Period are set out in note 12 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The Group's financial condition, results of operations, businesses and prospects could be affected by a number of risks and uncertainties, including risks in relation to the fluctuating orders placed by our private label customers, and risks associated with the distribution model of our branded products. However, this is non-exhaustive as there may be other risks and uncertainties arise resulting from changes in economic and other conditions over time.

The Group is a backpack and luggage manufacturer and exporter focusing on the design development and manufacture of products and engages in the sales of a diverse product portfolio. We normally enter into framework agreements with our private label customers and they place purchase orders to us in the specified contract period. The volume of orders can be fluctuating as in general there is no minimum purchase commitment in the framework agreements. During the Reporting Period, a significant portion of our revenue was generated from sales of our private label customers. Since there is no guarantee that our private label customers will place new orders to us at the same level or on similar terms which they have historically done so, our business, financial condition and results of operations will be adversely affected if they cease to purchase orders with us or reduce the size of the purchase orders.

The Group also relies on the ability of the distributors to sell our branded products through their sales networks in respective geographical areas. However, we are uncertain that we will always be able to attract a sufficient number of quality distributors to maintain or extend the breadth of our distributors' geographical coverage. If our distributors fail to purchase our branded products at current demand levels or to meet our sales target, or even choose terminate the business relationship with us, our inability to find suitable alternative distributors in time will result in a loss of sales opportunities, and therefore resulting in loss of opportunities and immensely affect our business operations and financial performance.

The Group is also exposed to certain market risks, such as currency risk, interest rate risk, credit risk, liquidity risk, etc.

Save as the abovementioned principal risks and uncertainties, other risks and uncertainties had been evaluated by the Company as set out in the Management Discussion and Analysis and note 33 to the financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has actively participated in sustainability and social responsibility and recognises its responsibility to protect the environment from its business activities. The Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. For further details, please refer to the Environmental, Social and Governance Report of the Group for the Reporting Period to be dispatched to the shareholders of the Company and published on the Company's website at www.grown-up.com and the website of the Stock Exchange at www.hkexnews.hk in due course.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

Employees

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

Customers

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

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

Suppliers and subcontractors

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

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

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

DONATIONS

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

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Friday, 25 June 2021 and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 22 June 2021 to Friday, 25 June 2021, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 21 June 2021.

DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this annual report are:

Executive Directors:

Mr. Thomas Berg *(Chairman)*
Mr. Morten Rosholm Henriksen
Mr. Cheng Wai Man
Mr. Brian Worm *(Chief Executive Officer) (appointed on 7 May 2020)*
Mr. Yuan Ye *(appointed as non-executive Director on 7 May 2020, re-designated as executive Director on 1 July 2020 and resigned on 4 December 2020)*

Non-Executive Directors:

Mr. Fung Bing Ngon Johnny
Mr. Xiong Jianrui *(resigned on 7 May 2020)*

Independent Non-Executive Directors:

Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Mr. Jiang Yuan Kun *(appointed on 29 July 2020)*
Ms. Zhou Jing *(resigned on 29 July 2020)*

In accordance with article 83 and 84 of the Restated Articles, Mr. Tang Tin Lok Stephen, Mr. Lau Ning Wa Ricky and Mr. Jiang Yuan Kun will retire as Directors by rotation and, being eligible, offer themselves for re-election at the AGM.

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years and will continue thereafter until termination in accordance with the terms of the agreement.

The non-executive Director has entered into a letter of appointment with the Company for a term of three years and will continue thereafter until termination in accordance with the terms of the letter of appointment.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of two years, subject to retirement by rotation and re-election at annual general meeting and until terminated in accordance with the terms of the letter of appointment.

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

COMPETING INTERESTS

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

NON-COMPETITION UNDERTAKING

The Directors confirm that each of the controlling shareholders and the executive Directors has made an annual declaration to the Company that he/it has complied with the terms of non-competition undertakings ("Non-Competition Undertakings") given in favour of the Company. The independent non-executive Directors with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the independent non-executive Directors can ascertain, there is no breach of any of such undertakings.

COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Dakin Capital Limited (the "Compliance Adviser"), as at 31 December 2020, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 5 June 2019, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements in this annual report is set out on page 130.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 13 to 17.

EMPLOYEES AND EMOLUMENT POLICY OF THE GROUP

As at 31 December 2020, the Group had 502 employees (31 December 2019: 769). Total staff costs, including the salaries, wages, other allowances, redundancy cost and pension cost but excluding the emoluments of the Directors, during the Reporting Period amounted to approximately HK$64.8 million (2019: HK$94.5 million). Remuneration packages including salaries, Mandatory Provident Fund, discretionary bonuses are granted to employees according to individual performance. To attract and retain valuable employees, the Group has issued an internal guideline to assess the performance of the employees, and regular training programmes are provided to the employees to develop and enhance their knowledge and skills.

EMOLUMENT POLICY FOR DIRECTORS

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

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

Details of the Directors' and chief executives' emoluments and the five highest paid individuals are set out in notes 8 and 30 to the consolidated financial statements.

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

As at 31 December 2020, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code in the Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long position in shares of the Company

Director	Nature of interest	Number of shares	Percentage of issued share capital
Mr. Thomas Berg ("Mr. Berg")[Note 2]	Interest in controlled corporation	510,000,000 (L)[Note 1]	51.0%

Notes:

1. The letter (L) denotes the entity's long position in the shares of the company concerned.
2. GP Group Investment Holding Limited ("GPG") is controlled by Berg Group Holding Limited ("Berg Group") and Berg Group and is wholly-owned by Mr. Berg. By virtue of the SFO, Mr. Berg is deemed to have an interest in the shares held by Berg Group and each of Mr. Berg and Berg Group is deemed to have an interest in the shares held by GPG.

Long position in the ordinary shares of associated corporation

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

Notes:

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

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

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

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

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

As at 31 December 2020, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Shareholder	Nature of interest	Number of shares	Percentage of issued share capital
Berg Group[Note 2]	Interest in controlled corporation	510,000,000 (L)[Note 1]	51.0%
GPG[Note 2]	Beneficial owner	510,000,000 (L)[Note 1]	51.0%

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

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 30 May 2019. The principal terms of the Share Option Scheme is summarised in Appendix V to the prospectus of the Company dated 13 June 2019. The purpose of the Share Option Scheme is to (i) attract and retain the best available personnel; (ii) provide additional incentive to employees; and (iii) promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 30 May 2019, and there is no outstanding share option as at 31 December 2020.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Sales

- the largest customer 10.2% (For the year ended 31 December 2019: 9.8%)
- five largest customers 42.0% (For the year ended 31 December 2019: 35.5%)

Purchases

- the largest supplier 15.2% (For the year ended 31 December 2019: 10.7%)
- five largest suppliers 36.2% (For the year ended 31 December 2019: 31.7%)

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

RELATED PARTIES TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are set out in the note 29 to the consolidated financial statements, and none of which constitutes a discloseable connected transaction as defined under the Listing Rules.

SUBSIDIARIES

Details of the principal subsidiaries of the Group are set out in note 34 to the consolidated financial statements.

USE OF PROCEEDS

The details of the use of proceeds for the Reporting Period is set out in the section headed "Management Discussion and Analysis" on pages 6 to 12 in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

RETIREMENT SCHEME

The Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group has also participated and made contributions to the relevant retirement benefit schemes for the employees in the PRC and Denmark. Save as the aforesaid, the Group did not participate in any other pension schemes during the Reporting Period.

AUDITORS

Messrs. PricewaterhouseCoopers ("PwC") resigned as auditor of the Company with effect from 29 September 2020 and Grant Thornton has been appointed as the auditor of the Company to fill the casual vacancy following the resignation of PwC.

The consolidated financial statement for the Reporting Period have been audited by Grant Thornton, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material events after the Reporting Period and up to the date of this annual report.

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

Hong Kong, 26 March 2021

Grant Thornton
致同

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

OPINION

We have audited the consolidated financial statements of Grown Up Group Investment Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 50 to 129, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2020, 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Credit loss allowance assessment of trade receivables	
Refer to significant accounting policies in note 2.9 and 2.10, critical accounting estimates and judgements in note 4.1 and note 17 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates. As at 31 December 2020, the Group had gross trade receivables of approximately HK\$57,633,000 and credit loss allowance of trade receivables of approximately HK\$1,255,000. Management of the Group estimates the amount of lifetime expected credit loss of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering aging, repayment history and/or past due status of respective debtors. Estimated loss rates are based on historical default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables with significant outstanding balances are assessed for expected credit loss individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. We focused on this area because the assessment of the credit loss allowance of trade receivables under the expected credit loss model involve significant management's judgement and estimation.	Our audit procedures in relation to the management's estimation and judgement applied in the credit loss allowance assessment of trade receivables included: • understood the internal, controls over management assessment of impairment of trade receivables, such as periodic review of trade receivables aging report; • reviewed the work of an independent valuer and assessed the appropriateness of the methodology adopted in determining the expected credit loss; • tested the integrity of information used by management to develop the provision matrix, including trade receivables aging analysis as at 31 December 2020 on a sample basis by comparing individual items in the analysis with the relevant invoices and other supporting documents; and • challenged management's basis and judgement in determining credit loss allowance on trade receivables, including their identification of significant outstanding balances, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to aging, historical default rates and forward-looking information).

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of inventories	
Refer to significant accounting policies in note 2.12, critical accounting estimates and judgements in note 4.6 and note 16 to the consolidated financial statements. As at 31 December 2020, the Group has inventories of approximately HK$52,311,000, net of HK$338,000 impairment provision. Inventories are carried at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. We focused on this area because the estimation of the net realisable value of inventories involved a high level of management judgement. These estimations are also subjected to uncertainty as a result of changes in market conditions.	Our audit procedures in relation to the assessment of the valuation of inventories included: • understanding and evaluating the basis of estimation of the net realisable value of inventories through discussion with management on the general pattern of the Group's product lifecycle, marketing and retail pricing strategy, sales forecast of each individual stock keeping units ("SKUs") on a season by season basis and latest market conditions; • re-calculating on a sample basis, the inventory provision made on individual SKUs; • reviewing and analysing the ageing of inventories; • checking, on a sample basis, the volume and price of future sales of inventories by reviewing the volume and price of inventories sold subsequent to the end of reporting period; and • assessing the sufficiency of impairment where the estimated net realisable value is lower than the cost.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the 2020 annual report of the Company 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 and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors assisted by the Audit Committee 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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.

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

As part of an audit in accordance with the HKSAs, we exercise professional judgement 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.

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

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

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

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

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

26 March 2021

Ng Ka Kong
Practising Certificate No.: P06919

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	347,387	304,788
Cost of sales	7	(271,824)	(225,959)
Gross profit		75,563	78,829
Other income, net	6	6,849	791
Selling and distribution expenses	7	(36,344)	(34,726)
Administrative expenses	7	(53,909)	(68,525)
Impairment losses on trade and other receivables	7	(2,510)	(745)
Loss from operations		(10,351)	(24,376)
Finance income	9	433	972
Finance costs	9	(5,425)	(9,085)
Finance costs, net	9	(4,992)	(8,113)
Loss before income tax		(15,343)	(32,489)
Income tax credit	10	866	2,989
Loss for the year		(14,477)	(29,500)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Currency translation differences		469	(386)
Total comprehensive loss for the year		(14,008)	(29,886)
Loss per share attributable to owners of the Company for the year			
Basic and diluted (HK cent)	11	(1.45)	(3.22)

The notes on pages 56 to 129 are an integral part of these consolidated financial statements.

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	12	21,899	23,994
Right-of-use assets	13.1	7,134	12,475
Financial asset at fair value through profit or loss	18	7,002	7,002
Investment property	14	1,400	1,400
Intangible assets	15	39,042	39,783
Deferred tax assets	24	6,394	3,719
		82,871	88,373
Current assets			
Inventories	16	52,311	42,771
Trade and other receivables	17	82,232	123,982
Tax recoverable		389	493
Pledged deposits	19	48,779	28,044
Cash at bank and on hand	19	28,438	56,479
		212,149	251,769
Total assets		295,020	340,142
EQUITY			
Capital and reserves			
Share capital	25	10,000	10,000
Other reserves		24,428	23,959
Retained earnings		73,476	87,953
Total equity		107,904	121,912

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
License fees payables	21	8,422	7,190
Lease liabilities	13.1	2,663	5,001
		11,085	12,191
Current liabilities			
Trade and other payables	20.1	64,600	57,621
Contract liabilities	20.2	3,667	1,962
License fees payables	21	5,494	12,271
Lease liabilities	13.1	4,313	7,125
Bills payables	22	17,405	35,174
Bank and other borrowings	23	78,955	84,931
Tax payables		1,597	6,955
		176,031	206,039
Total liabilities		187,116	218,230
Total equity and liabilities		295,020	340,142

The consolidated financial statements on page 50 to 129 were approved by the Board of Directors on 26 March 2021 and were signed on its behalf:

Thomas Berg
Director

Fung Bing Ngon Johnny
Director

The notes on pages 56 to 129 are an integral part of these consolidated financial statements.

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2019	–*	–	(34,809)	(2,777)	117,453	79,867
Loss for the year	–	–	–	–	(29,500)	(29,500)
Other comprehensive loss:						
Items that may be reclassified to profit or loss						
– Currency translation differences	–	–	–	(386)	–	(386)
Total comprehensive loss for the year	–	–	–	(386)	(29,500)	(29,886)
Transactions with owners in their capacity as owners						
Issue of new shares pursuant to a capitalisation issue in connection with the share offer (Note 25)	8,300	(8,300)	–	–	–	–
Issue of new shares pursuant to the share offer (Note 25)	1,700	83,300	–	–	–	85,000
Share issuance costs	–	(13,069)	–	–	–	(13,069)
Total transaction with owners in their capacity as owners	10,000	61,931	–	–	–	71,931
At 31 December 2019 and 1 January 2020	10,000	61,931	(34,809)	(3,163)	87,953	121,912

* Below HK$1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 31 December 2019 and 1 January 2020	10,000	61,931	(34,809)	(3,163)	87,953	121,912
Loss for the year	–	–	–	–	(14,477)	(14,477)
Other comprehensive income:						
Items that may be reclassified to profit or loss						
– Currency translation differences	–	–	–	469	–	469
Total comprehensive income/(loss) for the year	–	–	–	469	(14,477)	(14,008)
Balance at 31 December 2020	10,000	61,931	(34,809)	(2,694)	73,476	107,904

The notes on pages 56 to 129 are an integral part of these consolidated financial statements.

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	27.1	18,822	(43,410)
Income tax paid		(7,063)	(2,671)
Net cash generated from/(used in) operating activities		11,759	(46,081)
Cash flows from investing activities			
Interest received	9	433	972
Purchase of property, plant and equipment	12	(632)	(922)
Purchase of intangible assets	15	–	(397)
Proceeds from disposal of property, plant and equipment	27.1	105	119
Amount due from the ultimate holding company		–	5,798
Amount due from immediate holding company		–	(10,520)
Amounts due from related companies		–	31,295
Amount due from a director		–	7,739
Increase in pledged deposits		(20,735)	(2,033)
Net cash (used in)/generated from investing activities		(20,829)	32,051
Cash flows from financing activities			
Proceeds from issue of shares	11	–	85,000
Proceeds from bank borrowings		32,000	21,175
Repayment of bank borrowings		(33,365)	(59,858)
Interest paid	27.2	(4,937)	(8,383)
Listing expense paid (equity portion)		–	(13,069)
Principal elements of lease payments	27.2	(7,125)	(7,451)
Net cash (used in)/generated from financing activities		(13,427)	17,414
Net (decrease)/increase in cash and cash equivalents		(22,497)	3,384
Cash and cash equivalents at beginning of the year	19	4,913	608
Effects of exchange rate changes on cash and cash equivalents		(933)	921
(Cash deficits)/Cash and cash equivalents at end of the year	19	(18,517)	4,913

1. GENERAL INFORMATION

Grown Up Group Investment Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The address of registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Its principal place of business in Hong Kong is located at Flat D, 7/F., Block 2, Tai Ping Industrial Centre, 55 Ting Kok Road, Tai Po, N.T., Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries (collectively, the "Group") are designing, developing, manufacturing and selling bag and luggage products (the "Listing Business"). The Group's operations are based in Hong Kong, Denmark and in the People's Republic of China (the "PRC"). The Group's principal export markets for its business are Europe and North America.

The directors regard GP Group investment Holding Limited ("GPG"), a company incorporated in Hong Kong, as immediate holding company. The directors regard Berg Group Holding Limited ("Berg Group"), a company incorporated in Hong Kong, as the ultimate holding company. The ultimate controlling parties of the Group are Mr. Thomas Berg ("Mr. Berg") and Mr. Morten Rosholm Henriksen ("Mr. Henriksen") (together the "Controlling Shareholders").

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

The consolidated financial statements for the year ended 31 December 2020 were approved for issue by the board of directors on 26 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The consolidated financial statements have been prepared on a historical cost basis, except for the financial asset at fair value through profit or loss and an investment property that are measured at fair value.

The Group incurred a net loss of HK$14,477,000 for the year ended 31 December 2020. As at 31 December 2020, the Group had total bank and other borrowings of HK$78,955,000. The Group failed to comply with the financial ratio undertakings in respect of interest coverage ratio for the year ended 31 December 2020 of one of the Group's banking facilities with a credit limit of HK$83,000,000 of which HK$19,500,000 was utilised as at 31 December 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The directors have reviewed the Group's cash flow projections prepared by management covering a period of twelve months from 31 December 2020. A number of measures have been put in place by the directors of the Company, including but not limited to:

(a) In March 2021, the Group obtained the bank's wavier from compliance with the relevant financial ratio undertakings for the year ended 31 December 2020 in relation to the abovementioned bank facility. The relevant bank will only assess the compliance of the restrictive undertakings not earlier than January 2022. The Group will continue to monitor its compliance with the restrictive undertaking requirements and anticipate that it would be able to comply with the restrictive undertaking requirement. Management will also discuss and negotiate with the respective banks to seek to revise the terms and the restrictive undertaking requirements upon renewal of the banking facilities.

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

Based on the cash flow projections and taking into account the unused proceeds raised from the Company's share offer, anticipated cash flows generated from the Group's operations, the possible changes in its operating performance as well as the continuous availability of banking facilities, and also the unutilised banking facilities of approximately HK$70,171,000 that is immediately available to drawdown despite the non-compliance with the bank interest coverage ratio, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2020. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for:

- investment property; and
- certain financial assets

which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limit exceptions, measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition – date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

2.4 Foreign currency translation

The consolidated financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 (i.e. only translated using the exchange rates at the transaction date).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

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

Accounting policy for depreciation of right-of-use assets is set out in note 13.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

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

2.6 Investment property

Investment property, principally the car parking space, is held for long-term rental yields and is not occupied by the Group to earn rental income and/or for capital appreciation.

Investment property is initially measured at cost, including related transaction costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss within "Other income, net".

2.7 Intangible assets

Goodwill

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.8).

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

Brand licences and distribution rights

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

Computer software systems

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

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

Golf club membership

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets

The following assets are subject to impairment testing:

- goodwill arising on acquisition of a subsidiary;
- other intangible assets;
- property, plant and equipment;
- right-of-use asset; and
- the Company's investment in a subsidiary.

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are 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. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets (Continued)

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2.9 Financial instruments

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

– fair value (either through other comprehensive income ("OCI") or through profit or loss), and

– amortised cost.

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance income, except for impairment losses on trade and other receivables which is presented as a separate item in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and other receivables and pledged deposits are fall into this category of financial instruments.

Financial assets at FVTPL
Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Financial liabilities

Classification and measurement of financial liabilities
The Group's financial liabilities include bank and other borrowings, leases liabilities, bills payables, license fees payables and trade and other payables.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs.

Accounting policies of lease liabilities are set out in note 2.17.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL – the "ECL model". Instruments within the scope include loans and other debt-type financial assets measured at amortised cost and trade receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, except for trade receivables with significant outstanding balances which are assessed individually, the remaining trade receivables have been grouped based on common risk characteristics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables 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 increase in the likelihood of risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets 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 regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

– an actual or expected significant deterioration in the operating results of the debtor.

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.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

For internal credit risk management, the Group considers an event of default occurs when (i) 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 collateral held by the Group); or (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 33.4.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.12 Inventories

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

2.13 Cash and cash equivalents

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

2.14 Share capital

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

2.15 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.17 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)
At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments..

For 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 modification. The only exception is any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 "Leases". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less. Low-value assets are small items of office equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits paid 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 and included in the cost of right-of-use assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment property. Rental income is recognised on a straight-line basis over the term of the lease.

2.18 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The group entities established in the PRC make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

The group entities incorporated in Denmark are subject to occupational pensions scheme. Payouts made by these types of schemes are determined by the contributions made by employees and employers. The Group makes contributions based on a percentage of the eligible employees' salaries which are charged to profit and loss as they become payable in accordance with the rules of the occupational pensions scheme. According to the Danish system, all pensions are paid in to large pension funds during the year. These Danish pensions funds, due to their important role for the Danish Society, are subject to supervision by the Danish Ministry of Finance.

In addition, the group entities incorporated in Hong Kong participate in a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee for those employees who are eligible to participate in the MPF Scheme. The Group makes contributions based on a percentage of the eligible employees' salaries funded by the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable to these plans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (Continued)

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.19 Revenue recognition

Revenue mainly arises from designing, developing, manufacturing and selling bags and luggage products.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Further details of the Group's revenue and other income recognition policies are as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (Continued)

Sales of goods

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

Product Return Policy

The Group provides two types of defective allowance to customers: (i) defective allowance for our distributors; and (ii) return of a whole shipment of goods to us due to manufacturing defect.

In general, no product return or exchange by customers is allowed except for malfunctions of or manufacturing defects in the products, and in such case, product return or provision of spare parts will be arranged on a case by case basis. A liability arising from expected sales return (included in contract liability) is recognised on a case by case basis in relation to sales made until the end of the reporting period, the Group did not make provision for such expenses.

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

Royalty income

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

Rental income

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

Interest income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to income is presented in gross in the consolidated statement of profit or loss and other comprehensive income.

2.21 Dividend distribution

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

2.22 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Accounting for income taxes (Continued)

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.23 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of a parent of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Related parties (Continued)

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.24 Segment reporting

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

In addition, on 1 January 2020, the Group has early applied the Amendments to HKFRS 16 "Covid-19-Related Rent Concessions" which will be effective for the Group for financial year beginning on or after 1 June 2020. There is no impact on the opening balance of equity as at 1 January 2020.

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[2]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[5]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective date not yet determined
5 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

Issued but not yet effective HKFRSs (Continued)

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4.1 Credit loss allowance of trade receivables

The Group assesses credit loss allowances of trade receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 33.4. As at 31 December 2020, the aggregate carrying amounts of trade receivables amounted to HK$56,378,000 (2019: HK$91,844,000) (net of credit loss allowance of HK$1,255,000 (2019: HK$895,000)).

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and credit losses in the periods in which such estimate has been changed.

4.2 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits which relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of cash generating units containing goodwill are disclosed in note 15.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2020, the carrying amounts of property, plant and equipment and right-of-use assets, are HK$21,899,000 and HK$7,134,000 (2019: HK$23,994,000 and HK$12,475,000), respectively (note 12 and 13.1). No impairment loss have been recognised in respect of right-of-use assets and property, plant and equipment during the years ended 31 December 2020 and 2019.

4.4 Fair value of investment property

The Group's investment property is revalued at the end of each reporting period based on valuation performed by an independent firm of chartered surveyors using property valuation techniques which involve certain assumptions of conditions.

In the absence of current price in on active market for similar properties, the valuation may consider information by reference to the comparable properties of similar size, character and location, factoring in all the respective advantages and disadvantages of each property in order to arrive at a comparable capital value. Favourable or unfavourable changes to these assumptions would result in changes in fair value of the Group's investment property and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

As at 31 December 2020, the carrying amount of the Group's investment property carried at fair value is HK$1,400,000 (2019: HK$1,400,000). Details of the fair value measurements are disclosed in note 14.

4.5 Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.6 Net realisable value of inventories

Net realisable value of inventories (note 16) is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. As at 31 December 2020, the Group has made a provision of HK$338,000 (2019: nil) for slow moving inventories.

5. SEGMENT INFORMATION

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

	2020 HK$'000	2019 HK$'000
Sales of goods	347,387	297,058
Royalty income	–	7,730
	347,387	304,788
Timing of revenue recognition		
– At a point in time	347,387	304,788

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

5. SEGMENT INFORMATION (CONTINUED)

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

Year ended 31 December 2020

	Private label products HK$'000	Branded label products HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue from external customers	276,644	70,743	–	347,387
Inter-segment revenue	33,330	–	(33,330)	–
Total segment revenue	309,974	70,743	(33,330)	347,387
Segment results	6,453	(12,350)	(3,030)	(8,927)
Other income, net				1,168
Corporate expenses				(2,592)
Loss from operations				(10,351)
Finance income				433
Finance costs				(5,425)
Loss before income tax				(15,343)
Income tax credit				866
Loss for the year				(14,477)

Other segment information:

	Private label products HK$'000	Branded label products HK$'000	Unallocated HK$'000	Total HK$'000
Amortisation of intangible assets (note 15)	(430)	(7,719)	–	(8,149)
Bad debts written-off (note 7)	–	(2,150)	–	(2,150)
Credit loss allowance on trade receivables, net (note 17)	(416)	56	–	(360)
Depreciation of property, plant and equipment (note 12)	(2,735)	(104)	–	(2,839)
Depreciation of right-of-use assets (note 13)	(7,038)	(278)	–	(7,316)
Impairment loss on intangible assets (note 15)	(400)	–	–	(400)
Provision for inventories (note 16)	–	(338)	–	(338)

5. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

	Private label products HK$'000	Branded label products HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue from external customers	181,143	123,645	–	304,788
Inter-segment revenue	68,620	–	(68,620)	–
Total segment revenue	249,763	123,645	(68,620)	304,788
Segment results	1,340	268	(10,052)	(8,444)
Other income, net				739
Corporate expenses				(16,671)
Loss from operations				(24,376)
Finance income				972
Finance costs				(9,085)
Loss before income tax				(32,489)
Income tax credit				2,989
Loss for the year				(29,500)

Other segment information:

	Private label products HK$'000	Branded label products HK$'000	Unallocated HK$'000	Total HK$'000
Amortisation of intangible assets (note 15)	(89)	(7,988)	–	(8,077)
Credit loss allowance on trade receivables, net (note 17)	(445)	(300)	–	(745)
Depreciation of property, plant and equipment (note 12)	(3,013)	(17)	–	(3,030)
Depreciation of right-of-use assets (note 13)	(7,376)	(140)	–	(7,516)
Intangible assets written-off (note 15)	–	(327)	–	(327)

5. SEGMENT INFORMATION (CONTINUED)

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

As at 31 December 2020

	Private label products HK$'000	Branded label products HK$'000	Corporate assets/ (liabilities) HK$'000	Total HK$'000
Non-current assets	41,926	32,279	8,666	82,871
Current assets	138,582	72,165	1,402	212,149
Total assets	180,508	104,444	10,068	295,020
Segment liabilities	(121,303)	(64,825)	(988)	(187,116)
Net assets	59,205	39,619	9,080	107,904
Addition to non-current assets	632	–	–	632

As at 31 December 2019

	Private label products HK$'000	Branded label products HK$'000	Corporate assets/ (liabilities) HK$'000	Total HK$'000
Non-current assets	47,097	30,546	10,730	88,373
Current assets	147,558	77,615	26,596	251,769
Total assets	194,655	108,161	37,326	340,142
Segment liabilities	(143,605)	(68,046)	(6,579)	(218,230)
Net assets	51,050	40,115	30,747	121,912
Addition to non-current assets	763	42	117	922

5. SEGMENT INFORMATION (CONTINUED)

The analysis of revenue by geographical destination is as follows:

	2020 HK$'000	2019 HK$'000
Europe	165,117	137,140
North America	82,630	54,913
The PRC	63,044	41,533
Middle East	9,934	17,229
Others	26,662	53,973
	347,387	304,788

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

	2020 HK$'000	2019 HK$'000
The PRC	18,676	20,266
Hong Kong (domicile)	4,404	4,950
Europe	219	178
	23,299	25,394

6. OTHER INCOME, NET

	2020 HK$'000	2019 HK$'000
Rental income	605	657
License fee waiver	5,600	–
Gain/(Loss) on disposal of property, plant and equipment	81	(18)
Fair value gain on an investment property (note 14)	–	100
Others (note)	563	52
	6,849	791

Note: Others mainly represented government subsidies for electively and stabilising employment in the PRC amounted to approximately HK$151,000 (2019: nil) and approximately HK$256,000 (2019: nil), respectively. There were no unfulfilled conditions and other contingencies attached to the receipt of the subsidies.

7. EXPENSES BY NATURE

	2020 HK$'000	2019 HK$'000
Cost of inventories sold (note 16)	233,921	163,153
Employee benefit expenses (note 8)	64,839	94,549
Transportation and freight charges	10,268	16,388
Amortisation of intangible assets (note 15)	8,149	8,077
Intangible assets written-off (note 15)	–	327
Impairment loss on intangible assets (note 15)	400	–
Depreciation of right-of-use assets (note 13)	7,316	7,516
Directors' emoluments (note 30)	5,976	5,369
Depreciation of property, plant and equipment (note 12)	2,839	3,030
Expenses related to short-term and low-value lease (note 13)	83	364
License fees	–	57
Auditor's remuneration		
– Audit services	1,275	1,492
– Non-audit services	58	284
Credit loss allowance on trade receivables (note 17)	360	745
Bad debts written-off	2,150	–
Legal and professional fees	4,016	2,102
Listing expenses	–	12,739
Sample costs	2,461	2,477
Design and development expenses	923	367
Sales and marketing expenses	6,743	1,863
Exchange differences	(47)	(607)
Provision for inventories (note 16)	338	–
Others	12,519	9,663
	364,587	329,955
Representing:		
Cost of sales	271,824	225,959
Selling and distribution expenses	36,344	34,726
Administrative expenses	53,909	68,525
Impairment losses on trade and other receivables	2,510	745
	364,587	329,955

8. EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTORS' EMOLUMENTS)

	2020 HK$'000	2019 HK$'000
Salaries, wages and other allowances	55,507	82,457
Redundancy cost	6,131	2,216
Pension costs (note)	3,201	9,876
	64,839	94,549

Note: Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to defined contribution scheme during the year ended 31 December 2020.

Five highest paid individuals

For the year ended 31 December 2020, the five highest paid individuals whose emoluments were the highest in the Group include 3 directors (2019: 2 directors), whose emoluments are reflected in note 30. The emoluments paid/payable to the remaining 2 individuals (2019: 3 individuals), during the year ended 31 December 2020 are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, wages and other allowances	2,405	5,887
Pension costs	30	108
	2,435	5,995

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

	2020 HK$'000	2019 HK$'000
Emolument bands		
HK$1,000,001 to HK$1,500,000	2	1
HK$2,000,001 to HK$2,500,000	–	2

9. FINANCE COSTS, NET

	2020 HK$'000	2019 HK$'000
Finance income		
– Interest income from bank deposits	433	415
– Interest income from related companies (note 29)	–	557
	433	972
Finance costs		
– Interest expenses on bank borrowings and bank overdrafts	(4,506)	(7,639)
– Interest expenses on lease liabilities (note 13)	(431)	(744)
– Notional interest on license fee payables	(488)	(702)
	(5,425)	(9,085)
Finance costs, net	(4,992)	(8,113)

10. INCOME TAX CREDIT

Hong Kong profits tax has been provided for at 16.5% (2019: 16.5%) on the estimated assessable profit for the year ended 31 December 2020. The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax ("CIT") at a rate of 25% (2019: 25%) for the year ended 31 December 2020. Certain PRC subsidiaries of the Group that qualify as small and thin-profit enterprises with an annual taxable income of Chinese Renminbi ("RMB") 1 million or less are applicable to the effective CIT rate of 5%. Where the taxable income exceeds RMB 1 million but does not exceed RMB 3 million (inclusive), the RMB 1 million portion will be subject to an effective CIT rate of 5%, whereas the excess portion will be subject to the effective CIT rate of 10% for the years ended 31 December 2020 and 2019. The Group's subsidiaries in Denmark are subject to income tax at the rate of 22% (2019: 22%) for the year ended 31 December 2020.

The amount of income tax credited to profit or loss represents:

	2020 HK$'000	2019 HK$'000
Current income tax		
– China corporate income tax	1,888	891
– Denmark income tax	18	558
– Over-provision from prior year	(97)	(1,299)
Deferred income tax (note 24)	(2,675)	(3,139)
	(866)	(2,989)

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

	2020 HK$'000	2019 HK$'000
Loss before income tax	(15,343)	(32,489)
Tax calculated at domestic tax rates applicable to profits in respective countries	(3,068)	(6,302)
Tax effect on non-taxable income	–	(31)
Tax effect on non-deductible expenses	1,477	2,140
Over-provision from prior year	(97)	(1,299)
Utilisation of tax losses previously not recognised	(154)	–
Tax effect of unrecognised tax losses	976	2,503
Income tax credit	(866)	(2,989)

11. LOSS PER SHARE

Basic loss per share are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the years ended 31 December 2020 and 2019.

Pursuant to the shareholders' resolution passed on 30 May 2019, the directors of the Company are authorised to allot and issue a total of 829,990,000 ordinary shares credited as fully paid at par by way of capitalisation of the sum of HK$8,299,900 standing to the credit of the share premium account upon the listing of the Group on 28 June 2019 (the "Capitalisation Issue").

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

	2020 HK$'000	2019 HK$'000
Loss for the year attributable to the owners of the Company (in HK$'000)	(14,477)	(29,500)
Weighted average number of ordinary shares in issue (thousands of shares)	1,000,000	917,096
Basic loss per share (expressed in HK cent per share)	(1.45)	(3.22)

Diluted loss per share presented is the same as the basic loss per share as there were no potentially dilutive ordinary shares issued during the years ended 31 December 2020 and 2019.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
1 January 2019					
Cost	33,872	9,622	39,392	5,936	88,822
Accumulated depreciation	(12,377)	(7,599)	(36,803)	(5,648)	(62,427)
	21,495	2,023	2,589	288	26,395
Year ended 31 December 2019					
Opening net book value	21,495	2,023	2,589	288	26,395
Additions	–	189	733	–	922
Depreciation (note 7)	(871)	(975)	(1,033)	(151)	(3,030)
Disposal	–	–	–	(137)	(137)
Exchange realignment	(41)	–	(115)	–	(156)
Closing net book value	20,583	1,237	2,174	–	23,994
31 December 2019 and 1 January 2020					
Cost	32,395	9,808	39,705	5,651	87,559
Accumulated depreciation	(11,812)	(8,571)	(37,531)	(5,651)	(63,565)
	20,583	1,237	2,174	–	23,994

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2020					
Opening net book value	20,583	1,237	2,174	–	23,994
Additions	–	372	260	–	632
Depreciation (note 7)	(881)	(990)	(968)	–	(2,839)
Disposal	–	–	(24)	–	(24)
Exchange realignment	–	–	136	–	136
Closing net book value	19,702	619	1,578	–	21,899
At 31 December 2020					
Cost	32,395	10,180	31,562	4,707	78,844
Accumulated depreciation	(12,693)	(9,561)	(29,984)	(4,707)	(56,945)
	19,702	619	1,578	–	21,899

Depreciation for the year ended 31 December 2020 of approximately HK$1,673,000 and HK$1,166,000 (2019: HK$1,789,000 and HK$1,241,000) were included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income, respectively.

As at December 2020, land and buildings with net book value of approximately, HK$1,200,000 (2019: HK$20,583,000) were pledged to certain banks to secure bank borrowings as set out in note 23.

13. LEASE

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

13.1 Amounts recognised in the consolidated statement of financial position

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

	2020 HK$'000	2019 HK$'000
Right-of-use assets		
– Leasehold land	1,238	1,276
– Buildings	5,092	8,764
– Motor vehicles	779	2,027
– Machinery	25	408
	7,134	12,475
Lease liabilities		
Current	4,313	7,125
Non-current	2,663	5,001
	6,976	12,126

13. LEASE (CONTINUED)

13.1 Amounts recognised in the consolidated statement of financial position (Continued)

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2020 HK$'000	2019 HK$'000
Total minimum lease payments:		
Due within one year	4,548	7,556
Due in the second to fifth years	2,715	5,192
	7,263	12,748
Future finance charges on lease liabilities	(287)	(622)
Present value of lease liabilities	6,976	12,126

	2020 HK$'000	2019 HK$'000
Present value of minimum lease payments:		
Due within one year	4,313	7,125
Due in the second to fifth years	2,663	5,001
	6,976	12,126
Less: Portion due within one year included under current liabilities	(4,313)	(7,125)
Portion due after one year included under non-current liabilities	2,663	5,001

Additions to the right-of-use assets in relation to buildings during the year ended 31 December 2020 were approximately HK$1,975,000 (2019: HK$9,546,000).

As at 31 December 2020, there was no leasehold land included in the right-of use assets (2019: HK$1,276,000) were pledged to certain banks to secure bank borrowings as set out in note 23.

13. LEASE (CONTINUED)

13.2 Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

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

	2020 HK$'000	2019 HK$'000
Depreciation of right-of-use assets		
– Leasehold land	38	39
– Buildings	5,647	5,626
– Motor vehicles	1,248	1,247
– Machinery	383	604
	7,316	7,516
Interest expenses on lease liabilities (note 9)	431	744
Expense related to short-term leases (included in administrative expenses)	83	29
Expense related to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	–	335

The total cash outflow for leases, including the payments made in relation to lease liabilities and expenses relating to short-term and low value lease payments for the year ended 31 December 2020 was HK$7,639,000 (2019: HK$8,559,000).

13. LEASE (CONTINUED)

13.3 The Group's leasing activities and how these are accounted for

The Group leases various offices, machineries and motor vehicles. Rental contracts are typically made for fixed periods of 2 years to 6 years, but may have extension options as described below.

Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The carrying amount of leasehold land represents cost less accumulated amortisation paid for land use right in PRC under medium term leases of not more than 50 years.

13.4 Extension and termination options

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

14. INVESTMENT PROPERTY

	2020 HK$'000	2019 HK$'000
Balance as at 1 January	1,400	1,300
Fair value gain (note 6)	–	100
Balance as at 31 December	1,400	1,400

The Group's investment property is a car park located in Hong Kong and it is measured at fair value. At the end of each reporting period, management discussed with independent surveyors regarding the valuation processes and the reasonableness of valuation results carried out for the property. Management considered that the current use of this property equates to its highest and best use. The fair values of the Group's investment property as at December 2020 and 2019 have been determined on the basis of valuations carried out by Vigers Appraisal & Consulting Limited, an independent firm of chartered surveyors. The valuation, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at using direct comparison method, where the values were assessed by reference to the comparable properties of similar size, character and location, factoring in all the respective advantages and disadvantages of each property in order to arrive at a comparable capital value.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2020	–	1,400	–	1,400
At 31 December 2019	–	1,400	–	1,400

There were no transfers between Levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2020 and 2019.

15. INTANGIBLE ASSETS

	Goodwill HK$'000 (note i)	Brand licenses and distribution rights HK$'000	Golf club membership HK$'000 (note ii)	Computer software systems HK$'000	Total HK$'000
At 1 January 2019					
Cost	14,607	71,701	950	1,859	89,117
Accumulated amortisation	–	(40,820)	–	–	(40,820)
Net book value	14,607	30,881	950	1,859	48,297
Year ended 31 December 2019					
Opening net book value	14,607	30,881	950	1,859	48,297
Addition	–	105	–	292	397
Amortisation (note 7)	–	(7,988)	–	(89)	(8,077)
Written-off (note 7)	–	(327)	–	–	(327)
Exchange realignment	(133)	(374)	–	–	(507)
Closing net book value	14,474	22,297	950	2,062	39,783
At 31 December 2019					
Cost	14,474	71,806	950	2,151	89,381
Accumulated amortisation	–	(49,509)	–	(89)	(49,598)
Net book value	14,474	22,297	950	2,062	39,783
Year ended 31 December 2020					
Opening net book value	14,474	22,297	950	2,062	39,783
Addition	–	6,542	–	–	6,542
Amortisation (note 7)	–	(7,719)	–	(430)	(8,149)
Impairment loss (note 7)	–	–	(400)	–	(400)
Exchange realignment	407	859	–	–	1,266
Closing net book value	14,881	21,979	550	1,632	39,042
At 31 December 2020					
Cost	14,881	79,640	550	2,151	97,222
Accumulated amortisation	–	(57,661)	–	(519)	(58,180)
Net book value	14,881	21,979	550	1,632	39,042

15. INTANGIBLE ASSETS (CONTINUED)

Note:

(i) Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2020 HK$'000	2019 HK$'000
Private label segment (CGU A)	8,908	8,908
Branded label segment (CGU B)	5,973	5,566
	14,881	14,474

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method include those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are determined on industry growth rate in foreseeable period based on management experience and on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using terminal growth rate of 2% (2019: 2%). This terminal growth rate does not exceed the average long term growth rate for the relevant markets. At end of reporting period, the key assumptions used to discount the forecast cash flows in each CGU of the Group are as follows:

Pre-tax discount rate	2020	2019
Private label segment (CGU A)	14%	14%
Branded label segment (CGU B)	14%	14%

Gross margin	2020	2019
Private label segment (CGU A)	20%	17%
Branded label segment (CGU B)	27% to 33%	20%

Inflation and growth rate	2020	2019
Private label segment (CGU A)	1.77% to 5%	2% to 5%
Branded label segment (CGU B)	2% to 5%	2%

15. INTANGIBLE ASSETS (CONTINUED)

Note: (Continued)

As at 31 December 2020 and 2019, the recoverable amounts of the CGUs containing goodwill and the corresponding headroom were as follows:

Private label segment	2020 HK$'000	2019 HK$'000
Recoverable amounts	148,772	167,709
Headroom	102,228	114,255

Branded label segment	2020 HK$'000	2019 HK$'000
Recoverable amounts	51,754	34,438
Headroom	23,636	12,048

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

Private label segment (CGU A)	2020 HK$'000	2019 HK$'000
Gross margin decreased by 1%	71,329	82,429
Growth rate per annum decreased by 1%	96,336	109,276
Pre-tax discount rate per annum increased by 1%	88,161	99,178

Branded label segment (CGU B)	2020 HK$'000	2019 HK$'000
Gross margin decreased by 1%	17,411	7,038
Growth rate per annum decreased by 1%	21,717	11,067
Pre-tax discount rate per annum increased by 1%	19,623	9,035

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

(ii) Impairment for golf club membership

The directors assessed the recoverable amount of the golf club membership using Fair Value Less Cost of Disposal Method in the impairment assessment at each reporting period end date. As at 31 December 2020, an impairment of HK$400,000 (2019: nil) was adjusted to the carrying amount of golf club membership to its recoverable amount.

16. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	1,839	3,027
Work-in-progress	6,568	2,993
Finished goods	43,904	36,751
	52,311	42,771

For the year ended 31 December 2020, the costs of inventories sold recognised as an expense and included in cost of sales amounted to approximately HK$233,921,000 (2019: HK$163,153,000) (note 7). As at 31 December 2020, the Group has made a provision of approximately HK$338,000 (2019: nil) (note 7) for slow moving inventories was included in administrative expenses.

17. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	57,633	92,739
Less: Credit loss allowance	(1,255)	(895)
Trade receivables, net	56,378	91,844
Prepayments for purchases from suppliers	13,570	23,686
Deposits paid	1,238	1,252
Other prepayments and receivables	11,046	7,200
	82,232	123,982

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Majority of payment terms with customers are within 60 to 90 days and certain major customers were granted with longer credit terms on discretion. As at 31 December 2020 and 2019, the aging analysis of trade receivables and net of allowances based on invoice date are as follows:

	2020 HK$'000	2019 HK$'000
0-30 days	27,182	42,767
31-60 days	6,030	7,189
61-90 days	1,930	3,602
91-120 days	479	3,645
Over 120 days	20,757	34,641
	56,378	91,844

The movement in the credit loss allowance of trade receivables is as follows:

	2020 HK$'000	2019 HK$'000
Balance at 1 January	(895)	(150)
ECL allowance recognised during the year (note 7)	(360)	(745)
Balance at 31 December	(1,255)	(895)

The carrying amounts of deposits and other receivables approximated their fair values due to their short maturity at the reporting date. For the year ended 31 December 2020 and 2019, there was no credit loss allowance on these receivables.

Details of credit loss allowance assessment on trade and other receivables are set out in note 33.4.

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2020 HK$'000	2019 HK$'000
US$	56,568	78,987
RMB	14,146	24,089
EUR	–	13,544
HK$	1,997	3,676
DKK	9,521	3,686
	82,232	123,982

18. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Unlisted investment:		
– Key management insurance contract	7,002	7,002

Movements of the financial asset at fair value through profit or loss for the years ended 31 December 2020 and 2019 are as follows:

	2020 HK$'000	2019 HK$'000
As at 31 December 2020 and 2019	7,002	7,002

As at 31 December 2020 and 2019, the Group's financial asset at fair value through profit or loss was pledged as collateral for the Group's bank borrowings, details of which are set out in note 23. The beneficiary of the key management insurance contract is Grown-Up Manufactory Limited, a subsidiary of the Group.

Details of the fair value measurements of key management insurance contract are set out in note 33.7.

19. CASH AND BANK BALANCES

	2020 HK$'000	2019 HK$'000
Cash at bank	28,394	56,466
Cash on hand	44	13
Cash at bank and on hand	28,438	56,479
Pledged deposits (note 23)	48,779	28,044
	77,217	84,523

Cash and bank balances are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	35,559	74,150
RMB	3,747	5,413
US$	36,169	3,910
DKK	1,352	610
Others	390	440
	77,217	84,523

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

	2020 HK$'000	2019 HK$'000
Cash at bank and on hand	28,438	56,479
Bank overdrafts (note 23)	(46,955)	(51,566)
(Cash deficits)/Cash and cash equivalents	(18,517)	4,913

20. TRADE AND OTHER PAYABLES

20.1 Trade and other payables

Cash and bank balances are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
Trade payables	49,697	44,166
Accruals and other payables	14,903	13,455
	64,600	57,621

Majority of payment terms with suppliers are within 60 to 90 days. The carrying amounts of trade and other payables approximate their fair values. As at 31 December 2020 and 2019, the aging analysis of the trade payable of the Group by invoice date is as follows:

	2020 HK$'000	2019 HK$'000
0-30 days	16,649	13,260
31-60 days	12,444	13,338
61-90 days	8,298	7,130
Over 90 days	12,306	10,438
	49,697	44,166

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

	2020 HK$'000	2019 HK$'000
RMB	38,281	28,778
US$	20,766	23,284
DKK	2,990	4,114
HK$	2,563	1,445
	64,600	57,621

20. TRADE AND OTHER PAYABLES (CONTINUED)

20.2 Contract liabilities

	2020 HK$'000	2019 HK$'000
Contract liabilities		
– Private label products	412	202
– Branded label products	3,255	1,760
	3,667	1,962

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance (generally 30% of transaction price) under the contracts with certain customers for sales of bags and luggage.

The increase in contract liabilities is mainly due to increase in the deposit received as a result of more orders received from customers during the reporting period.

The following table shows how much of the revenue recognised during the years ended 31 December 2020 and 2019 relates to carried-forward contract liabilities.

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in the contract liabilities balance at beginning of the year		
– Sales of goods	1,620	1,298

21. LICENSE FEES PAYABLES

	2020 HK$'000	2019 HK$'000
Within one year	5,691	13,054
In the second year	1,781	6,565
Between second to the fifth year	6,957	1,045
	14,429	20,664
Less: imputed interest on license fees payables	(513)	(1,203)
Present value	13,916	19,461
Less: Current portion	(5,494)	(12,271)
Non-current portion	8,422	7,190

21. LICENSE FEES PAYABLES (CONTINUED)

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

License fees payables represent the contractual obligations of distribution rights at the time of recognition. It is recognised based on a discount rate of 1.79% (2019: 2.62%) per annum at the date of inception of such obligations.

22. BILLS PAYABLES

	2020 HK$'000	2019 HK$'000
Bills payables (note 23)	17,405	35,174

The maturity dates of bills payables are normally within 90 days.

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

	2020 HK$'000	2019 HK$'000
HK$	17,405	24,436
RMB	–	4,719
US$	–	6,019
	17,405	35,174

23. BANK AND OTHER BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank overdrafts (note 19)	46,955	51,566
Bank borrowings	32,000	27,634
Factoring loans	–	5,731
	78,955	84,931

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

	2020 HK$'000	2019 HK$'000
HK$	36,216	16,401
RMB	–	21,175
DKK	42,739	35,934
US$	–	10,495
EUR	–	926
	78,955	84,931

During the year ended 31 December 2020, the interest rates of the bank and other borrowings ranged from 1.2% to 5.8% per annum (2019: 2.8% to 5.7%). Bank and other borrowings (excluding bank overdrafts) of HK$32,000,000 (2019 HK$33,365,000) subject to a repayment on demand clause from the banks are classified as current liabilities in the consolidated statements of financial position. Maturity analysis of these borrowings with a repayment on demand clause based on agreed scheduled repayments is set out in note 33.5. Bank overdrafts are repayable on demand.

23. BANK AND OTHER BORROWINGS (CONTINUED)

As at 31 December 2020 and 2019, banking facilities made available to the Group were as follows:

	2020 HK$'000	2019 HK$'000
Available facilities	166,531	222,143
Facilities utilised by the Group		
– Bank borrowings	32,000	33,365
– Bank overdrafts (note 19)	46,955	51,566
– Bills payables (note 22)	17,405	35,174
	96,360	120,105

The Group's banking facilities are subject to annual review for renewal. The Group failed to comply with the financial ratio undertakings in respect of interest coverage ratio for the year ended 31 December 2020 of one of the Group's banking facilities amounting to HK$83,000,000 in which HK$19,500,000 was utilised as at 31 December 2020. In March 2021, the Group obtained the bank's waiver from compliance with the relevant financial ratio undertakings for the year ended 31 December 2020 in relation to the abovementioned banking facilities.

As at 31 December 2020, the above banking facilities were secured by:

(i) Land and buildings with carrying amounts of approximately HK$1,200,000 (2019: HK$20,583,000) (note 12);

(ii) There was no pledge for any carrying amount of leasehold land included in the right-of use assets (2019: HK$1,276,000) (note 13.1);

(iii) Pledged deposits of approximately HK$48,779,000 (2019: HK$28,044,000) (note 19);

(iv) Inventories and trade receivables of a subsidiary company of approximately HK$30,620,000 (2019: HK$37,839,000); and

(v) Financial assets at fair value through profit or loss of HK$7,002,000 (2019: HK$7,002,000) (note 18).

24. DEFERRED TAX

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

	2020 HK$'000	2019 HK$'000
Deferred tax assets, net	6,394	3,719

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

	2020 HK$'000	2019 HK$'000
At 1 January	3,719	580
Credited to profit or loss (note 10)	2,675	3,139
At 31 December	6,394	3,719

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

Deferred tax assets	Lease liabilities HK$'000	Unrealised profit HK$'000	Tax loss HK$'000	Total HK$'000
At 1 January 2019	834	1,111	–	1,945
Credited to profit or loss	654	106	2,795	3,555
At 31 December 2019 and 1 January 2020	1,488	1,217	2,795	5,500
Credited to profit or loss	–	(360)	2,935	2,575
At 31 December 2020	1,488	857	5,730	8,075

24. DEFERRED TAX (CONTINUED)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2020, the Group did not recognise deferred tax assets of approximately HK$4,035,000 (2019: HK$3,213,000) in respect of tax losses of approximately HK$17,883,000 (2019: HK$13,771,000) that can be carried forward against future taxable income. The expiry dates of the tax losses are as follows:

	2020 HK$'000	2019 HK$'000
With no expiry	5,423	3,043
Expiry of 5 years	12,460	10,728
	17,883	13,771

Deferred tax liabilities	Right-of-use assets HK$'000	Accelerated tax Depreciation HK$'000	Total HK$'000
At 1 January 2019	(805)	(560)	(1,365)
(Charged)/Credited to profit or loss	(641)	225	(416)
At 31 December 2019 and 1 January 2020	(1,446)	(335)	(1,781)
Credited to profit or loss	–	100	100
At 31 December 2020	(1,446)	(235)	(1,681)

As 31 December 2020, deferred tax liabilities have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain PRC and Denmark subsidiaries amounted to approximately HK$9,948,000 (2019: HK$11,598,000). Such amounts are expected to be reinvested and are not intended to be distributed to the shareholders outside the PRC and Denmark.

25. SHARE CAPITAL

	Number of ordinary shares at HK$0.01 each	Share capital HK$'000
Authorised:		
At 31 December 2020 and 2019	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2019	10,000	–*
Share issued pursuant to the Capitalisation issue	829,990,000	8,300
Share issued pursuant to the share offer upon listing	170,000,000	1,700
At 31 December 2020 and 2019	1,000,000,000	10,000

* Below HK$1,000

Pursuant to the shareholders' resolution passed on 30 May 2019, the directors of the Company are authorised to allot and issue a total of 829,990,000 ordinary shares credited as fully paid at par by way of capitalisation of the sum of HK$8,299,900 standing to the credit of the share premium account upon the listing of the Group on 28 June 2019, the shares of the Company were listed on the Main Board of the Stock Exchange.

During the year ended 31 December 2019, the Company issued a total of 170,000,000 shares at a price of HK$0.5 per share for a total proceeds (before related fees and expenses) of HK$285,000,000 upon listing.

26. DIVIDENDS

The Board of the Company does not recommend the payment of a dividend for the year ended 31 December 2020 and 2019.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

27.1 Cash generated from operations

	2020 HK$'000	2019 HK$'000
Loss before income tax	(15,343)	(32,489)
Adjustments for:		
Finance income (note 9)	(433)	(972)
Finance costs (note 9)	5,425	9,085
Depreciation of property, plant and equipment (note 12)	2,839	3,030
Depreciation of right-of-use assets (note 13)	7,316	7,516
Fair value gain on investment property (note 6)	–	(100)
Amortisation of intangible assets (note 15)	8,149	8,077
Intangible assets written-off (note 15)	–	327
Impairment loss on intangible assets (note 15)	400	–
Credit loss allowance of trade receivables (note 17)	360	745
Bad debts written off (note 7)	2,150	–
Inventory provision (note 16)	338	–
(Loss)/Gain on disposal of property, plant and equipment (note 6)	(81)	18
	11,120	(4,763)
Changes in working capital:		
Inventories	(9,878)	(13,458)
Trade and other receivables	34,215	94,764
Trade and other payables	12,004	(69,281)
Contract liabilities	1,705	(33)
Bills payables	(17,769)	(37,089)
License fees payables	(12,575)	(13,550)
Cash generated from/(used in) operations	18,822	(43,410)

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

	2020 HK$'000	2019 HK$'000
Net book amount (note 12)	24	137
Gain/(Loss) on disposal of property, plant and equipment (note 6)	81	(18)
Proceeds from disposal of property, plant and equipment	105	119

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

27.2 Reconciliation of liabilities from financing activities

	Lease liabilities HK$'000	Interest payable (bank borrowings & bank overdrafts) HK$'000	Bank borrowings and factoring loans HK$'000	Amounts due to immediate holding company HK$'000	Total HK$'000
As at 1 January 2019	10,031	–	72,048	10,520	92,599
Non-cash:					
Interest expenses (note 9)	744	7,639	–	–	8,383
Acquisition of lease (note 13)	9,546	–	–	–	9,546
Cash flows:					
– Capital element of lease rentals paid	(7,451)	–	–	–	(7,451)
– Interest element of lease rentals paid	(744)	–	–	–	(744)
– Repayment	–	(7,639)	(59,858)	(10,520)	(78,017)
– Proceeds	–	–	21,175	–	21,175
As at 31 December 2019 and 1 January 2020	12,126	–	33,365	–	45,491
Non-cash:					
Interest expenses (note 9)	431	4,506	–	–	4,937
Acquisition of lease (note 13)	1,975	–	–	–	1,975
Cash flows:					
– Capital element of lease rentals paid	(7,125)	–	–	–	(7,125)
– Interest element of lease rentals paid	(431)	–	–	–	(431)
– Repayment	–	(4,506)	(33,365)	–	(37,871)
– Proceeds	–	–	32,000	–	32,000
As at 31 December 2020	6,976	–	32,000	–	38,976

28. COMMITMENTS

28.1 Lease commitments as lessee

At the reporting date, the lease commitments for short-term lease and low-value leases are set out below.

	2020 HK$'000	2019 HK$'000
Within one year	114	232
Later than one year but not later than five years	9	44
	123	276

28.2 Lease commitments as lessor

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

	2020 HK$'000	2019 HK$'000
Within one year	65	67

The Group leases its investment property (note 14) under operating lease arrangements which run for an initial period of one year (2019: one year), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenant. The terms of the lease generally also require the tenant to pay security deposits.

29. RELATED PARTY TRANSACTIONS

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

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

(b) Transactions

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

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Received from related parties:		
Interest income from		
– Elements Group Denmark ApS	–	100
– Elements Denmark ApS	–	45
– Køkkensnedkeren A/S	–	396
– T.Berg Holdings ApS	–	16
	–	557

(c) Key management compensation

Management is of the view that key management is merely composed of the Board of Directors and their compensation is disclosed in note 30.

30. BENEFITS AND INTEREST OF DIRECTORS

30.1 Directors' emoluments

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing and other allowance (note i) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
For the year ended 31 December 2019						
Executive Directors						
Thomas Berg	–	2,160	180	1,270	18	3,628
Cheng Wai Man	–	984	–	–	18	1,002
Morten Rosholm Henriksen	–	1,128	–	–	68	1,196
Non-Executive Directors						
Fung Bing Ngon, Johnny	–	480	–	–	18	498
Xiong Jianrui	122	–	–	–	–	122
Independent Non-Executive Directors						
Tang Tin Lok, Stephen	71	–	–	–	–	71
Lau Ning Wa, Ricky	61	–	–	–	–	61
Zhou Jing	61	–	–	–	–	61
	315	4,752	180	1,270	122	6,639
For the year ended 31 December 2020						
Executive Directors						
Thomas Berg	–	2,160	–	1,194	18	3,372
Cheng Wai Man	–	984	–	–	18	1,002
Morten Rosholm Henriksen	–	1,070	–	–	64	1,134
Brian Worm (newly appointed on 7 May 2020)	–	673	–	–	40	713
Yuan Ye (newly appointed on 7 May 2020 and resigned on 3 December 2020) (note ii and iii)	–	–	–	–	–	–
Non-Executive Directors						
Fung Bing Ngon, Johnny	–	480	–	–	18	498
Xiong Jianrui (resigned on 6 May 2020) (note iii)	80	–	–	–	–	80
Independent Non-Executive Directors						
Tang Tin Lok, Stephen	130	–	–	–	–	130
Lau Ning Wa, Ricky	120	–	–	–	–	120
Jiang Yuan Kun (newly appointed on 29 July 2020)	51	–	–	–	–	51
Zhou Jing (resigned on 28 July 2020)	70	–	–	–	–	70
	451	5,367	–	1,194	158	7,170

Note:

(i) The lease contract in relation to the lease payments of approximately HK$1,194,000 (2019: HK$1,187,000) for the year ended 31 December 2020 presented in the housing and other allowance of the directors' emoluments above was included in right-of-use assets, the resulted charges to the profit or loss for the year ended 31 December 2020 was included in the depreciation of right-of-use assets of HK$1,106,000 (2019: HK$1,106,000) and notional interest on lease liabilities of HK$103,000 (2019: HK$115,000).

30. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

30.1 Directors' emoluments (Continued)

Note: (Continued)

(ii) Except for Mr. Yuan Ye agreed to waive all remuneration during his term of office during the year ended 31 December 2020, there were no arrangement under which a director waived or agreed to waive any remuneration during the year (2019: nil).

(iii) There was no emolument paid by the Group to directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2020 and 2019.

30.2 Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 December 2020 and 2019.

30.3 Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2020 and 2019.

30.4 Consideration provided to third parties for making available directors' services

During the years ended 31 December 2020 and 2019, the Group did not pay consideration to any third parties for making available directors' services.

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

There was no loans, quasi-loans and other dealing arrangements in favour of directors, controlled body corporates by and controlled entities with such directors as at 31 December 2019 and 2020.

31. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group has no contingent liabilities.

32. NON-CASH TRANSACTIONS

The Group entered into the following non-cash operating activities which are not reflected in the consolidated statement of cash flows:

- During the year ended 31 December 2020, the Group received purchase discount from variance suppliers amounting to HK$6,924,000, amount of HK$5,025,000 (2019: nil) was set off to trade payables in relation to the purchase made during the year.

- During the year ended 31 December 2020, intangible assets of brand license and distribution rights amounting to HK$6,542,000 (2019: nil) was acquired and not yet settled as at 31 December 2020.

- During the year ended 31 December 2020, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities among to HK$1,975,000 (2019: HK$9,546,000) was recognised at the lease commencement date.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

33.1 Categories of financial assets and financial liabilities

The Group's financial instruments include the following:

	2020 HK$'000	2019 HK$'000
Financial asset at fair value through profit or loss (note 18)	7,002	7,002
Financial assets at amortised cost		
Trade and other receivables	62,109	95,537
Pledged deposits (note 19)	48,779	28,044
Cash at bank and on hand (note 19)	28,438	56,479
	139,326	180,060
Financial liabilities at amortised cost		
Trade and other payables	63,396	56,407
License fees payables (note 21)	13,916	19,461
Lease liabilities (note 13)	6,976	12,126
Bills payables (note 22)	17,405	35,174
Bank and other borrowings (note 23)	78,955	84,931
	180,648	208,099

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

33.2 Foreign currency risk

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

The Group's financial assets including financial asset at fair value through profit or loss, trade and other receivables and cash and cash equivalents are substantially denominated in HK$, US$, RMB and DKK. The Group's financial liabilities including trade and other payables, license fee payables, lease liabilities, bills payables and bank and other borrowings were substantially denominated in HK$, US$, RMB and DKK.

Foreign currency denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	US$ HK$'000	RMB HK$'000	DKK HK$'000
At 31 December 2020			
Financial asset at fair value through profit or loss	**7,002**	**–**	**–**
Trade and other receivables	**39,463**	**12,186**	**8,116**
Cash and cash equivalents	**36,169**	**3,747**	**1,352**
Trade and other payables	**(20,766)**	**(38,281)**	**(1,785)**
License fees payables	**(13,915)**	**–**	**–**
Lease liabilities	**–**	**(2,095)**	**(1,684)**
Bank and other borrowings	**–**	**–**	**(42,739)**
	47,953	**(24,443)**	**(36,740)**

	US$ HK$'000	RMB HK$'000	DKK HK$'000
At 31 December 2019			
Financial asset at fair value through profit or loss	7,002	–	–
Trade and other receivables	64,199	13,303	3,563
Cash and cash equivalents	3,910	5,413	610
Trade and other payables	(23,284)	(28,042)	(4,040)
License fees payables	(19,461)	–	–
Lease liabilities	–	(3,717)	(2,768)
Bill payables	(6,019)	(4,719)	–
Bank and other borrowings	(10,495)	(21,175)	(35,934)
	15,852	(38,937)	(38,569)

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

33.2 Foreign currency risk (Continued)

The following table illustrates the sensitivity of the Group's profit after income tax for the year and equity in regards to an appreciation in the group entities' functional currencies against RMB and DKK. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Decrease in profit or loss HK$'000
2020		
RMB	3%	(733)
DKK	3%	(1,102)
2019		
RMB	3%	(1,168)
DKK	3%	(1,157)

33.3 Interest rate risk

As at 31 December 2020, if interest rates on borrowings subject to variable rates had been 100 basis points higher or lower with all other variables held constant, the impact on the Group's pre-tax loss for the year would have been approximately HK$790,000 (2019: HK$638,000) higher or lower.

The Group's interest-rate risk arises from borrowings with variable rates. Bank and other borrowings are denominated in DKK, HK$ and US$ and are subject to floating interest rates at the bank's best lending rate plus 0.8% to 3.5% (2019: 0.5% to 3.5%).

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

33.4 Credit risk

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

(i) Trade receivables

As at 31 December 2020, the Group had a concentration of credit risk given that the top 5 customers account for 54% (2019: 61%) of the Group's total year end trade receivables balance.

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

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

Trade receivables with significant outstanding balances from certain customers with aggregate gross carrying amount of approximately HK$22,556,000 (2019: HK$27,127,000) as at 31 December 2020 are assessed individually. The exposure to credit risk for these balances are assessed with a credit loss allowance of approximately HK$1,191,000 (2019: HK$445,000) was provided by the Group as at 31 December 2020. The remaining trade receivables with gross carrying amount of approximately HK$35,077,000 (2019: HK$65,612,000) are assessed based on debtors' aging as well as forward-looking estimates at the end of each reporting date.

To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected loss rates are based on the payment profiles of sales over a period of the previous 48 months from each report date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of wholesalers/customers to settle the receivables. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall changes in the economic environment arising from COVID-19.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

33.4 Credit risk (Continued)

(i) Trade receivables (Continued)

As at 31 December 2020 and 2019, the credit loss allowance for trade receivables was assessed based on provision matrix as follows:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Expected loss rate	0.18%	0.69%
Gross carrying amount (in HK$'000)	35,077	65,612
Credit loss allowance (in HK$'000)	64	450

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

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, cash at banks and on hand and pledged deposits. For deposits and other receivables, management makes periodic collective assessments as well as individual assessment on their recoverability based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables.

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

33.5 Liquidity risk

The Group measures and monitors its liquidity through the maintenance of prudent ratios on the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. At 31 December 2020, the Group had unutilised banking facilities amounting to approximately HK$70,171,000 (2019: HK$102,038,000).

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

	On demand HK$'000	Less than 1 year HK$'000	More than 1 year but within 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying Amount HK$'000
At 31 December 2020					
Trade and other payables	–	63,396	–	63,396	63,396
License fees payables	–	5,691	8,738	14,429	13,916
Lease liabilities	–	4,548	2,715	7,263	6,976
Bills payables	–	17,405	–	17,405	17,405
Bank and other borrowings	46,955*	32,354	–	79,309	78,955
	46,955	123,394	11,453	181,802	180,648

	On demand HK$'000	Less than 1 year HK$'000	More than 1 year but within 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying Amount HK$'000
At 31 December 2019					
Trade and other payables	–	56,692	–	56,692	56,407
License fees payables	–	13,054	7,610	20,664	19,461
Lease liabilities	–	7,556	5,192	12,748	12,126
Bills payables	–	35,174	–	35,174	35,174
Bank and other borrowings	51,566*	30,097	3,944	85,607	84,931
	51,566	142,573	16,746	210,885	208,099

* Represented bank overdrafts

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

33.6 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, management of the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management monitors the Company's capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less pledged deposits and cash at bank and on hand. Total capital is calculated as "Total equity", as shown in the consolidated statement of financial position, plus net debt. The gearing ratios at 31 December 2020 and 2019 are as follows:

	2020 HK$'000	2019 HK$'000
Bank borrowings and factoring loans	32,000	33,365
Lease liabilities	6,976	12,126
Less: Pledged deposits	(48,779)	(28,044)
Less: Cash deficit/(Cash and cash equivalents)	18,517	(4,913)
Net debt	8,714	12,534
Total equity	107,904	121,912
Total capital	116,618	134,446
Gearing ratio	7%	9%

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

33.7 Fair value measurements of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

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

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

Level 3: If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

As at 31 December 2020 and 2019, the Group's financial asset at fair value through profit or loss is an unlisted investment in a key management insurance contract and is included in level 2.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2020 and 2019.

Fair value measurements (level 2)

The following table presents the changes in financial asset at FVTPL for years ended 31 December 2019 and 2020:

	Financial asset at fair value through profit or loss	
	2020	2019
	HK$'000	HK$'000
At 31 December 2020 and 2019	7,002	7,002

Valuation inputs and relationships to fair value

The financial assets at FVTPL are insurance contract denominated in US$. Fair values have been determined by reference to their quoted prices as stated in the bank statements at each of the reporting date and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate. During the years ended 31 December 2020 and 2019, there is no fair value change on the insurance contract.

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

34. SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2020 and 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of subsidiary	Place/Country of establishment/ operation	Principal activity	Issued and paid-up capital	Attributable equity interest of the Company 31 December 2019 Directly	Attributable equity interest of the Company 31 December 2019 Indirectly	Attributable equity interest of the Company 31 December 2020 Directly	Attributable equity interest of the Company 31 December 2020 Indirectly
Grown-Up Group Holdings Limited ("GHL BVI")	The British Virgin Islands	Investment holding	US$100	100%	–	100%	–
Grown-Up Group Holdings Limited ("GHL HK")	Hong Kong	Investment holding	HK$5,000,000	–	100%	–	100%
Grown-Up Manufactory Limited	Hong Kong	Manufacturing and trading of bags and luggage	HK$5,000,000	–	100%	–	100%
Grown-Up Licenses Limited ("GPL HK")	Hong Kong	License and brand business	HK$100	–	100%	–	100%
GP Manufactory China Limited 港植華商貿(深圳)有限公司[1]	The PRC	Trading and provision of product development and supply chain services for bags and luggage	HK$2,000,000	–	100%	–	100%
GP2 Xinfeng Plant Limited 江西集友日用品有限公司[1]	The PRC	Manufacturing of bags and luggage	US$3,000,000	–	100%	–	100%
Grown-Up Luggage and Bags (Shenzhen) Co. Ltd. 植華箱包(深圳)有限公司[1]	The PRC	License and brand business	RMB1,000,000	–	100%	–	100%
Grown-Up Licenses ApS ("GPL ApS")	Denmark	License and brand business	DKK3,257,812	–	100%	–	100%
Grown-Up ApS	Denmark	Trading of bags and luggage	DKK2,625,000	–	100%	–	100%

Notes:

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

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2020 HK$'000	2019 HK$'000
Non-current asset			
Investment in a subsidiary		72,235	72,235
Current assets			
Prepayments		435	432
Amount due from subsidiaries		89,764	89,445
Cash at bank		3	25,081
		90,202	114,958
Total assets		162,437	187,193
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		10,000	10,000
Other reserves	35.1	134,165	134,165
Accumulated losses	35.1	(26,261)	(23,843)
Total equity		117,904	120,322
Current liabilities			
Accruals and other payables		100	200
Amounts due to subsidiaries		44,433	66,671
		44,533	66,871
Total equity and liabilities		162,437	187,193

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

35.1 Reserve movement of the Company

	Share capital HK$'000	Share premium HK$'000	Capital reserve (note) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	–	–	72,234	(13,091)	59,143
Loss and total comprehensive loss for the year	–	–	–	(10,752)	(10,752)
Transaction with owners in their capacity as owners:					
Issue of new shares pursuant to a capitalisation issue in connection with the share offer (note 25)	8,300	(8,300)	–	–	–
Issue of new share pursuant to the share offer (note 25)	1,700	83,300	–	–	85,000
Share issuance costs	–	(13,069)	–	–	(13,069)
Total transaction with owners in their capacity as owners	10,000	61,931	–	–	71,931
At 31 December 2019 and 1 January 2020	10,000	61,931	72,234	(23,843)	120,322
Loss and total comprehensive loss for the year	–	–	–	(2,418)	(2,418)
At 31 December 2020	**10,000**	**61,931**	**72,234**	**(26,261)**	**117,904**

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

36. COMPARATIVE FIGURES

Certain comparative figures in this annual report have been reclassified to conform to the current year's presentation.

FIVE YEARS FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**347,387**	304,788	677,464	660,048	630,370
(Loss)/Profit before income tax	**(15,343)**	(32,489)	36,142	35,627	29,503
Income tax credit/(expense)	**866**	2,989	(9,023)	(7,298)	(4,885)
(Loss)/Profit for the year	**(14,477)**	(29,500)	27,119	28,329	24,618

ASSETS, LIABILITIES AND EQUITY

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**295,020**	340,142	427,977	393,911	398,100
TOTAL LIABILITIES	**(187,116)**	(218,230)	(347,912)	(319,497)	(279,374)
NET ASSETS	**107,904**	121,912	80,065	74,414	118,726