GOLDLION HOLDINGS LIMITED
金利來集團有限公司

Stock Code 股份代號：00533

2021
ANNUAL REPORT
年報

Goldlion®

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Chairman and Chief Executive Officer:

Mr. Tsang Chi Ming, Ricky J.P.

Executive Director:

Madam Wong Lei Kuan

Non-executive Director:

Mr. Ng Ming Wah, Charles

Independent Non-executive Directors:

Dr. Lau Yue Sun B.B.S.
Mr. Li Ka Fai, David
Mr. Ngan On Tak

COMPANY SECRETARY

Mr. Kam Yiu Kwok

AUDIT COMMITTEE

Mr. Li Ka Fai, David (Chairman)
Dr. Lau Yue Sun B.B.S.
Mr. Ngan On Tak
Mr. Ng Ming Wah, Charles

REMUNERATION COMMITTEE

Mr. Ngan On Tak (Chairman)
Dr. Lau Yue Sun B.B.S.
Mr. Li Ka Fai, David
Mr. Ng Ming Wah, Charles
Mr. Tsang Chi Ming, Ricky J.P.

NOMINATION COMMITTEE

Dr. Lau Yue Sun B.B.S. (Chairman)
Mr. Li Ka Fai, David
Mr. Ngan On Tak
Mr. Ng Ming Wah, Charles
Mr. Tsang Chi Ming, Ricky J.P.

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTRARS

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

REGISTERED OFFICE

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FINANCIAL HIGHLIGHTS

(HK$'000)	2021	2020	Changes
Key Financial Indicators			
Turnover	1,372,184	1,239,276	+10.7%
Gross profit	868,327	726,500	+19.5%
Operating profit	240,848	165,408	+45.6%
Profit for the year	221,043	148,286	+49.1%
Earnings per share – basic and diluted (HK cents)	22.51	15.10	+49.1%
Interim dividend per share (HK cents)	4.0	3.0	+33.3%
Final dividend per share (HK cents)	7.0	6.5	+7.7%
Total dividend per share (HK cents)	11.0	9.5	+15.8%
Gross profit margin	63.3%	58.6%	+4.7% points
Operating margin	17.6%	13.3%	+4.3% points
Net profit margin	16.1%	12.0%	+4.1% points
Cash generated from operations	256,076	118,185	+116.7%
Cash and bank balances	1,351,214	1,237,817	+9.2%
Bank loans and overdrafts	Nil	Nil	–
Net current assets	1,879,232	1,701,115	+10.5%
Total assets	5,790,323	5,290,467	+9.4%
Total liabilities	1,165,583	870,229	+33.9%
Total equity	4,624,740	4,420,238	+4.6%
Return on total assets (note 1)	3.8%	2.8%	+1.0% point
Return on equity (note 2)	4.8%	3.4%	+1.4% points
Current ratio	3.8	5.4	–1.6
Average inventory turnover days (note 3)	139	152	–13
Average trade receivables turnover days (note 4)	27	31	–4
Average trade payables turnover days (note 5)	29	28	+1
Interest coverage ratio (note 6)	–	–	–
Gearing ratio (note 7)	–	–	–

Notes:

1. Profit for the year ÷ Total assets
2. Profit for the year ÷ Total equity
3. (Opening inventory + Closing inventory) ÷ 2 ÷ Cost of sales (excluding direct operating expenses arising from investment properties) × Number of days in the year
4. (Opening trade receivables + Closing trade receivables) ÷ 2 ÷ Turnover × Number of days in the year
5. (Opening trade payables for apparel business + Closing trade payables for apparel business) ÷ 2 ÷ Cost of sales (excluding direct operating expenses arising from investment properties) × Number of days in the year
6. Profit before interest and tax ÷ Interest expenses on bank loans
7. (Total lease liabilities – Cash and bank balances) ÷ Total equity

FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

As at 31st December 2021, the Group had cash and bank balances (including restricted cash of HK$20,687,000) of approximately HK$1,351,214,000, which was HK$113,397,000 higher than that at the end of last year. During the year, the Group recorded a net cash inflow from operating activities of HK$202,318,000 and received interest income of HK$18,655,000. However, the Group also paid dividends of HK$103,123,000, increased fixed assets of HK$24,081,000 and paid principal elements of lease payments of HK$13,689,000. Besides, changes in foreign exchange rate during the year resulted in an increase in cash and bank balances of HK$33,147,000.

As at 31st December 2021, the Group did not have any bank loans or overdrafts. The gearing ratio, defined as the ratio of total lease liabilities less cash and bank balances divided by total equity, was zero.

As at 31st December 2021, the Group's current assets and current liabilities were HK$2,554,174,000 and HK$674,942,000 respectively, with a current ratio at 3.8. Total current liabilities were 15% of the average capital and reserves attributable to owners of the Company of HK$4,522,489,000.

As at 31st December 2021, the Group did not have any material contingent liabilities and had not charged any of the Group's assets. For the "Goldlion Garden" project in Meixian, the total property development expenditure authorized but not contracted for and contracted but not provided for were HK$215,000,000 and HK$308,370,000 respectively.

As at 31st December 2021, the Group had guarantees in respect of mortgage facilities for certain property buyers amounting to HK$78,995,000. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issue of the real estate ownership certificates; and (ii) the satisfaction of mortgaged loans by the property buyers. The Directors of the Company consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Therefore, no provision has been made in the financial statements for the guarantees.

The Group conducted the business mainly in the China Mainland market through its PRC subsidiaries. Most of the relevant transactions were denominated in RMB and transactions involving foreign currencies were minimal. Foreign currency exposure did not pose a significant risk for the Group, but we will remain vigilant and closely monitor our exposure to movements in relevant currencies.

DISTRIBUTION NETWORK IN CHINA MAINLAND

NUMBER OF GOLDLION SALES OUTLET

1-10

11-20

21-30

31-40

41-50

51-60

61-70

over 70


觉醒之力
国之大者

CHAIRMAN'S STATEMENT

Mr. Tsang Chi Ming, Ricky, J.P.
Chairman and Chief Executive Officer

GROUP RESULTS

Turnover

During the year under review, the economy of China Mainland continued to recover. However, as the supply chain strains made worse by the pandemic, and the stringent and tightened regulatory policies resulted in slowdown of economic growth, the Group had yet to resume its pre-pandemic business level. Total turnover was HK$1,372,184,000, representing an increase of 11% from HK$1,239,276,000 of last year. The increase was mainly attributable to the use of a RMB exchange rate during the year by about 7% higher than that of last year, and no further fee reductions granted to the licensees.

Cost of sales and gross profit

Cost of sales for the year was HK$503,857,000, decreased by 2%. The decrease was mainly due to the movements in provision for impairment of inventories.

During the year, the cost of inventories sold of our apparel operation was HK$511,921,000, representing an increase of 12% from HK$455,415,000 of last year. The increase was approximately the same as the increase in relevant turnover. Due to the clearing of off-season stocks and the control of inventory level during the year, the Group recorded a reversal of provision for impairment of inventories of HK$50,591,000, whereas the provision for impairment of last year was HK$24,704,000, a difference of HK$75,295,000 for two years.

Cost of sales for the year included the direct operating expenses arising from investment properties of HK$40,797,000, representing an increase of 27% from HK$32,137,000 of last year. Various pandemic related fee and tax reductions resulted in lower expenditures last year.

Gross profit for the year was HK$868,327,000, representing an increase of 20% from HK$726,500,000 of last year. Gross profit margin before movements in provision for impairment of inventories for our apparel sales was approximately 51.7%, and was 1.1 percentage points lower than last year's 52.8%.

CHAIRMAN'S STATEMENT

Other losses

During the year, the Group recorded fair value losses on investment properties of HK$26,777,000, lower than HK$60,255,000 of last year.

Operating expenses

Selling and marketing costs mainly consist of manpower costs for sales staff, rental expenses of the sales outlets, operating costs for e-commerce sales platforms, and advertising and promotion. In view of abatement of the pandemic during the year, the commercial activities have resumed normal operations. Coupled with the growth in overall turnover, the Group therefore recorded selling and marketing costs of HK$430,022,000 for the year, representing an increase of 21% from HK$354,888,000 of last year.

Administrative expenses mainly consist of manpower costs for non-sales staff, depreciation, amortization and impairment charges, and other miscellaneous expenses. The Group recorded administrative expenses of HK$170,680,000 for the year, also higher than the amount of HK$145,949,000 of last year by 17%. Higher costs were mainly due to the impairment of property, plant and equipment relating to the mask factory and the receipt of various pandemic related fee reductions in last year.

Operating profit

Operating profit for the year amounted to HK$240,848,000, an increase of approximately 46% from HK$165,408,000 of last year. The operating profit margin was about 18%, which was higher than the margin of 13% of last year.

Profit attributable to owners of the Company

The Group also recorded a net interest income of HK$20,203,000 for the year, broadly comparable with last year's HK$20,079,000.

After offsetting the reversal of tax for fair value losses on investment properties amounting to HK$13,897,000 (HK$13,078,000 for last year), the income tax expense for the year was HK$40,008,000 and was higher than the amount of HK$37,201,000 of last year. Effective tax rate excluding fair value losses on investment properties and the related tax effect was 18.7%, down from 20.5% of last year.

The Group's profit attributable to owners of the Company for the year was HK$221,043,000, increased by approximately 49% from HK$148,286,000 of last year. Profit for the year would be HK$233,923,000 if the net fair value losses after tax on investment properties of HK$12,880,000 (HK$47,177,000 for last year) were excluded, and was approximately 20% higher than the amount of HK$195,463,000 of last year.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 7.0 HK cents per share (2020: 6.5 HK cents per share) for the year ended 31st December 2021, totalling HK$68,748,000 (2020: HK$63,838,000). Subject to the shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid on or about 8th June 2022.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

The "dynamic zero" strategy adopted in the China Mainland was successful in preventing the spread of COVID-19 and the market remained generally stable during the year. Overall economy was however overshadowed by the liquidity problems of the real estate market and the increasingly-stringent regulatory measures introduced by the middle of the year. The Group's apparel business in the China Mainland has not seen significant improvement. Overall turnover for the year amounted to HK$1,031,030,000, representing an increase of approximately 11% from last year. However, owing to the use of a higher RMB exchange rate by about 7%, the increase was approximately 4% in term of RMB.

In China Mainland, the Group has continued to conduct its apparel operation through wholesaling to distributors in various cities and provinces, through self-operated retail shops and factory outlets located mainly in Guangzhou, Shanghai, Beijing, Chongqing, Liaoning and Jilin, as well as through e-commerce and custom-ordering.

In respect of our wholesaling operation, the stable operating conditions of our various distributors during the year ensured the improvement in the overall sales as compared with last year. However, due to intermittent outbreaks of the pandemic, the distributors adopted a more conservative approach when placing their orders. During the year, additional sales return allowances granted to distributors had significantly decreased. As such, sales to distributors, which were denominated in RMB, increased by approximately 9% as compared with last year.

Sales of our self-operated retail shops rebounded by approximately 23% in RMB from the relatively low comparative figures mainly due to the temporary closure of some self-operated outlets resulted from the pandemic early last year. Sales increase was also due to the recovery of retail market and the takeover of retail operation in some provinces by the Group since last year. Business of the Group's factory outlets has continued to improve since the second half of last year and turnover of the year was comparable with that of last year.

At the end of the year, the Group's apparel products were sold through 826 retail outlets in China Mainland, among which 115 were self-operated (including 33 factory outlets and 14 retail outlets taken over from our Shandong distributor for self-operation starting from late March).

Regarding e-commerce, sales proportion of special selected items were scaled down for clearing off-season stocks returned by our distributors. As a result, instead of rebounding, e-commerce sales dropped year on year by approximately 10% in RMB. During the year, special selected items accounted for approximately 82% of the e-commerce sales and the total e-commerce sales accounted for approximately 28% of the Group's apparel sales in China Mainland.

Our operation in custom-made corporate uniforms managed to stabilize during the year but clients were still prudent in placing orders. Sales registered a year-on-year decrease of approximately 4% in RMB.

During the year, the Group continued to control its purchasing volume tightly and to make efforts in the clearance of off-season stocks. As a result, a reversal of provision for impairment of inventories of HK$38,367,000 was recorded in the year, whereas the provision for last year was HK$23,647,000.

During the year under review, the Group continued to grant licenses for distribution of shoes, leather goods, undergarments and casual wear in the China Mainland. Licensing fees were charged in accordance with terms in the relevant licensing agreements during the year. As the Group had granted special fee reductions early last year, together with a higher RMB exchange rate, licensing income for the year was HK$124,898,000, increased by approximately 22% from last year.

In addition, the Group established a mask factory in Meizhou in 2020 and production permits were granted in the second quarter of the year. However, its orders and sales had not been able to meet our expectations, and the Group decided to terminate its operation in March 2022. Total investments of the factory amounting to RMB8,157,000 by the end of 2021 has been fully impaired in the year.

CHAIRMAN'S STATEMENT

Singapore Market

In the Singapore market, after the local vaccination campaign launched at the beginning of the year, the pandemic eased and the market picked up. Nevertheless, Group's business was once again affected when anti-pandemic measures had to be tightened in response to the resurgence of infections in the middle of the year and the subsequent outbreak of a new variant, Omicron. Coupled with the significant decrease in the number of sales outlets and the focus on clearance of off-season stocks, apparel sales amounted to only HK$29,316,000 for the year, representing a decrease of approximately 16% from HK$34,831,000 of last year.

Since the second half of last year, the Group has ceased its retail operation in Malaysia and has reduced the number of its counters in Singapore. At the end of the year, there were a total of 5 Goldlion shops and 8 counters in Singapore, or down by 5 in number when compared with the end of last year.

During the year, local sales continued to focus on clearing off-season stocks while higher discounts were offered in accordance with the local market condition. As a result, overall profit margin excluding movements in impairment of inventories stood at approximately 39%, which was lower than the 41% of last year. As for those off-season stocks sold during the year, provision has been made in prior periods. Therefore, the Group reversed the provision for impairment of inventories by HK$12,224,000 during the year. As a provision of HK$1,057,000 was made in last year, there was a difference in provision for impairment of inventories by HK$13,281,000 for these two years.

In response to the pandemic, the Group stepped up control over its operation scale and cut back on unnecessary expenses during the year. As a result, overall expenses amounted to HK$15,188,000, representing a decrease of approximately 45% when compared with last year's HK$27,395,000.

Including net rental income from investment properties of HK$664,000 (HK$336,000 for last year), operating profit of the Group's Singapore operation for the year stood at HK$8,802,000, compared with an operating loss of HK$14,547,000 for last year. The turnaround from loss to profit was mainly due to the relatively high amount of change in provision for impairment of inventories.

Property Investment and Development

The Group's investment property portfolio had no significant changes during the year under review. Value of investment properties recognized by the Group after independent professional valuations amounted to HK$2,994,394,000 at the end of the year, of which property holdings in China Mainland, Hong Kong and Singapore were approximately HK$1,799,134,000, HK$1,150,600,000 and HK$44,660,000 respectively. Because of the appreciation of RMB, total value of investment properties in Hong Kong dollar was higher than the amount of HK$2,950,107,000 at the end of last year. The Group's fair value losses on investment properties as based on the same independent professional valuations amounted to HK$26,777,000 (HK$60,255,000 for last year) which mainly came from the property holdings in China Mainland and especially the Goldlion Digital Network Centre in Guangzhou. An increase in values was recorded for the property holdings in Hong Kong.

CHAIRMAN'S STATEMENT

Although the Group's property leasing situation in China Mainland had not yet fully recovered, the Group's rental income and building management fees for the year stood respectively at HK$147,009,000 and HK$39,931,000, the total of which represented an increase of approximately 8% over last year owing to the use of a higher RMB exchange rate by about 7%.

In Guangzhou, rental income and building management fees in RMB generated from Goldlion Digital Network Centre were 3% lower than last year. The pandemic caused a slowdown in leasing activities. With certain vacant units had still not yet filled up, our leasing position still had room for improvement. Overall occupancy rate for the year was about 78%, which was lower than last year's 81%. With the premises in Yuan Village in Guangzhou completely leased out and the higher RMB exchange rate, rental income and building management fees from this building grew by approximately 59%.

In Shenyang, leasing of Goldlion Commercial Building was stable. Total rental income and building management fees in RMB were comparable with those of last year.

During the year, the leasing of the Group's properties in Hong Kong improved. In particular, the overall rental income and building management fees generated from Goldlion Holdings Centre in Shatin increased by approximately 2%. As at the end of the year, the property was completely leased out. The Group's property located at 3 Yuk Yat Street, To Kwa Wan, had also been fully leased out with an increase of approximately 16% in overall income as compared with last year.

The development project "Goldlion Garden" in Meixian remained under construction. By the end of the year, the development expenditure amounted to HK$715,807,000, representing an increase of HK$291,259,000 as compared with the end of last year. Under the first of its two phases, a total of six high-rise buildings with 524 residential units will be provided. Despite the commencement of its pre-sale at the beginning of the year, buyers were passive in response to the numerous price-cutting offers from certain domestic real estate developers caused by their liquidity problems during the year. As a result, the sales of the project were materially affected, with approximately 160 units sold. It is currently expected that phase one can be substantially completed by the middle of the coming year. In addition, the construction of the second phase of the project (with 456 residential units in five high-rise buildings and 47 low-rise units) commenced during the year. Pre-sale of certain units had been started by the end of the year.

CHAIRMAN'S STATEMENT

PROSPECTS

China Mainland remains affected by the COVID-19 pandemic in spite of its effective control measures. Together with geopolitical conflicts which have caused market fluctuations, the domestic economic development will be full of challenges in 2022. The Group will adhere to its prudent operation principle when developing its apparel business in China Mainland, including improving product quality, optimizing sales channels and enhancing self-operated retail capabilities. Given the improving business operation of various distributors, the Group will further strengthen its cooperation with them.

In addition, the Group's pre-order of 2022 fall and winter collections in sales fair was held smoothly in early March 2022. The pre-order amount was similar to that of the corresponding season last year, which was also in line with the Group's expectations. It is expected that the orders will be delivered to distributors in the second half of 2022.

In January 2022, the Group entered into an investment agreement with the Guangzhou Airport Economic Zone Management Committee under the Guangzhou People's Government, pursuant to which the Group planned to acquire the land use right of a piece of land of approximately 66 mu（畝）in Guangzhou Airport Economic Zone for the construction of an integrated trading headquarter including a logistic centre. The total investment is expected to be RMB330,000,000. As the investment agreement was a framework agreement in nature, details and specific arrangements for obtaining the land use right will be subject to further negotiation between both parties.

In the Singapore market, the Group has successfully reversed the continuous operating losses in the past few years by reducing its operating costs and controlling its operation scale. It is expected that the Group will continue to strictly control its business operations to ensure the improvement of its operating performance.

In respect of property investment business, except for Goldlion Digital Network Centre in Guangzhou, other properties have almost been leased out completely. In 2022, the Group will focus on improving the leasing of Goldlion Digital Network Centre by reducing its vacancies and exploring its leasing potential.

As for the property development project "Goldlion Garden" in Meixian, the Group will place the emphasis on its construction work to ensure that the first phase of the project can be completed on schedule. In addition, despite the sluggish market condition, the Group will strive to pre-sell the remaining units according to the actual situation.

ACKNOWLEDGEMENT

On behalf on the Board, I would like to extend my gratitude to our staff for their dedication and continuous support.

Mr. Tsang Chi Ming, Ricky
Chairman and Chief Executive Officer

Hong Kong, 18th March 2022

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2021

INVESTMENT PROPERTIES

Property	Description	Lot Number	Type	Lease term
Hong Kong				
1. 1st to 6th floors, Goldlion Holdings Centre, 13–15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories	The property, with a gross floor area of 23,077 sq.m., comprises the 1st, 2nd, 3rd, 4th, 5th and 6th floors of a 8-storey factory/warehouse. The building was completed in 1989.	Shatin Town Lot No. 273	Industrial	The property is held for a term commencing on 26th February 1987 and expiring on 30th June 2047.
2. No. 3 Yuk Yat Street, To Kwa Wan, Kowloon	The property comprises a modified 12-storey building completed in 1971 and completely refurbished in 2019. The property has a total gross floor area of 7,028 sq.m..	Kowloon Inland Lot No. 9676	Industrial/ Office	The property is held for a term of 75 years from 17th November 1969 renewable for a further term of 75 years.
3. Unit A on 5th floor, Unit D on 6th floor, Units A and B on 7th floor, Units A, B, C and D on 14th floor, together with car parking S18 on the ground floor, Ming Wah Industrial Building, 13–33 Wang Lung Street, Tsuen Wan, New Territories	The property comprises units on the 5th, 6th and 7th floor and the 14th floor together with a car parking space on the ground floor of a 24-storey industrial building completed in 1979. The property has a total gross floor area of 3,238 sq.m..	81/1024th shares of and in Tsuen Wan Town Lot No. 134	Industrial	The property is held for a term of 99 years from 1st July 1898 and renewed to 30th June 2047.
4. Unit B on 3rd floor, Acro Industrial Building, 19 Yuk Yat Street, To Kwa Wan, Kowloon	The property comprises a workshop unit on the third floor of a 12-storey plus basement industrial building completed in 1978. The property has a gross floor area of 530 sq.m..	58/1184th shares of and in Kowloon Inland Lot No. 9681	Industrial	The property is held for a term of 75 years from 23rd March 1970 and renewable for a further term of 75 years.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2021

INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland				
5. Units 01 to 07 and Units 10 to 12 on Level 1, Levels 2 to 5, Level 7, Units 01 to 05 and Units 09 to 10 on Level 8, Level 9, Unit 01 and Units 03 to 12 on Level 10, Level 11, Unit 01 and Units 03 to 12 on Level 12, Level 13, Units 02 to 05 and Units 08 to 12 on Level 14, Level 15, Unit 01 and Units 03 to 12 on Level 16, Units 07 to 12 on Level 17, Units 03 to 12 on Level 18, Levels 19 to 28, the car parking spaces in the basement levels 1 to 3 and the mezzanine level of the building, Goldlion Digital Network Centre, 136 & 138 Ti Yu Dong Road, Tianhe District, Guangzhou, Guangdong Province	The property is a 29-storey plus 4 basements commercial building built on a site of 6,670 sq.m.. The gross floor area of the commercial and office portions is approximately 47,637 sq.m..	–	Commercial/ Office	The land use right is held for a term of 40 years for commercial use and 50 years for office and car parking uses commencing from 27th January 1997.
6. Shenyang Goldlion Commercial Building, 190 Zhong Jie Lu, Shen He District, Shenyang, Liaoning Province	The property is a 7-storey commercial building built on a site of 5,379 sq.m.. The 2 phases were completed in 1991 and 1993 respectively and was completely refurbished in 2002. The property has a gross floor area of 16,367 sq.m..	–	Commercial	The land use right is held for a term of 40 years for commercial use commencing from 23rd April 2008.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2021

INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
7. Unit 07 on Level 24, Units 07 and 08 on Level 26 and Unit 07 on Level 28, 577 Tianhe North Road, Units 07 and 08 on Level 25, Unit 07 on Level 27 and Unit 07 on Level 28, 581 Tianhe North Road, Concord New World Garden, Tianhe District, Guangzhou, Guangdong Province	The property comprises 8 domestic units in the multi-storey residential estate built in 2003. The property has a gross floor area of 754 sq.m..	–	Residential	The land use right is held for a term of 70 years from 12th April 1999.
8. Unit 03 on Level 10, Glorious City Garden, 852 Dongfeng East Road, Yue Xiu District, Guangzhou, Guangdong Province	The property comprises a residential unit in one of the 32-storey buildings of the estate built in 2001. The property has a gross floor area of 158 sq.m..	–	Residential	The land use right is held for a term of 70 years from 7th July 1998.
9. Units C11, C12, C18-101, C18-102A, C18-102B, C20-101, D01, D26 and E17 on Level 1, Units C18, C19, C20-101, D27, D30, E25 and E26 on Level 2, and Unit C18 on Level 3, Goldlion Fashion Walk, Jiangnan Binfang Da Dao, Meizhou Ze, Guangdong Province	The property comprises units in a commercial podium built in 2008. The property has a gross floor area of 4,432 sq.m..	140209020490 and 140209020608-1	Commercial	The land use right is held for a term of 40 years for commercial use.
10. Units 05 and 06 on Level 1, Block B3, Yuanda Shopping Plaza, 1333 Qunli Disi Da Dao, Daoli District, Harbin, Heilongjiang Province	The property comprises 2 adjoining units located on Level 1 of Block B3 of a complex built in 2013. The property has a gross floor area of 228 sq.m..	–	Commercial	The land use right is held for commercial use up to 29th January 2051.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2021

INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
11. Unit A-03 on Levels 1 and 2, Zone A-2 Dongcheng Centre, Dongcheng District, Dongguan, Guangdong Province	The property comprises a shop unit located on Level 1 and Level 2 of a complex built in 2006. The property has a gross floor area of 534 sq.m..	–	Commercial	The land use right is held for commercial use up to 31st December 2062.
12. Levels 2 to 6, Yuan Village Building, 36 & 38 Keyun Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises the 2nd to 6th levels of a 6-storey factory building built in 1998. The property has a gross floor area of 12,117 sq.m..	–	Industrial	The land use right is held for a term of 50 years from 12th January 1998.
Singapore				
13. Units 01 to 03 on Level 4, Goldlion Building, 161 Kampong Ampat	The property comprises 3 units of a 6-storey industrial and warehouse building. The property has a gross floor area of 1,262 sq.m..	Mukim 24 Kalang Lot 5994/U4 to U6 and 5994/U10 to U12	Industrial	Freehold

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2021

PROPERTIES HELD FOR OWN USE

Property	Description	Lot Number	Type	Lease term
Hong Kong				
1. 7th floor and the car parking spaces on the ground floor, Goldlion Holdings Centre, 13–15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories	The property comprises the 7th floor and the car parking spaces of a 8-storey factory/warehouse. The building was completed in 1989. The gross floor area of the office portions is approximately 4,277 sq.m..	Shatin Town Lot No. 273	Industrial	The property is held for a term commencing on 26th February 1987 and expiring on 30th June 2047.
China Mainland				
2. Unit 08 on Level 28, 577 Tianhe North Road, Unit 07 on Level 26 and Unit 08 on Level 28, 581 Tianhe North Road, Concord New World Garden, Tianhe District, Guangzhou, Guangdong Province	The property comprises 3 domestic units in the multi-storey residential estate built in 2003. The property has a gross floor area of 277 sq.m..	–	Residential	The land use right is held for a term of 70 years from 12th April 1999.
3. Units 101 to 106 on Level 1, Block B, Qiaoxinyuan, Yandu Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises 6 domestic units of a 8-storey residential building built in 1995. The property has a gross floor area of 606 sq.m..	–	Residential	The land use right is held for a term of 70 years from 6th January 2000.
4. Units 08 and 09 on Level 1, Level 6, Units 06 to 07 and Units 11 to 12 on Level 8, Units 06 and 07 on Level 14, Level 29 and Unit W07 in the mezzanine level of basement, Goldlion Digital Network Centre, 136 & 138 Ti Yu Dong Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises several units of a 29-storey plus 4 basements commercial building. The property has a gross floor area of 5,220 sq.m..	–	Commercial/ Office	The land use right is held for a term of 40 years for commercial use and 50 years for office use commencing from 27th January 1997.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2021

PROPERTIES HELD FOR OWN USE *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
5. Level 1, Yuan Village Building, 36 & 38 Keyun Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises the 1st level of a 6-storey factory building built in 1998. The property has a gross floor area of 2,423 sq.m..	–	Industrial	The land use right is held for a term of 50 years from 12th January 1998.
6. Block A, B, C and D, Goldlion Industrial Centre, 8 Jiangnan Binfang Da Dao, Meizhou Ze, Guangdong Province	The property comprises 3 factory buildings (Block A, B and D) and an integrated building (Block C) which were completed in 1995 to 2006 respectively. The property has a gross floor area of 38,623 sq.m..	140209020608	Industrial	The land use right is held for a term up to 26th August 2043.
7. Units D1-601 and 602, Units D2-501 and 601, and car parking spaces D2-103 and 107, Goldlion City Garden, and Unit C20 on Level 3, Goldlion Fashion Walk, Jiangnan Binfang Da Dao, Meizhou Ze, Guangdong Province	The property comprises residential and commercial units built in 2008. The property has a gross floor area of 1,333 sq.m..	140209020490 and 140209020608-1	Residential/ Commercial	The land use right is held for a term of 70 years for residential use and 40 years for commercial use.
8. Unit 16 on Level 20, Building B, Far East International Plaza, 317 Xian Xia Road, Changning District, Shanghai	The property comprises an office unit of a 31-storey plus 2 basements commercial building completed in 1999. The property has a gross floor area of 174 sq.m..	–	Office	The land use right is held for a term commencing on 6th March 2002 and expiring on 19th August 2045.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2021

PROPERTIES HELD FOR OWN USE *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
9. Unit 17 on Level 11, Bright China Chang An Building, 7 Jianguomenni Avenue, Dongcheng District, Beijing	The property comprises an office unit of a 17-storey plus 4 basements commercial building completed in 1996. The property has a gross floor area of 266 sq.m..	–	Office	The land use right is held for a term up to 1st December 2043.
10. Unit 5 on Level 43, 28 Mingquan Road, Yuzhong District, Chongqing	The property comprises an office unit of a 58-storey commercial building. The property has a gross floor area of 225 sq.m..	–	Office	The land use right is held for a term up to 20th December 2044.
Singapore				
11. Units 01 to 03 on Level 2, Goldlion Building, 161 Kampong Ampat	The property comprises 3 units of a 6-storey industrial and warehouse building. The property has a gross floor area of 1,261 sq.m..	Mukim 24 Kalang Lot 5994/U4 to U6 and 5994/U10 to U12	Industrial	Freehold

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2021

PROPERTY UNDER DEVELOPMENT HELD FOR SALE

Property	Description	Lot Number	Type	Group Interest
China Mainland				
Goldlion Garden, Sankui Village, Fudagaoguanhui, Meixian Area, Meizhou Ze, Guangdong Province	The Group held a piece of land of 75,949 sq.m. for the use of "Goldlion Garden" development project. The project includes two phases and a total of eleven high-rise buildings with 980 residential units, 47 low-rise units, carparks as well as ancillary facilities will be provided. The project is currently under construction and phase one (including 524 residential units in six high-rise buildings) is expected to be completed by the second half of 2022.	242102020250 and 242102020251	Residential/ Commercial	100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Reporting Standards

Our Environmental, Social and Governance (ESG) Report for the financial year of 2021 is in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide"), fulfilling the "comply or explain" provisions set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Reporting Principles

When preparing the report content, the Group has adhered to the four reporting principles stated in the ESG Reporting Guide, namely materiality, quantitative, balance and consistency.

- **Materiality:** Stakeholder engagement and materiality assessment were conducted to identify and prioritize material ESG issues in our business operations.
- **Quantitative:** Quantitative metrics are disclosed in this report to keep track of and evaluate our ESG performance.
- **Balance:** This report provides an unbiased assessment on the Group's ESG performance by highlighting both our achievements and areas for improvement on ESG management.
- **Consistency:** Consistent methodologies were adopted for year-on-year comparisons of the Group's ESG performance, unless otherwise specified.

Reporting Scope and Boundary

Unless otherwise stated, this report covers the Group's ESG management and performance of our core activities including our apparel manufacturing and distribution, property investment and development, and office operations in the People's Republic of China (the "PRC"), Hong Kong SAR and Singapore, from 1st January 2021 to 31st December 2021 (the "Reporting Period").

Board Approval

This report was reviewed and approved by the Board of Directors of the Company (the "Board") on 18th March 2022.

Feedback

We highly appreciate your feedback, which will help us to improve our overall ESG performance. Please feel free to contact us via our communication channel at contact@goldlion.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

The Board assumes full responsibility of ESG matters. The Board is responsible for providing strategic guidance on the Group's overall ESG issues, which are evaluated and prioritized through an annual materiality assessment. The result of the assessment is incorporated into the Group's strategies and development programs. Please refer to the Materiality Assessment section of this report for details.

During the year, the Board has approved the establishment of the ESG Working Group ("the Working Group") of the Group. Chaired by the Group Chief Financial Officer, the Working Group provides advice and assistance to the Board on ESG matters. It is responsible for monitoring and reviewing the implementation and effectiveness of adopted or emerging ESG strategies, policies, trends and issues in compliance with ESG related laws and regulatory requirements, and their impacts on stakeholders (including employees, shareholders, customers, and suppliers), local communities and the environment. It is delegated to compare relevant ESG issues with other companies and provide suggestions for improvement. It helps determine critical ESG issues for investors and other stakeholders.

ETHICAL BUSINESS OPERATION

We firmly believe that ethical business practices are key to our long-term business success. We adhere to all applicable laws and regulations, including but not limited to the Prevention of Bribery Ordinance (Cap. 201 of the laws of Hong Kong) and Anti-money Laundering Law of the PRC, relating to bribery, extortion, fraud and money laundering. Internal policies are also implemented to foster an ethical work culture and facilitate effective management.

We are fully committed to operating at the highest standard of business ethics and do not tolerate any form of corruption. We developed an anti-bribery policy that provides guidance on handling gifts from business partners. Through our conflict of interest policy, we inform our employees of our expectations and their family members in avoiding incidents that conflict with the Group's interest.

We have adopted a whistleblowing policy and mechanism, which allow employees to express their concerns regarding any form of misconduct or malpractice. The policy requires the Group to conduct formal and thorough investigations of all reported cases and handle the identity of whistleblowers in strict confidentiality without the fear of retaliation. Whistleblowers can report such incidents either in person or through written forms, and are encouraged to provide as much detail as possible and with evidence where applicable. Reported cases are first handled by the Group's Internal Audit Function and then handed over to the Audit Committee for review and further discussion.

Anti-corruption training is provided to all our staff in Hong Kong and PRC to ensure they are well informed about all the anti-bribery policy, conflict of interest policy and whistleblowing policy. In 2021, we invited the Independent Commissioner Against Corruption to provide a seminar to the Board and senior management as well as Hong Kong staff.

During the Reporting Period, there were no reported cases of non-compliance regarding bribery, extortion, fraud and money laundering in our business operations nor any concluded legal cases regarding corrupt practices brought against the Group or our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

We care about our stakeholders, communicating with them regularly and listening to their concerns. We ask for feedback from both our internal and external stakeholders to collect constructive suggestions. Our ESG policies and management approach are formulated with consideration of their views and align with their expectations.

Stakeholder Group	Engagement Method
Employees and labour union	• Internal meetings • Interviews • Internal circulars • Staff performance appraisal reviews
Shareholders and investors	• Annual general meetings • Financial reports • Corporate website • Press releases
Customers	• Customer service hotline • Daily personal contact • Corporate website • Third-party e-commerce platforms
Media	• Press releases
Suppliers	• Tendering processes • Meetings and conferences • Site visits
Community	• Voluntary services

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

A materiality assessment allows us to formulate strategies on ESG aspects that are important to our business operations. In 2020, the Group commissioned an independent consultant to conduct a stakeholder engagement exercise to identify and analyze material ESG issues in our business operations. Key stakeholders including management, general staff, suppliers and customers were consulted on the Group's ESG issues through an online survey. Over 80 valid responses were received, and the survey results were analyzed to map out the materiality of ESG issues. A total of 19 ESG issues were identified as material.

In 2021, we verified the list of material ESG issues against the updated Stock Exchange's ESG Reporting Guide and industry practices, along with a peer benchmarking exercise. Upon the conclusion of this review exercise, the Group concluded that there was no change in the list of material ESG issues this year and the results were reviewed and endorsed by the Board.

The material ESG issues are listed below:

ESG Aspects	Material ESG Issues
Operating practices	• Product quality and safety • Customer service and satisfaction • Advertisement and labelling • Customer data protection and privacy • Ethical business compliance • Intellectual property rights • Anti-corruption • Product responsibility compliance • Supply chain management • Sustainable procurement practice
Employment practices	• Occupational health and safety • Training and development • Equal opportunity, diversity and non-discrimination • Employment relations • Employment compliance • Labour standards
The Environment	• Environmental compliance • Employees' environmental awareness • Water management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

VALUING OUR CUSTOMER

Complying with Legal Requirements

It has always been our top priority to ensure the quality of our products and services and that they comply with all relevant laws and regulations. This includes, but is not limited to, the Product Quality Law, Advertisement Law and Law on Protection of Consumer Rights and Interests of the PRC. To further perfect our products and services, a product responsibility policy has been formally established for quality control purposes. During the Reporting Period, we observed no material non-compliance cases regarding laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to our products and services.

Building Premium Homes

Our development project "Goldlion Garden" in Meixian is still under construction. We engage experienced contractors in property development to design and develop the project. Striving to maintain the highest standard of safety and quality, we carry out continuous supervision of the construction works and stringent quality assessment on the building materials. Internal engineers station at the construction site to monitor and conduct acceptance tests. In addition to governmental quality monitoring unit, we also engage third party material testing laboratory to conduct quality test for our building materials. To better monitor the project progress, we require the project contractor to provide progress report to us regularly. Spot checks are conducted by our internal project quality control team formed by building and engineering professionals. While written improvement requests are issued to contractors if they fail to meet our quality standards, our internal professionals provide technical support to ensure the contractors are technically capable to meet our high-quality standard requirements.

Excelling in Apparel Production and Sales

The majority of apparel products we sell are manufactured by our suppliers. To ensure product quality, we have followed national and industry requirements in the establishment of our quality management system. We have formulated a comprehensive set of internal technical standards and requirements. For instance, most types of products from suppliers are subject to random inspection while special products such as leather goods require 100% inspection. Inspection points and standards are also clearly defined. For self-produced products, we carefully design and standardize manufacturing and inspection procedure to ensure our products can meet customers' satisfaction. For example, one single piece of suit jacket is required to meet over 50 items of quality standards, which include compliance to the national health and safety standard on the use of chemicals such as GB 18401 China's National General Safety Technical Code for Textile Products.

A set of internal guidelines on the operation of sales outlets, e-commerce sales platforms, as well as labelling, advertising and promotion is in place to ensure our marketing and selling activities meet legal requirements. All marketing materials are required to undergo approval procedure before publication.

Various communication channels such as email and social media page are available to our customers. E-commerce customers can also contact us through a 24-hour online service centre. We also conduct customer satisfaction survey and phone interviews regularly to collect customers' feedback on our product quality.

Regarding customers' complaints and requests for product return, we also have a set of procedural standards in place. Different sets of product recall procedure are formulated for distributor, wholesaler, retailer and end customers from our self-operated e-commerce platforms and retail outlets. We also ensure that they are well informed about their rights on product return. General procedure includes after-sales services team communicating with the customer, inspection team confirming the product's defect, after-sales services team informing customer about the successful application of product recall, manufacturing team providing new product to be delivered to the customer.

During the Reporting Period, around 3,300 e-commerce operation related complaint cases (or 0.14% of the total number of transactions) were received while no products sold or shipped were subject to recalls for safety and health reasons.

VALUING OUR CUSTOMER *(continued)*

Building Trust with Tenants

The health and safety of our tenants is our priority. We arrange periodic safety and potential hazards inspections by qualified engineers to maintain high standards of health and safety. In response to the outbreak of the COVID-19 pandemic, we work together with tenants and property management company to adopt appropriate public health measures, including more frequent cleaning and disinfection of common area such as the building lobby and the elevators, issuing guidelines to all service contractors to ensure all building staff maintain good personal hygiene and cleanliness, have their body temperature monitored on a daily basis and are provided with the necessary protective equipment to carry out their duties safely. Automatic body temperature scanner and hand sanitizer are also available at building lobbies for tenants and visitors use.

We value tenants' feedback for continuous improvement. Our property management contractor conducted satisfaction survey on an annual basis to collect tenants' feedback. Tenants can also write letters or emails, make phone calls, directly speak to, or communicate through mobile phone applications with our property management contractor who has complaint handling procedure in place to handle tenants' complaint on a timely manner.

During the Reporting Period, no material complaint was received from tenants.

Upholding Intellectual Property Rights

Intellectual property plays an important role in the apparel industry and defines a manufacturer's specialty. We are aware of the risk of intellectual property infringement and have adopted a range of measures to protect our intellectual property rights as well as those of our peers. We communicate our requirement on the use of our trademarks and copyrights to the Group's business partners by including specified clauses and confidentiality provisions in our contracts. For instance, we protect our intellectual properties through trademark opposition, legal proceedings against trademark infringement and strong action against counterfeits. We also conduct compliance audits on promotional materials to prevent copyright infringement. Our employees are strictly prohibited from installing unauthorized or pirated software in the workplace and are required to use authentic programs only.

Protecting Customer Data Privacy

Safeguarding the data privacy of customers is of paramount importance to our business operation as we process customer data to deliver quality products and services to our customers. We adhere to data privacy laws and regulations in the jurisdictions where we operate including but not limited to the Personal Data (Privacy) Ordinance (Cap. 486 of the laws of Hong Kong), Law of the PRC on the Protection of the Rights and Interests of Consumers and Personal Data Protection Act 2012 of the Republic of Singapore.

We have stringent internal controls on handling and managing our customer's data. The data is strictly confined to the intended operational use. We use collected customer information only for the purposes of which have been notified to the customers. Only authorized personnel can access the data system and confidential customer information. We keep customer data only for as long as necessary to fulfil the purposes of information collection and destroy the data when it is no longer needed for the purpose of which it was obtained. Dated customer data are securely destructed after use. We also require our employees to sign non-disclosure agreements upon joining the company and return all confidential information when they resign. Encryption measures have also been implemented on all e-commerce platforms.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MANAGING OUR SUPPLY CHAIN

Overview of Our Supply Chain

We work with a stable network of experienced and specialized suppliers to ensure the excellent craftsmanship and optimum availability of our products. During the Reporting Period, we worked with 68 suppliers, of which 62 suppliers are from China Mainland (including Hong Kong) and 6 suppliers from Southeast Asia.

Engaging Our Suppliers

We have established the sustainable procurement policy as well as the procurement policy, the sub-contracting policy, the green procurement policy and the supplier code of conduct for our PRC operations. These policies provide standards and guidelines for procurement and merchandising team to take into account cost, time, quality and continuity of supply as well as suppliers' compliance with laws, regulations and other prescribed standards concerning product/service quality/safety, business ethics, labour practices, the environment, anti-corruption, data protection and intellectual property, among other issues, when selecting and engaging our suppliers. We ensure that all purchasing clauses of the supply chain are in compliance with national laws and regulations. In cases of subcontracting, we require relevant documentation and approvals to maintain the traceability of our supply chain.

Evaluating Our Suppliers

We are aware that our sourcing activities are associated with risks which include environmental and social risks which pose negative consequences to the natural environmental and our stakeholders such as our employees, customers and neighbouring communities. In order to minimize these risks, a supplier assessment is conducted when selecting new suppliers and twice a year afterwards. Our supplier assessment is carried out in the form of site visits, interviews and a supplier assessment form. We verify with supporting documents such as safety certificates, product quality reports, environmental protection certificates and bank credit reports. We will consider terminating the partnership if the suppliers fail to meet the Group's standards and if no corrective actions are taken.

Promoting Environmentally Preferable Products and Services

The Group-level sustainable procurement policy provides clear guideline for procurement and merchandizing team to incorporate environmental concerns during our search for high quality products and services at competitive prices. They are encouraged to select products that have low embodied carbon, are sourced locally, produced with renewable energy, durable and can be repaired, contain materials which have high recyclability, minimize the use of virgin material in the product, minimize energy and/or water consumption, minimize or eliminate packaging and replace disposable/single-use items with reusable or recyclable ones. In addition, PRC suppliers are required to comply with the national environmental policies and provide relevant compliance certificates for verification.

EMPOWERING OUR EMPLOYEES

Protecting Employees' Rights

We value our employees and are fully committed to supporting and fostering inclusivity and equality in the workplace. We strictly comply with all applicable employment laws and regulations of the jurisdictions we operate in, including but not limited to the Employment Ordinance (Cap. 57 of the laws of Hong Kong), Labour Law of the PRC and Employment Act 1968 of the Republic of Singapore. Policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare are stipulated in our Employee Handbook.

We aim to foster inclusivity in our work culture and do not tolerate any form of discrimination based on race, gender, disabilities, religion, sexual orientation, marital status, and pregnancy. We provide fair, competitive, and rewarding remuneration packages with comprehensive fringe benefits to our employees with reference to regular market research and "pay-for-performance" principles. We provide fringe benefits including apparel sponsorship for our mainland executive and key management personnel, parking discount, birthday bonus, festival gifts and subsidies for children's education.

The Group complies with the local regulations regarding retirement benefits, including the Mandatory Provident Fund Scheme in Hong Kong, the Five Social Insurance and One Housing Fund in China Mainland and Central Provident Fund (CPF) in Singapore. In 2021, we contributed HK$42,527,000 to these funds for our employees.

To motivate and reward our employees for good performance, we offer attractive career advancement opportunities to high-performing employees. In addition, we implement an internal referral reward policy to improve our recruitment efficiency. We provide different channels to allow employees to voice out their opinions, including monthly meetings, online and offline feedback forms.

Our recruitment personnel verify the applicants' identification documents, checking their age and eligibility for employment. All personal information and credentials of job applicants are stored in a secured data system with strict control of access. Data of unsuccessful job applicants will only be used for subsequent recruitment exercises or directly related purposes.

The Group prohibits all forms of forced and child labour in accordance with applicable laws and regulations including but not limited to Employment Ordinance (Cap. 57 of the laws of Hong Kong), Labour Law and Special Protection for Female and Juvenile Workers and Provisions on the Prohibition against the Use of Child Labour of the PRC. We are fully aware of what is considered forced labour. We ensure that all our employees work voluntarily and we carefully employees' overtime work according to the law. We have also implemented the child labour prohibition policies and remedial procedures to forbid the use of child labour. In recruitment, our employment screening process screens out candidates that are below the legal working age (i.e. under aged 18).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPOWERING OUR EMPLOYEES *(continued)*

Protecting Employees' Rights *(continued)*

During the Reporting Period, there were no non-compliance cases of laws and regulations relating to child or forced labour.

As at 31st December 2021, we employed a total of 1,682 employees with a total of 386 other workers hired by our contractors to perform work across our business operations.

	Goldlion		Contractors	
Employee Profile in 2021	**Number**	**Percentage**	**Number**	**Percentage**
Composition of employees by gender				
Female	1,235	73%	95	25%
Male	447	27%	291	75%
Composition of employees by employment type				
Full-time	1,658	99%	385	100%
Part-time	24	1%	1	0%
Composition of employees by age group				
Age < 30	138	8%	24	6%
Age 30–50	1,266	75%	204	53%
Age > 50	278	17%	158	41%
Composition of employees by employment category				
Managerial employees	157	9%	56	15%
General staff	1,525	91%	330	85%
Composition of employees by geographical region				
PRC (excluding Hong Kong)	1,580	94%	363	94%
Hong Kong SAR	39	2%	23	6%
Singapore	63	4%	–	–

Employee Turnover Rate	**2021**	**2020**
The Group	20%	22%
Employee turnover rate by gender		
Female	20%	21%
Male	21%	23%
Employee turnover rate by age group		
Age < 30	56%	51%
Age 30–50	18%	16%
Age > 50	12%	28%
Employee turnover rate by geographical region		
PRC (excluding Hong Kong)	20%	19%
Hong Kong SAR	5%	3%
Singapore and Malaysia	27%	80%

EMPOWERING OUR EMPLOYEES *(continued)*

Ensuring Occupational Health and Safety

As a responsible employer, we make great efforts in safeguarding the health and safety of our employees. We strictly adhere to relevant laws and regulations with respect to occupational health and safety (OHS) including but not limited to the Occupational Safety and Health Ordinance (Cap. 509 of the laws of Hong Kong) and Law of the PRC on Prevention and Control of Occupational Diseases. We have adopted a series of OHS programs to minimize the occurrence of accidents and ensure the safety of the workplace. Our production site in Meizhou has attained the ISO 45001:2018 certification to demonstrate effectiveness and efficiency of our OHS management system.

We have formulated a set of equipment safety procedures to educate our employees about the safe operations of all the equipment in the workplace. Safety training covering first aid, fire safety, and production safety laws and regulations is provided to all employees. A fire drill is also carried out annually to ensure our staff are well prepared in case of an emergency.

We provide full-time permanent employees with medical insurance that covers doctor visits, hospital out-patient services, hospitalization, and certain eligible surgeries. For employees in PRC, we offer group commercial insurance service and arrange a mandatory physical examination annually.

Contributing to COVID-19 relief efforts, we have taken prompt and precautionary measures to minimize the risk of an outbreak in our workplace. We distributed medical supplies including surgical face masks and hand sanitizers to employees in PRC and Hong Kong. Work-from-home practices were arranged for employees in the Hong Kong office. The Group played educational videos on COVID-19 prevention, covering topics including the proper use of masks, transmission vectors of COVID-19 and special guidelines for work resumption, commuting and daily office operation in our offices in the PRC. In response to the government's call, we have arranged several group visits to community service centers for COVID-19 vaccination and offer vaccination leave to employees. We have also arranged two group COVID-19 testings for all PRC employees in May and July 2021.

In cases of work-related injury, we will conduct thorough investigations and review all relevant documents. Corresponding preventive measures would be employed to prevent the recurrence of such events.

	Unit	2021	2020	2019
Lost days due to work injury (note)	Day	307	32	68
Number of work-related fatalities	Person	0	0	0
Rate of work-related fatalities	%	0	0	0

Note: One of our employees fell down in a warehouse in Hong Kong and sprained her back in 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EMPOWERING OUR EMPLOYEES *(continued)*

Developing and Training Employees

We provide employees with all necessary support and resources to advance in their career pathways. Below are examples of the training programs we have provided during the year.

Training courses are tailored to each employee, based on their job nature and rank. For example, an orientation training program was designed for new employees to familiarize themselves with corporate information, occupational health and safety and career development opportunities. We have launched a management trainee program for developing new talents. For sales and marketing team, we have arranged training on product, display, customer services as well as short video shooting and editing skills. The use of AI Smart Voice Assistant also helps to enhance frontline sales teams' fluency in product introduction.

For office staff, we provided training on computer applications to increase work efficiency. For managerial staff, training aiming at boosting leadership and management skills was provided. We have also provided trainings to general staff on legal and compliance knowledge, data security, health and safety, as well as guidelines for COVID-19. An e-learning platform has been developed to provide flexible training arrangement to employees in view of the disruption and uncertainties brought by COVID-19. Trainings for trainers were also provided to upskill staff who wish to become an internal trainer.

Our employees are encouraged to take external professional training besides internal training courses. Qualified employees were granted financial subsidies to join approved external training programs. To improve the effectiveness, we have partnered with professional institutions to provide training to our employees. The general decrease in percentage of employees trained and average training hours in 2021 is mainly due to the absence of online training provided by local government in 2021. If the training provided by the government in 2020 was excluded, total number of training hours in 2021 increased by about 8% from 2020.

Percentage of employees trained	2021	2020
The Group	61%	68%
Percentage of employees trained by gender		
Female	61%	67%
Male	60%	70%
Percentage of employees trained by employment category		
Managerial employees	76%	81%
General staff	59%	66%

Average training hours	2021	2020
The Group	12.2	21.8
Average training hours by gender		
Female	14.7	22.5
Male	5.1	19.9
Average training hours by employment category		
Managerial employees	12.2	29.3
General staff	12.2	21.1

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROTECTING OUR ENVIRONMENT

Environmental Management Approach

The Group is fully committed to improving our environmental performance by minimizing our environmental impacts. We are in full compliance of all applicable environmental laws and regulations including:

- the Environmental Protection Law of the PRC;
- the Water Pollution Prevention and Control Law of the PRC;
- the Atmospheric Pollution Prevention and Control Law of the PRC;
- the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste; and
- the Regulations on the Administration of Construction Project Environmental Protection.

During the Reporting Period, there were no material non-compliance in relation to environmental protection laws and regulations.

We are open to any feedback from our employees on our environmental initiatives and practices. For continuous improvement in our environmental performance, we regularly collect feedback and suggestions from our employees.

In our property development project, we use environmentally friendly materials in construction and the building design has passed a green building assessment. In 2021, our property in the factory area has undergone greening rectifications to beautify the environment of the factory area. We also prohibit the use of endangered and vulnerable species in the production of our apparel business.

Managing Climate-related Risks and Opportunities

We recognize the impacts brought by climate change and the importance of managing them. We have formulated the environmental and climate change policy to better manage climate-related risks and our environmental footprint. The policy provides details on our expectation on management of environmental issues including air and greenhouse gas emissions, waste, use of resources, biodiversity. The policy also stipulates how we identify and mitigate significant climate-related issues. During the Reporting Period, we started to identify and assess climate-related risks which may impact our long-term interest.

For acute physical risks, which arise from short-term events, our business is exposed to potentially more severe and frequent extreme weather events such as typhoons and intense precipitation. These may increase the possibility of health and safety hazards to our staff and consumers, increase insurance premiums and cause business interruption. For chronic physical risks, which arise from longer-term changes in the climate, increasing mean temperatures at our business locations may increase operating and maintenance costs.

For transition risk, new policies and regulations relating to a low-carbon economy proposed by the Chinese Government may lead to a rise in energy prices. More stringent climate policies and regulatory requirements may also cause higher capital investment and other non-compliance fines.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROTECTING OUR ENVIRONMENT *(continued)*

Managing Climate-related Risks and Opportunities *(continued)*

To better manage climate-related risks, we have implemented various measures to mitigate and adapt to the impacts brought by climate change. The Group has property insurance and public liability insurance to protect its interests and reduce potential financial loss. In addition, we have formulated operational procedures in relation to rainy season and extreme weather events such as storms and typhoon.

During the Reporting Period, we have set greenhouse gas ("GHG") emissions, energy, water and waste reduction targets by 2030, against 2020 as the base year, in order to mitigate our impact on climate change. In fact, our manufacturing site in Meizhou has been adopting and attained certification for the ISO 14001 Environmental Management System which ensures that effective and timely emergency mechanism are in place in case of severe environmental incidents. This system is also used to keep track of the plant's energy efficiency and emission reduction targets.

Managing Energy Consumption and Greenhouse Gas Emissions

Electricity use is the main source of our energy consumption and greenhouse gas emissions which are the main contributors to climate change. To provide a clear direction for our different business operations to reduce carbon footprint, we have set targets to reduce energy consumption and GHG emissions. We have not yet set any target for our property development project in Meixian due to fluctuation of energy consumption during the different stages of construction.

Energy Consumption Reduction Targets

For apparel business and all our offices operation, achieve 16.7% reduction (1.67% per year) in energy consumption per million HKD turnover in 2030 against the baseline year 2020.

For property investment business, achieve 16.7% reduction (1.67% per year) in energy consumption per floor area (excluding the consumption and floor area occupied by tenants) in 2030 against the baseline year 2020.

GHG Emissions Reduction Targets

For apparel business and all our offices operation, Achieve 28% reduction (2.8% per year) in GHG emissions per million HKD turnover in 2030 against the baseline year 2020.

For property investment business, achieve 28% reduction (2.8% per year) in GHG emissions per floor area (excluding the emissions generated and floor area occupied by tenants).

To achieve these targets, we have implemented various energy-saving measures. They include shutting down non-emergency elevators at night, adjusting the number of air-conditioners used according to daily temperature and seasonal change, replacing air-conditioners with high-efficiency models and replacing traditional lights with LED lights. We also make use of a building automation system to monitor energy consumption and utilize the data for consumption optimization.

During the Reporting Period, we recorded a significant drop in total diesel consumption and a notable increase in total electricity consumption which is believed to be due to the fluctuation of diesel and electricity consumption across construction phases in our property development project. In addition, one investment property is added to the data collection and reporting scope this year, which also contributed to the increase in electricity consumption. The combine effect ultimately led to an increase in total energy consumption and scope 2 greenhouse gas emissions but a reduction in scope 1 greenhouse gas emissions. In addition, since some of the business travel resumed due to the gradual recovery from COVID-19, scope 3 greenhouse gas emissions increased slightly.

PROTECTING OUR ENVIRONMENT *(continued)*

Managing Water Consumption

We are fully aware of the water shortage issues in China Mainland. As China Mainland is our main market, we do our best to manage our water consumption in affected regions. We have set target to reduce the Group water consumption. The target scope does not include our property development project due to fluctuation of water consumption during the different stages of construction.

Water Consumption Reduction Targets

For apparel business and all our offices operation, achieve 43% reduction (4.3% per year) in water consumption per million HKD turnover in 2030 against the baseline year 2020.

For property investment business, achieve 43% reduction (4.3% per year) in water consumption per floor area in 2030 against the baseline year 2020.

We aim to achieve this water reduction target and improve water efficiency through our water conservation initiatives including frequent inspection and installation of flow restrictors on water faucet, adjustment of water pipes of air-conditioner and collection of rainwater for gardening purpose.

We adhere to relevant government laws and regulations in relation to wastewater treatment and discharge in the jurisdictions where we operate. We strictly follow the authorities' discharge standards in our wastewater treatment processes.

During the Reporting Period, we recorded an increase in total water consumption which is believed to be due to the fluctuation of water consumption across construction phases in our property development project. In addition, one investment property is added to the data collection and reporting scope this year, which also contributed to the increase in total water consumption.

Managing Material Use and Waste Handling

We promote waste minimization, recycling and upcycling. We spare no effort in managing and disposing hazardous and non-hazardous waste in a responsible manner. Our waste management practices are based on the "4Rs" principles, including Reduce, Reuse, Recycle, and Replace.

We adopt a variety of measures to reduce solid waste generation in our operations. For instance, we take a minimal waste design approach to produce apparels with less fabric wastage. In our offices, we encourage our employees to make use of cloud system for document storage to avoid printing. If printing is necessary, they are advised to reuse paper and adopt double-sided printing. We also promote bring-your-own-mug practice in the workplace to reduce plastic bottle consumption. Waste separation is implemented in our operations to properly dispose different kinds of waste. For instance, hazardous waste including computer hardware and batteries are collected in a centralized manner for handling and disposal by professional waste handlers.

The packaging materials we use are mainly plastic bags, plastic wrappings, and cardboard paper boxes. We are exploring more environmentally friendly alternatives and opportunities to implement circular economy approach. We have now adopted biodegradable packaging materials in some of our products to reduce our waste footprint.

We have set a target to achieve 50% paper recycling rate in 2030 across our offices and apparel business. Going forward, we will consider setting waste reduction targets for other types of waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PROTECTING OUR ENVIRONMENT *(continued)*

Managing Air Emissions

Our direct contribution of air pollutant emissions is deemed insignificant as the majority of our products are manufactured by external suppliers and only a small portion of our products (mainly ties, leather goods and corporate uniforms) are made in our Meizhou factories. We reduce transport mileage, fuel consumption and air pollution by optimizing distribution networks and route planning.

The air emissions of administrative vehicles meet the national exhaust emission requirements. Apart from a minimal consumption of gas in our canteen, the Group did not contribute directly to air pollution in operations within our production facilities.

We encourage our employees to avoid unnecessary business travel, using alternative methods such as utilizing conference calls and other electronic communication channels. For necessary short-distance business trips, we encourage employees to take trains instead of flights.

Environmental Data Summary

The following table summarizes our environmental performance in 2020 and 2021. For intensity figure, we have excluded the performance from property development operations as its performance fluctuates significantly across the different phases of construction and cannot form meaningful comparison across the years.

Performance Metrics	Units	Performance in 2021	Performance in 2020
GHG emissions			
Scope 1 Emissions	**tonne CO_2 equivalent (tCO_2e)**	**744**	**1,078**
Offices	tCO_2e	182	228
Apparel distribution and manufacturing	tCO_2e	548	448
Property development	tCO_2e	14	402
Scope 2 Emissions	**tCO_2e**	**6,770**	**5,829**
Offices	tCO_2e	716	691
Apparel distribution and manufacturing	tCO_2e	2,226	1,931
Property investment	tCO_2e	3,337	2,968
Property development	tCO_2e	491	239
Scope 3 GHG emissions	**tCO_2e**	**489**	**376**
Business travel	tCO_2e	381	275
Others	tCO_2e	108	101
Total GHG emissions	**tCO_2e**	**8,003**	**7,283**
GHG emissions per employees	tCO_2e/employee	4.76	4.31
GHG emissions per floor area	tCO_2e/m^2	0.10	0.08
GHG emissions (Scope 1 + 2) for apparel distribution and manufacturing business per turnover	tCO_2e/million HKD	2.34	2.23
GHG emissions (Scope 1 + 2) for property investment business and offices per floor area (note)	tCO_2e/m^2	0.07	0.08

Note: Data for property investment business only covers common areas of the Group's property holdings in China Mainland. In addition, data for Malaysia Office has been excluded as its operation was ceased in 2020.

PROTECTING OUR ENVIRONMENT *(continued)*

Environmental Data Summary *(continued)*

Performance Metrics	Units	Performance in 2021	Performance in 2020
Energy consumption			
Total energy consumption	kWh	14,284,826	13,963,876
Electricity consumption	kWh	11,323,156	9,690,845
Petrol consumption	Litre	66,093	81,268
Diesel consumption	Litre	216,000	327,062
LPG consumption	Litre	2,082	2,141
Energy consumption per employee	kWh/employee	8,493	8,272
Energy consumption per floor area	kWh/m^2	182	149
Energy consumption for apparel distribution and manufacturing business per turnover	kWh/million HKD	4,978	4,691
Energy consumption for property investment business and offices per floor area	kWh/m^2	128	126
Water consumption			
Total water consumption	m^3	146,703	113,641
Water consumption per employee	m^3/employee	87.2	67.3
Water consumption per floor area	m^3/m^2	1.9	1.3
Water consumption for apparel distribution and manufacturing business per turnover	kWh/million HKD	43.6	37.3
Water consumption for property investment business and offices per floor area	kWh/m^2	0.9	1.1
Waste management and packaging materials			
Total hazardous waste produced	tonne	N/A	N/A
Total non-hazardous waste produced	tonne	39.3	46.5
Total packaging material	tonne	108.7	116.9
Paper consumption for offices and apparel distribution and manufacturing business	tonne	111.9	122.9
Paper recycled in offices and apparel distribution and manufacturing business	tonne	31.7	36.7
Paper recycling rate for offices and apparel distribution and manufacturing business	%	28.3	29.8
Air emissions			
Total NOx emissions	kg	113.6	94.5
Total SOx emissions	kg	1.0	1.2
Total PM emissions	kg	10.7	8.8

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUPPORTING OUR COMMUNITY

We are committed to delivering long-term value to society through community investment.

We have formulated the Group level community investment policy to provide clear guidelines to facilitate community empowerment in regions where we operate. We endeavor to drive positive impacts in the society through donations and volunteering work. During the Reporting Period, the Group made a lot effort in contributing to the sustainability of the community.

Donation to the Shandong University

To support educational development of our community, the Group donated RMB5 million to the Shandong University. The fund will be used to set up the Shandong University Goldlion Cultural Development Fund.

Donation to Baiseshi Education Foundation

We donated a total of RMB2.25 million to the Baiseshi Education Foundation of Guangxi Zhuang Autonomous Region. The donations will be used in supporting around 1,500 underprivileged students to complete their studies.

Goldlion Zhijian Bei Golf Tournament

We jointly organized the Goldlion Zhijian Bei Golf Tournament with Guangzhou Golf Association to promote professional golf education. In the event, we donated 20 set of Goldlion golf clubs which include a putter, 1, 3 and 5-woods, 3 to 9 irons, a pitching wedge and a sand wedge, to Guangzhou Sports Polytechnic for use as teaching equipment with the aim to enhance students' professional training standard.

Clothes donation to Bai Ying Yu

We always try to involve our employees in our community investment initiatives. For instance, this year, we gathered our staff in PRC office to collect a total of 72kg used clothes to Bai Jing Yu, a clothes recycling platform which collected used clothes and exports them to underprivileged regions. The organization only collects non-underwear garments due to hygiene issue and the used clothes would be set aside if they are too tattered or dirty to meet exporting standard.

ESG GUIDE CONTENT INDEX

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P.35–39
KPI A1.1	The types of emissions and respective emissions data.	P.38–39
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.38
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.39
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.39
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	P.36
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	P.37

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
A. Environmental *(continued)*		
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P.36–39
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P.39
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P.39
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	P.36
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	P.37
KPI A2.5	Total packaging material used for finished products.	P.37
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	P.35
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P.35
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	P.35–36
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	P.35–36

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P.31–32
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	P.32
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	P.32
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P.33
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	P.33
KPI B2.2	Lost days due to work injury.	P.33
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P.33

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. Social *(continued)*		
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P.34
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P.34
KPI B3.2	The average training hours completed per employee by gender and employee category.	P.34
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P.31
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	P.31
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	P.31

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. Social *(continued)*		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P.30
KPI B5.1	Number of suppliers by geographical region.	P.30
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P.30
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P.30
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P.30
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P.28–29
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P.28
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	P.28–29
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	P.29
KPI B6.4	Description of quality assurance process and recall procedures.	P.28
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P.29

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. Social *(continued)*		
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P.25
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	P.25
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	P.25
KPI B7.3	Description of anti-corruption training provided to directors and staff.	P.25
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P.40
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P.40
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	P.40

CORPORATE GOVERNANCE REPORT

The Board and the management of the Company are committed to maintain a high standard of corporate governance. The Board believes that to carry on the business in an accountable and transparent manner and following good corporate governance practices serve the long-term value to shareholders and stakeholders.

The Board develops and reviews the Company's policies and practices on corporate governance. The Directors also review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and disclosure in the Corporate Governance Report. During the year under review, the Company complied with the Code Provisions in the Corporate Governance Code except for derivation as specified and explained below.

The Directors would continue to monitor and review the Company's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

Overall Accountability

The Board assumes full responsibility for leadership, control and development of the Company and is collectively responsible for promoting the success and sustainable development of the Company. It provides direction in matters concerning the Company's business strategies, policies and plans whereas daily business operations are delegated to the senior management. In discharging the corporate accountability, each Director is required to pursue excellence in the interests of the shareholders as a whole and fulfill his/her fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements.

Board Composition

The Board has a balance of skills and experience appropriate for the requirements of the Group's businesses. Currently, the Board comprises six members in total including two executive Directors, a non-executive Director and three independent non-executive Directors. Non-executive Directors provide the Board with diversified expertise and experience. The Board believes that the presence of independent non-executive Directors can provide sufficient checks and balances that safeguard the interests of shareholders and the Group as a whole.

Each of the independent non-executive Directors has confirmed in writing to the Company their independence in particularly regarding to the requirements under Rule 3.13 of the Listing Rules. The Board considers that the independent non-executive Directors are free from any business or other relationship that may influence their exercise of independent judgement.

In case of an independent non-executive Director who has served more than 9 years, his further appointment is subject to a separate resolution to be approved by shareholders. The circular for shareholders' meeting accompanying that resolution will include the reasons why the Board believes he is still independent and should be re-elected.

Biographical details of the Directors are set out on pages 63 to 64. Save as Mr. Tsang Chi Ming, Ricky is a son of Madam Wong Lei Kuan, there are no family or other material relationships among the Directors.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Responsibilities and Delegation

The Company has clear policy to ensure that all Directors have a proper understanding of the business and operations of the Group and that they are fully aware of their roles and responsibilities as Directors under relevant legislations and regulatory requirements.

The Board reviews and monitors the Company's policies and practices on compliance with legal and regulatory requirements.

The Board is accountable for the supervision of the management in the business and affairs of the Company and the Group. Apart from its statutory and fiduciary duties, the Board sets the Group's objectives and approves strategic plans, key operational targets, capital expenditure, major investments and financing decisions. Day-to-day management of the Company is delegated to the executive Directors and the officers in charge of each business unit and function who are required to report to the Board.

All Board members are provided with full and timely information about the conduct of the business and development of the Company including monthly reports and updates on major matters. The Board reviews businesses and performance of the Group regularly.

To assist in the execution of its responsibilities, the Board has established three Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. All these Board Committees have clear written terms of reference which are available on the websites of the Company and the Stock Exchange.

All Directors have disclosed to the Company their interests as director and other office in other public companies and organizations in a timely manner and have regularly reported to the Company Secretary on any subsequent changes.

Board Meetings

The Board meets regularly and as and when required. In the year under review, four regular full Board meetings had been held. The Directors discussed the overall strategies of the Group, monitored financial and operational performance, approved the Group's financial statements as well as other material contracts and significant matters at the Board meetings.

Details of Directors' attendance records in 2021 are set out below:

	Attendance (%)	
Executive Directors		
Mr. Tsang Chi Ming, Ricky	(4/4)	100%
Madam Wong Lei Kuan	(4/4)	100%
Non-executive Director		
Mr. Ng Ming Wah, Charles	(4/4)	100%
Independent Non-executive Directors		
Dr. Lau Yue Sun	(4/4)	100%
Mr. Li Ka Fai, David	(4/4)	100%
Mr. Ngan On Tak	(4/4)	100%

Dates of regular Board meetings are scheduled in the prior year to provide sufficient notice for all the Directors an opportunity to attend. For special Board meetings, reasonable notice will be given.

BOARD OF DIRECTORS *(continued)*

Board Meetings *(continued)*

The Company Secretary assists the Chairman in establishing the meeting agenda, and each of the Directors may request inclusion of items in the agenda. Board members are also provided with timely and adequate information prior to the Board meetings, and on an on-going basis, can have separate and independent access to the Group's senior management. Where queries are raised by Directors, prompt and full responses will be given if possible.

At the Board meetings, there is open atmosphere for Directors to contribute alternative views and major decisions would only be taken after a full discussion at the meetings. For matters on transactions where Directors are considered having conflict of interests, the Directors concerned would not be counted in quorum of meeting and shall abstain from voting on the relevant resolution.

The Directors can have separate and independent access to the Company Secretary. Minutes of the meetings are kept by the Company Secretary and copies are provided to Directors.

All Directors have full and timely access to all relevant information about the Group so that they can discharge their duties and responsibilities as Directors effectively. Where any member of the Board, whether individual or as a group, needs independent professional advice, the Company will appoint a professional advisor to render such service. The costs of such professional services will be borne by the Company.

A directors' and officers' liabilities insurance in respect of legal actions against Directors and officers has also been arranged.

Chairman and Chief Executive Officer

In respect of the requirement under Code Provision C.2.1, the positions of the Chairman and the Chief Executive Officer are held by the same individual, namely, Mr. Tsang Chi Ming, Ricky during the year. As Mr. Tsang Chi Ming, Ricky has joined the Group for over thirty years and has good understanding of the Group's businesses, the Board believes that holding the positions of both Chairman and Chief Executive Officer by Mr. Tsang Chi Ming, Ricky provides the Group with more effective planning and execution of long-term business strategies and enhances efficiency in decision-making. The Board also believes that an effective corporate governance structure of the Group has been in place to ensure an appropriate monitoring of Management.

In addition, out of the six Board members, there are one non-executive Director and three independent non-executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards.

The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. Directors are encouraged to participate actively in all Board and committee meetings of which they are members.

The Chairman had held a meeting with the independent non-executive Directors without the presence of other Directors.

BOARD OF DIRECTORS *(continued)*

Appointments, Re-election and Removal of Directors

All Directors have formal agreements or appointment letters setting out the key terms and conditions of their appointment. In accordance with the Company's Articles of Association, any Director appointed to fill casual vacancy will be subject to election at the first general meeting after their appointment and every Director has been subject to retirement by rotation at least once every three years. Each of the non-executive Directors has entered into formal appointment letter setting out their specific term of appointment of three years commencing from the date of the annual general meeting at which they are re-elected subject to the provisions of the Company's Articles of Association.

The Board has established the Nomination Committee with specific terms of reference. The Nomination Committee consists of three independent non-executive Directors, a non-executive Director and an executive Director. List of members of Nomination Committee is set out in the "Corporate Information" on page 2.

With a view to ensuring that the Board has members with the right profile of expertise, skill and ability as well as an appropriate balance of independent directors, the Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment of Directors and Board succession. The Committee develops selection procedures for candidates, and considers different criteria including appropriate professional knowledge and industry experience, as well as consults external recruitment professionals when required.

The Company has adopted a set of nomination policy to formalize the nomination practice. The policy sets out the selection criteria and procedures for the nomination of suitable candidates to the Board. In accordance with the policy, the Committee will evaluate potential candidates by considering various factors including but not limiting to their integrity, personal ethics, qualification and business experience, ability to provide insights and practical intelligence, commitment to enhancing shareholder value, time devotion and ability to maintain good working relationship. The Board will also take Board diversity into consideration.

The Committee will also consider the independence of candidates if they will be appointed as independent non-executive Directors. The Committee will then make recommendation of suitable candidates to the Board for consideration of appointment. In case of re-appointment of retiring Directors, the Committee will review the rotation and retirement of Directors and make recommendations to the Board accordingly.

The Committee also reviews the size, structure and composition of the Board and assesses the independence of the independent non-executive Directors. The Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary.

The Company has adopted a Board diversity policy setting out approach to achieve diversity on the Board. Board appointments are based on merit and candidates are considered against objective criteria, having due regard to diversity on the Board, including but not limited to race, gender, age, cultural and educational background, professional experience, skill and knowledge. The Nomination Committee will review and monitor the implementation of the diversity policy on a regular basis to ensure its effectiveness on determining the optimal composition of the Board.

BOARD OF DIRECTORS *(continued)*

Appointments, Re-election and Removal of Directors *(continued)*

The Nomination Committee held one meeting during the year to review the structure, size and composition of the Board including diversity consideration. It also discussed the nominations of Director and other relevant matters. The attendance records were as follows:

Members	Attendance (%)	
Dr. Lau Yue Sun (Chairman)	(1/1)	100%
Mr. Li Ka Fai, David	(1/1)	100%
Mr. Ngan On Tak	(1/1)	100%
Mr. Ng Ming Wah, Charles	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(1/1)	100%

Training and Support for Directors

Directors are required to keep abreast of their collective responsibilities. Each newly appointed Directors will receive a comprehensive, formal and tailored induction on appointment. Subsequently, the Directors will receive briefing and professional development necessary for them to have proper understanding of the Group's operations and business and are fully aware of their responsibilities under relevant statutory and regulatory requirements. Guidance and notes are issued to Directors where appropriate to ensure compliance and enhance their awareness of best corporate governance practices.

The Board reviews and monitors the training and continuous professional development of Directors and senior management. During the year under review, the Directors participated in the following trainings:

	Type of trainings
Executive Directors	
Mr. Tsang Chi Ming, Ricky	A, B
Madam Wong Lei Kuan	A, B
Non-executive Director	
Mr. Ng Ming Wah, Charles	A, B
Independent Non-executive Directors	
Dr. Lau Yue Sun	A, B
Mr. Li Ka Fai, David	A, B
Mr. Ngan On Tak	A, B

A: attending seminars and/or conferences (including an anti-corruption seminar presented by the Independent Commission Against Corruption)

B: reading newspapers, journals and updates relating to the economy, general business or director's duties and responsibilities

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Compliance with Model Code

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. All the Directors confirmed that they have complied with the relevant requirements under the Model Code during the year.

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee in 2005 with specific terms of reference. The Remuneration Committee currently consists of three independent non-executive Directors, a non-executive Director and an executive Director. List of members of Remuneration Committee is set out in the "Corporate Information" on page 2.

The key role of the Committee is to establish a formal and transparent procedure for developing remuneration policy and to review the remuneration packages of the executive Directors and members of the senior management with reference to the Board's corporate goals. The main objective of the remuneration policy is to ensure that the Company is able to attract, retain and motivate a high-calibre team of staff.

In determining remuneration packages, the Company mainly considers employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual staff.

In respect of the requirement under Code Provision E.1.2(c), the Company has adopted the model in which the Remuneration Committee should make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Remuneration Committee reviews remuneration packages of the executive Directors and senior management regularly to ensure that those packages are commensurate with their performance. The chairman of the Committee will report the work, findings and recommendations to the Board after each meeting.

The Board provides sufficient resources (including access to independent professional advice if necessary) to the Remuneration Committee to enable it to discharge its duties effectively.

To maintain proper management control, no Director and member of the senior management can determine his/her own remuneration.

The Remuneration Committee held one meeting during the year to review the remuneration packages of individual executive Directors and senior management. The attendance records were as follows:

Members	Attendance (%)	
Mr. Ngan On Tak (Chairman)	(1/1)	100%
Dr. Lau Yue Sun	(1/1)	100%
Mr. Li Ka Fai, David	(1/1)	100%
Mr. Ng Ming Wah, Charles	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(1/1)	100%

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for overseeing the preparation of financial statements of each financial period which give a true and fair view of the financial position of the Group and the results for the corresponding period, as well as inside information and other financial disclosures as required. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. In preparing the financial statements for the year, the Directors have:

- selected suitable accounting policies and applied them consistently;
- adopted accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants;
- made judgements and estimates that are reasonable; and have prepared the financial statements on the going concern basis.

Audit Committee

The Audit Committee was established in 1998. Currently the Committee comprises three independent non-executive Directors and a non-executive Director, and is chaired by Mr. Li Ka Fai, David who has extensive accounting and auditing experiences.

The Audit Committee is primarily tasked with assisting the Board in fulfilling its oversight responsibilities for financial reporting, risk management and evaluation of internal controls and auditing processes. It also reports to the Board on matters relating to the Audit Committee under the relevant regulations. List of members of Audit Committee is set out in the "Corporate Information" on page 2.

The Committee is also empowered to investigate any matters relating to the Group's accounting, auditing, risk management, internal controls and financial practices, with full access to records, resources and personnel, to enable it to discharge its functions properly.

In respect of maintaining an appropriate relationship with the Company's auditors, the Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the Company's external auditors, and to approve their remuneration and terms of engagement, and any questions of resignation or dismissal of the auditors. The Committee reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee also discusses with the auditors the nature and scope of the audit and reporting obligations before the audit commences.

The Audit Committee will review the Group's interim and annual results as well as the external auditor's management letter, any material queries raised by the external auditors to management about accounting records, financial statements, risk management or systems of control and management's response. The chairman of the Committee will report the work, findings and recommendations to the Board after each meeting.

The Committee had held a meeting with the external auditors without the presence of the management to discuss various auditing issues. The Committee has also conducted regular reviews on the nature and extent of non-audit services supplied by the external auditors.

ACCOUNTABILITY AND AUDIT *(continued)*

Audit Committee *(continued)*

The Audit Committee held four meetings during the year and the attendance records were as follows:

Members	Attendance (%)	
Mr. Li Ka Fai, David (Chairman)	(4/4)	100%
Dr. Lau Yue Sun	(4/4)	100%
Mr. Ngan On Tak	(4/4)	100%
Mr. Ng Ming Wah, Charles	(4/4)	100%

RISK MANAGEMENT AND INTERNAL CONTROL

Overall Responsibility

Effective risk management and internal control systems are the essential element for the achievement of corporate goals. The Board therefore acknowledges its responsibility to evaluate and determine the nature and extent of the risks of the Group is willing to take. Senior management of the Group should formulate and implement the internal control system to facilitate risk management.

The Board, through the Audit Committee, is also responsible for ensuring, maintaining and reviewing the effectiveness of the risk management and internal control systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management Strategy

Effective risk management plays a vital role facilitating the Group to attain its vision and mission. In the long run, it raises the value for all stakeholders across the spectrum. Our risk management strategy includes:

– provide clear responsibility and accountability structures for risk management;

– determine the Group's risk profile within risk appetite;

– hold regular meetings to review the management of these risks and the effectiveness of mitigation plans and controls;

– actively identify the positive business opportunities in relation to these risks;

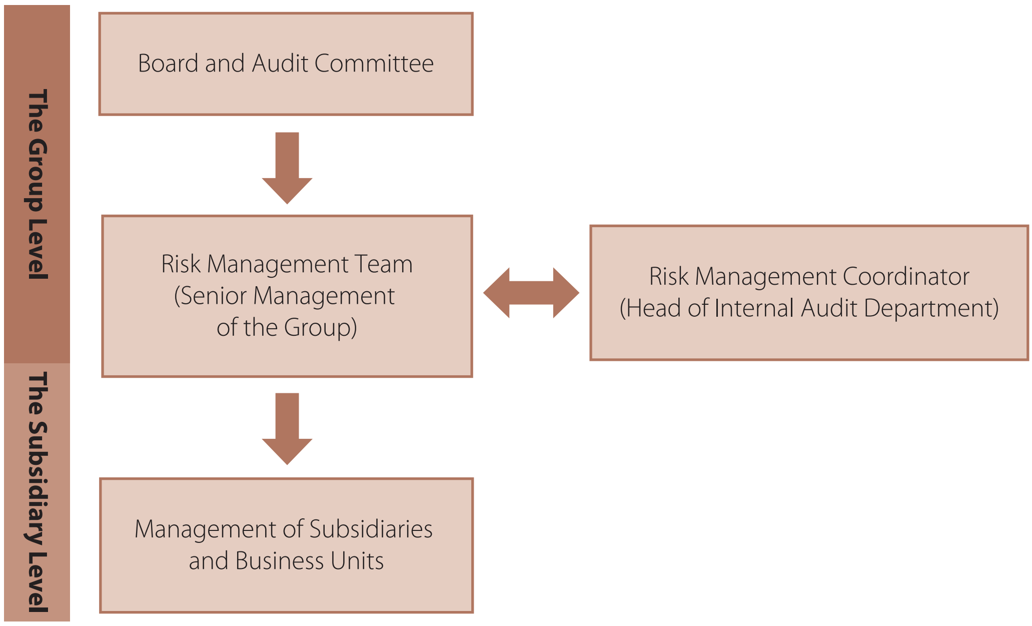
– embed risk management in core operations and decision-making process;

– allocate sufficient resources to develop, maintain and streamline risk management strategies and its policies.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Risk Management Structure

In order to improve the Group's risk management and to enhance its management standards and ability to mitigate risks, the Board has established its organizational structure on risk management. The Group's risk management organizational structure includes a 3-tier framework, namely the Board and Audit Committee, Risk Management Team comprising of senior management of the Group and management of subsidiaries and business units. Details of which are set out as follows:



Key roles performed by various parties within the risk management structure are set out below:

Board and Audit Committee

- Overseeing the structure and duties of the risk management functions;
- Assessing the effectiveness of the underlying risk management system;
- Reviewing assessment reports on major risk factors and other various risk management reports.

Risk Management Team (Senior Management of the Group)

- Reviewing and timely updating the "Risk Management Manual";
- Handling major risk factors of the Group and developing respective risk management measures;
- Reporting timely on various risk management matters and providing confirmation of the effectiveness of the risk management and internal control systems to the Board and the Audit Committee;
- Designing, implementing and monitoring the Group's risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Risk Management Structure *(continued)*

Risk Management Coordinator (Head of Internal Audit Department)

- Organizing and coordinating departments and business units of the Group for the promotion of risk management functions;
- Facilitating the Risk Management Team in assessing risks and proposing respective risk management measures;
- Facilitating the Risk Management Team in reporting significant risks, material changes and the associated mitigating actions and highlights to the Audit Committee to enhance the accountability and quality of the risk management process;
- Assisting the Risk Management Team in promoting the risk management culture of the Group and various risk control and assessment duties.

Management of Subsidiaries and Business Units

- Working together with the Risk Management Coordinator for performing risk assessment at operational level and updating the respective list of risk factors;
- Formulating and implementing specific risk management measures for respective operations;
- Monitoring and controlling the risks identified in respective operations, and reporting timely to the Risk Management Team.

Risk Management Process

The Group has adopted a "Risk Management Manual" setting out the Group's risk management cycle. The five major steps included in the cycle are risk identification, risk analysis, risk handling, risk monitoring and risk reporting.

If there are any new or change in risk factors, responsible risk owners are required to reassess the existing risk management measures and promptly propose new ones if necessary. Being an integral part of the Group's Risk Management Team to provide assurance on the effectiveness of the Group's risk management process and system of internal control, the Internal Audit Department carries out assessment on the risk management progress and risk responses submitted by risk owners.

During the year, the Group coordinated the management of all major business units to walk through the risk management cycle. To maintain a sustainable and profitable business model is the major risk of the Group identified from this assignment.

During the year, the Group was not aware of any unexpected adverse changes that were significant to the risks related to the Group's business. The Board has also received a confirmation from management on the effectiveness of the Group's risk management and internal control systems.

The Group has implemented appropriate procedures and control for the handling and dissemination of inside information. Guidelines setting out respective statutory and regulatory requirements, definition of inside information, reporting channel, timing and mode for the disclosure and other necessary information are in place. Designated staff will review the nature and materiality of the subject matter and identify whether it would constitute an inside information in the first instance. Appropriate actions, including consultation of external professional advice in confidentiality, will be taken to ensure the information is handled and disseminated properly in accordance with relevant requirements.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Internal Controls

The Board has ultimate responsibility for maintaining a sound and effective risk management and internal control systems, which is designed to provide reasonable but not absolute assurance against material errors, losses or fraud. The Board, through the Audit Committee, has conducted regular reviews on the effectiveness of the system.

The Group's internal control system comprises an established organizational structure and comprehensive policies and working procedures. Areas of responsibilities of each business and operational unit are reasonably defined to ensure sufficient segregation of duties.

The key procedures that the Board established to provide effective controls are as follows:

– a distinct organizational structure exists with defined lines of authority and control responsibilities;

– a comprehensive management accounting system is in place to provide financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purpose;

– policies and procedures are designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication;

– systems and procedures are also in place to identify, measure, manage and control risks including reputation, strategic, legal, credit, market, liquidity, interest rate and operational risks;

– procedures are designed to ensure compliance with applicable laws, rules and regulations;

– Audit Committee reviews recommendations submitted by external auditors to the Group's management in connection with the annual audit and interim review.

The Group's Internal Audit Department plays a major role in monitoring the internal control of the Group. The Department conducts systematic reviews of the Group's risk management and internal control systems by using a risk-based audit approach and reviews the effectiveness of the Group's internal control system against the Integrated Internal Control Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in order to provide reasonable assurance of the effectiveness of the system. The Department reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and internal control system. The Department summarizes audit findings and control weaknesses and reports to the Audit Committee on a regular basis. If any material internal control defects are identified, the Department would report to the Audit Committee promptly and help ensure proper remedial actions are taken by management to resolve the internal control defects.

The whistleblowing procedure of the Group is in place during the year. The procedure is to provide a reporting channel to employees of the Group, in confidence, to raise concerns about possible improprieties or frauds in financial reporting, internal control or other matters to the Audit Committee.

During the year, the Audit Committee, as delegated by the Board, has conducted an annual review on the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance controls as well as risk management functions for the calendar year 2021. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

External Auditors and their Remuneration

The external audit function provides an objective assessment of the financial information presented by the management, and is considered one of the essential elements to ensure effective corporate governance. A statement by the Company's external auditors, PricewaterhouseCoopers, in respect of their reporting responsibilities is set out in the Independent Auditor's Report on page 71.

During the year, total auditors' remuneration in relation to statutory audit work of the Group amounted to HK$3,146,000, of which a sum of HK$2,830,000 was paid to PricewaterhouseCoopers. The remuneration for PricewaterhouseCoopers and its affiliated firms, for services rendered is broken down below:

	HK$
Statutory audit and interim review fee	2,830,000
Tax and other consulting services	401,000
Total	3,231,000

COMMUNICATION WITH SHAREHOLDERS

The Board strives for timeliness and transparency in its disclosures to shareholders and the public. The Company disseminates its information to shareholders in a timely manner through various channels including interim and annual reports, published announcements, press releases and shareholders' circulars. Regular meetings are held with investors, analysts, bankers and the press. The Group has a corporate website where shareholders and members of the public are able to access to up-to-date corporate information and events related to the Group.

Contact details of the Company (including telephone and fax numbers, postal and email addresses) are listed in the "Corporate Information" on page 2. Shareholders can send their enquiries to the Company through these channels. Shareholders can also contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

Shareholders' views on matters relating to the Group are always welcomed by the Company. The Company encourages shareholders to attend at the shareholders' meetings to express any concerns they may have with the Board and management directly.

The annual general meeting of the Company provides a useful platform for dialogue and interaction with all the shareholders. At the annual general meeting, the Chairman as well as chairmen of the Board Committees, or in their absence, members of the Committees and the Company's external auditors are available to answer shareholders' questions.

Proceedings of the annual general meeting are reviewed regularly to ensure that the Company follows good corporate governance practices. The notice of annual general meeting is distributed to all shareholders at least twenty clear business days prior to the date of meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the annual general meeting proposes separate resolutions for each issue to be considered and exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the websites of the Company and the Stock Exchange on the day of the meeting.

COMMUNICATION WITH SHAREHOLDERS *(continued)*

The 2021 annual general meeting was held on 14th May 2021. Due to the COVID-19 pandemic, certain precautionary measures had been taken in the meeting. The attendance records of the Directors at the meeting were as follows:

	Attended/held
Executive Directors	
Mr. Tsang Chi Ming, Ricky	1/1
Madam Wong Lei Kuan	1/1
Non-executive Director	
Mr. Ng Ming Wah, Charles	1/1
Independent Non-executive Directors	
Dr. Lau Yue Sun	1/1
Mr. Li Ka Fai, David	1/1
Mr. Ngan On Tak	1/1

The Company has also adopted a dividend policy during the year. In considering the declaration and distribution of dividends, the Board will take into account a number of factors including the Group's financial results, cash flow status, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on distribution of dividends and any other factors that the Board may consider relevant. In addition, the Group shall maintain adequate cash reserves to meet its working capital requirements, future business expansion and its shareholding value in recommending or declaring dividends.

Convening a General Meeting on Requisition by Shareholders

Shareholder(s) holding at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can send a request to the Company to convene a general meeting pursuant to section 566 of the Companies Ordinance. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request must be sent to the Company in hard copy form or in electronic form and authenticated by the relevant shareholder(s).

Besides, section 615 of the Companies Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company who have a right to vote on the resolution at the annual general meeting or (ii) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting may request the Company to circulate a notice of a resolution for consideration at the annual general meeting. Such request must identify the resolution to be moved at the annual general meeting and must be authenticated by the relevant shareholder(s) and sent to the Company in hard copy form or in electronic form not later than six weeks before the relevant annual general meeting or if later, when the notice of the annual general meeting is despatched.

During the year ended 31st December 2021, the Company has not made any changes to its Articles of Association. The latest version of the same is available on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements of Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December 2021.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 10 to the financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 79.

The Directors declared an interim dividend of 4.0 HK cents (2020: 3.0 HK cents) per ordinary share, totalling HK$39,285,000 (2020: HK$29,463,000), which was paid on 14th September 2021.

The Directors recommend the payment of a final dividend of 7.0 HK cents (2020: 6.5 HK cents) per ordinary share totalling HK$68,748,000 (2020: HK$63,838,000) in respect of the year ended 31st December 2021. Subject to the shareholders' approval at the Annual General Meeting to be held on 20th May 2022, the final dividend will be paid on or about 8th June 2022.

BUSINESS REVIEW

Further discussion and analysis of the Group's business as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622) is set out in the Chairman's Statement on pages 10 to 15. Those relevant contents form part of this Report of the Directors. Details of the Group's financial risk management are disclosed in note 3 to the financial statements.

Relevant details of the Company's environment policies and performance and key relationships with employees, customers and suppliers are set out in the Environmental, Social and Governance Report on pages 24 to 46. The Directors were not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group during the year.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$2,045,000 (2020: HK$2,789,000).

PRINCIPAL PROPERTIES

Details of the principal properties of the Group held for investment, own use and development purposes at 31st December 2021 are set out on pages 16 to 23.

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31st December 2021 are set out in note 17 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2021, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$174,334,000 (2020: HK$182,019,000).

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of Hong Kong, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 146.

DIRECTORS

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

Executive Directors:

Mr. Tsang Chi Ming, Ricky
Madam Wong Lei Kuan

Non-executive Director:

Mr. Ng Ming Wah, Charles

Independent Non-executive Directors:

Dr. Lau Yue Sun
Mr. Li Ka Fai, David
Mr. Ngan On Tak

In accordance with Article 101 of the Company's Articles of Association, Mr. Tsang Chi Ming, Ricky and Dr. Lau Yue Sun retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received confirmation from each of the independent non-executive Directors concerning their independence from the Company and considers them to be independent.

REPORT OF THE DIRECTORS

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

During the year and up to the date of this report, Mr. Tsang Chi Ming, Ricky, Madam Wong Lei Kuan and Mr. Ng Ming Wah, Charles were also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report were:

Ms. Farah Hazleda Binti Zulcaffle (resigned during the year 2021)
Mr. Kam Yiu Kwok
Mr. Quek Chew Teck
Mr. Tsang Chi Mao, Jimmy
Mr. Tsang Wing Hong (resigned during the year 2021)
Mr. Tu Wu Yi (appointed during the year 2021)
Mr. Wang Bing Hong

DIRECTORS' SERVICE CONTRACTS

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

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Descriptions of the Directors and Senior Management of the Group are set out as follows:

Executive Directors

Mr. Tsang Chi Ming, Ricky, J.P., aged 55, is the Chairman and Chief Executive Officer of the Group. Mr. Tsang joined the Group in 1989 and was appointed as an executive Director in 2001 and as the Chief Executive Officer in 2005. Mr. Tsang was re-designated as Chairman and Chief Executive Officer in April 2018. He has extensive commercial experience and is a member of the National Committee of the C.P.P.C.C.. Mr. Tsang is also vice chairman of Guangdong Federation of Industry & Commerce, vice chairman of Guangdong Province Federation of Returned Overseas Chinese, chairman of The Association of Overseas and Domestic Guangdong Hakka, vice chairman of the Chinese General Chamber of Commerce, founding chairman of Hong Kong Guangdong Youth Association, executive chairman of Hong Kong Hakka Associations, executive chairman of Hong Kong Federation of Meizhou Associations, life honorary chairman of Hong Kong Meizhou General Chamber of Commerce, vice president of Centum Charitas Foundation, chairman of Proactive Think Tank Limited and an honorary citizen of Guangzhou and Meizhou. He is a son of Madam Wong Lei Kuan, executive Director of the Company.

Madam Wong Lei Kuan, aged 84, is a founder of the Group. She is honorary executive committee member of the All-China Women's Federation, life honorary chairman of Hong Kong Meizhou General Chamber of Commerce and a supervising advisor of the Hong Kong Federation of Women. Madam Wong is also honorary chairman of Ladies' Sub-Committee of the Chinese General Chamber of Commerce and director of the China Council for the Promotion of Peaceful National Reunification. Besides, Madam Wong has served as standing committee member of the Chinese General Chamber of Commerce, standing council member of the China Women's Development Foundation and a member of the C.P.P.C.C. Guangdong of the PRC from the seventh through the ninth session. She is the mother of Mr. Tsang Chi Ming, Ricky, executive Director of the Company.

Non-executive Director

Mr. Ng Ming Wah, Charles, aged 72, was appointed to the Board in July 1992. Mr. Ng graduated from Loughborough University in England in 1972 with a B.Sc. degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies (London Business School) in England in 1974 with an M.Sc. degree in Business Studies. Mr. Ng has over 45 years of experience in corporate finance and investment banking. He is a director of Somerley Capital Limited, the principal business of which is the provision of corporate financial advisory services. Mr Ng is also a non-executive director and member of the audit committee of King Fook Holdings Limited (stock code: 280).

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Independent Non-executive Directors

Dr. Lau Yue Sun, B.B.S., aged 81, is the managing director of New Products Investment Limited and Jip Fair Development Limited. Dr. Lau has over 45 years of experience in manufacturing, electronics, plastic injection products and import/export business. He is a member of the Selection Committee for the First Government of Hong Kong SAR and member of the first, second, third and fourth of Election Committee, an honorary standing committee member of the Chinese General Chamber of Commerce, permanent honorary president of Hong Kong Industrial & Commercial Association and director of Hong Kong Guangdong Chamber of Foreign Investors. He is also an advisor of Guangdong Education Foundation, vice chairman of Guangdong Zhongkai University of Agriculture and Engineering, honorary chairman of Guangdong Jiaying University, as well as honorary citizen of Shenzhen, Heyuan, Meizhou and Xingning. Previously, Dr. Lau served as member of the eighth, ninth, tenth and eleventh session of the National Committee of the C.P.P.C.C.. He was appointed to the Board in December 1994.

Mr. Li Ka Fai, David, aged 67, is a fellow of the Association of Chartered Certified Accountants, U.K. and currently a senior advisor of SHINEWING (HK) CPA Limited. Mr. Li is an independent non-executive director and chairman of the audit committee of each of Shanghai Industrial Urban Development Group Limited (stock code: 563) and Wai Yuen Tong Medicine Holdings Limited (stock code: 897). He is also an independent non-executive director, chairman of the audit committee, member of the nomination committee and member of the remuneration committee of each of China-Hongkong Photo Products Holdings Limited (stock code: 1123) and Cosmopolitan International Holdings Limited (stock code: 120), an independent non-executive director, member of the audit committee, member of the nomination committee and chairman of the remuneration committee of China Merchants Port Holdings Company Limited (stock code: 144), and an independent non-executive director, member of the audit committee and member of the remuneration committee of Continental Aerospace Technologies Holding Limited formerly known as AVIC International Holding (HK) Limited (stock code: 232). During the last three years, Mr. Li was an independent non-executive director, chairman of the audit committee and chairman of the remuneration committee, member of the nomination committee of CR Construction Group Holdings Limited (stock code: 1582) and retired in June 2021. Mr. Li was appointed to the Board in August 2010.

Mr. Ngan On Tak, aged 71, graduated from the University of Hong Kong with a Bachelor of Laws Degree in 1976 and obtained a Postgraduate Certificate in Laws in 1977. Mr. Ngan was admitted as a solicitor in Hong Kong in 1979. He became a partner of F. Zimmern & Co., a law firm in Hong Kong, in 1982 and a senior partner in 2005. Mr. Ngan retired from the partnership in 2019 and ceased to be a consultant of the firm in 2020. He was a member of the Hong Kong Law Society's Title Registration Working Party and was its chairman from 2008 to 2012. Mr. Ngan was appointed to the Board in September 2020.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Senior Management

Mr. Kam Yiu Kwok, aged 59, is the Chief Financial Officer and Company Secretary of the Group. Mr. Kam joined the Group in 1999 as an accounting manager. He was appointed as Secretary of the Company in 2000 and also as Chief Financial Officer in 2010. Mr. Kam takes full responsibility for the Group's financial management, investor relations and company secretarial functions. He has extensive experience in accounting and finance, and is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. Tu Wu Yi, aged 60, graduated with an Executive Master of Business Administration Degree. Mr. Tu is a qualified accountant in China Mainland and has more than 30 years of experience in finance. He has extensive experience in working with large enterprises and listed companies in China Mainland. He joined the Group in 2000 as the chief financial officer of the Group's operation in China Mainland. He was also appointed as a vice president of the corporate services function in China starting from January 2022 and is in charge of various financial, administrative, legal and information technology matters of our Mainland operation.

Mr. Wang Bing Hong, aged 58, re-joined the Group in January 2016 as the Deputy Executive General Manager and was appointed as the General Manager of the Group's China Mainland apparel operation in January 2018. He oversees the sales and operations of our apparel activities in the Mainland. Mr. Wang graduated from the Hunan Normal University with a Bachelor's Degree in Mathematics in 1985 and obtained a Master of Engineering Management from the Ocean University of China in 1988. He has over 27 years solid experience in sales and marketing of apparel products in China Mainland. Mr. Wang worked with the Group from 1994 and was the project director of our China Mainland apparel operation prior to his leave in 2009.

Mr. Tsang Pui Yuen, aged 54, joined the Group in December 2013 as the Group's General Manager, Property. He is in charge of the Group's property investment activities in China Mainland and Hong Kong. Mr. Tsang is a Registered Professional Surveyor and is a member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators. Mr. Tsang has over 25 years of experience in the real estate profession. Prior to joining the Group, Mr. Tsang held senior position in a Hong Kong listed company with wide range of property investment and development activities.

REPORT OF THE DIRECTORS

SHARE OPTIONS

At the Annual General Meeting of the Company held on 23rd May 2014, the shareholders approved the adoption of a new share option scheme (the "New Option Scheme"). The New Option Scheme is designed to enable the Group to reward and motivate executives and key employees in service of the Group and other persons who may make a contribution to the Group (the "Eligible Participants").

Under the New Option Scheme, which is valid and effective for a period of ten years from the date of its adoption, the Directors may grant options to any Eligible Participants to subscribe for ordinary shares in the Company at a price to be determined by the Directors and to be no less than the higher of: (a) the closing price of the Company's ordinary shares as stated in the Daily Quotation Sheets on the day of offer; and (b) the average of the closing prices of the Company's ordinary shares as stated in the Daily Quotations Sheets for the five trading days immediately preceding the date of offer. The number of ordinary shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1 percent of the issued ordinary share capital of the Company at the date of such grant, without prior approval from the Company's shareholders. The total number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10 percent of the issued ordinary share capital of the Company as at the adoption date. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option schemes of the Company must not exceed 30 percent of the issued ordinary share capital of the Company from time to time.

Offer for the grant shall remain open for acceptance by the Eligible Participants concerned for a period of up to 28 days from the date of offer. The consideration for the grant of options is HK$1. Options may be exercised at any time to be determined by the Directors at its absolute discretion and in any event shall expire no later than the 10th anniversary of the commencement date of the New Option Scheme.

During the year, no options had been granted or remained outstanding under the New Option Scheme or any other share option schemes of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

At 31st December 2021, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Ordinary shares of the Company at 31st December 2021

		Number of shares held			
Directors		**Personal interests**	**Other interests** (note)	**Total**	**Percentage to total issued share capital**
Tsang Chi Ming, Ricky	Long positions	1,404,000	613,034,750	614,438,750	62.56%
	Short positions	–	–	–	–
Wong Lei Kuan	Long positions	1,210,000	613,034,750	614,244,750	62.54%
	Short positions	–	–	–	–

Note: The shareholdings disclosed by Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan under the heading "Other interests" in the above table refer to the same shares which were held by Hin Chi Family Management Limited (being trustee of the Tsang Hin Chi (2007) Family Settlement) as disclosed in the paragraph headed "Substantial Shareholders" below.

Other than those interests and short positions disclosed above, (a) the Directors and the Chief Executive also hold shares of certain subsidiaries in trust for the Company solely for the purpose of ensuring that the relevant subsidiary has more than one member; (b) 500,000 non-voting deferred shares of Goldlion (Far East) Limited (which ordinary shares are wholly owned by the Group) were held as to 1 share by Mr. Tsang Chi Ming, Ricky, 49,999 shares by Madam Wong Lei Kuan and 450,000 shares by Hin Chi Family Management Limited (as trustee of The Tsang Hin Chi (2007) Family Settlement). Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan are discretionary beneficiaries of the said trust and both of them are deemed to be interested in such 450,000 shares held by Hin Chi Family Management Limited. Non-voting deferred shares of Goldlion (Far East) Limited do not entitle the holders to receive notice of or to attend vote at its general meeting, and to participate in the distribution of its profit.

(b) Save as disclosed above, as at 31st December 2021, none of the Directors and the Chief Executive of the Company has or is deemed to have any interest or short position in the shares, underlying shares and debentures of the Company, its specified undertakings and its other associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

(c) Save as disclosed above, at no time during the year ended 31st December 2021 was the Company, its subsidiaries or its other associated corporations a party to any arrangements to enable the Directors and the Chief Executive of the Company (including their spouses and children under the age of 18) to acquire benefits by means of the acquisition of shares or underlying shares in or debentures of the Company or its specified undertakings or other associated corporation.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 31st December 2021, the Company has been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of holder of securities	Type of securities		Number of shares held	Percentage to total issued share capital
Hin Chi Family Management Limited (note 1)	Ordinary shares	Long positions	613,034,750	62.42%
		Short positions	–	–
Top Grade Holdings Limited (note 1)	Ordinary shares	Long positions	613,034,750	62.42%
		Short positions	–	–
Silver Disk Limited (note 1)	Ordinary shares	Long positions	160,616,000	16.35%
		Short positions	–	–
Tsang Hin Chi Charities (Management) Limited (note 2)	Ordinary shares	Long positions	53,880,750	5.49%
		Short positions	–	–
FMR LLC	Ordinary shares	Long positions	63,108,250	6.43%
		Short positions	–	–

Notes:

1. Hin Chi Family Management Limited as trustee of the Tsang Hin Chi (2007) Family Settlement, held all of the issued share capital of Top Grade Holdings Limited ("Top Grade"). Top Grade was interested in 613,034,750 shares in the Company including 160,616,000 shares held by Silver Disk Limited, a wholly-owned subsidiary of Top Grade.

2. Tsang Hin Chi Charities (Management) Limited as trustee of The Tsang Hin Chi Charitable Foundation (a charitable trust granted tax exemption under section 88 of the Inland Revenue Ordinance, which is jointly controlled by Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan) held 53,880,750 shares in the Company.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Other than as disclosed under the section "Connected Transactions" below, no transactions, arrangements and contracts of significance to which the Company's subsidiaries was a party and in which a Director of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

The following transaction between a connected party (as defined in the Listing Rules) and the Group has been entered into and/or is ongoing and is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

(a) The Group paid professional fees of HK$320,000 to Equitas Capital Limited during the year in the ordinary course of its business. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and the principal shareholder of Equitas Capital Limited.

The related party transactions as disclosed under note 35(a) to the consolidated financial statements constitute connected transactions or continuing connected transactions under the Listing Rules.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

There is no advance (including guarantee given by the Company and any of its subsidiaries), which is of non-trading nature, to any of the affiliated companies as at 31st December 2021 as defined under Chapter 13 of the Listing Rules.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased 13% and 40% of its inventories from its largest supplier and five largest suppliers in aggregate respectively, and sold 2% and 9% of its goods to its largest customer and five largest customers in aggregate respectively.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest (as defined in the Listing Rules) in these major suppliers and customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issue of the annual report.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates are considered to have interests in a business which compete or are likely to compete, either directly or indirectly, with the Group's business pursuant to Rule 8.10 of the Listing Rules during the year.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 47 to 59.

SUBSEQUENT EVENTS

Details of the subsequent events are set out in note 37 to the financial statements.

PERMITTED INDEMNITY PROVISIONS

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

AUDITOR

The financial statements for the year ended 31st December 2021 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Mr. Tsang Chi Ming, Ricky
Chairman and Chief Executive Officer

Hong Kong, 18th March 2022

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

TO THE MEMBERS OF GOLDLION HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Goldlion Holdings Limited (the "Company") and its subsidiaries ("the Group"), which are set out on pages 77 to 145, comprise:

- the consolidated balance sheet as at 31st December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2021, 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

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 matters identified in our audit are summarized as follows:

- Carrying value of inventory
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Carrying value of inventory	
Refer to note 12 to the consolidated financial statements. The Group held inventory of HK$196 million as at 31st December 2021. When assessing the carrying value of inventory at each period end, the Group consistently applies a provisioning methodology for slow moving inventory based on inventory ageing and makes specific provision for obsolete inventory. We focused on this area because the estimation of provision percentages applied to different aged inventory categories and the estimation of specific provision for obsolete inventory are subject to high degree of estimation uncertainty. The inherent risk in relation to carrying value of inventory is considered significant as it involved significant judgement based on historical experience of selling products of similar nature through various sales channels as well as expectation of future sales under current market condition. These estimations are also subject to uncertainty as a result of change of market trends, customer preference and competitor actions.	We obtained an understanding of the management's internal control and assessment process of the carrying value of inventory and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We examined the basis of the methodology with respect to inventory provision and evaluated, amongst others, the outcome of management's estimations in prior year, analysis and assessment made by management with respect to slow moving and obsolete inventory. We evaluated the assumptions and estimates applied by management to determine the provisioning percentages applicable to individual ageing category of inventory by testing the accuracy of historical information involved, comparing with current year and historical sales trends of similar products and performing sensitivity analysis on changes of major assumptions of future sales, such as sales through rate and sales margin. We tested the accuracy of the ageing profile of the inventory used in the calculation of provision. We performed a recalculation of the inventory provision and the net realizable value using the ageing profile of the inventory as at 31st December 2021 and the provision percentages determined by management. Based on the procedures described, we considered management's judgement and estimates, which formed the basis of the carrying value of inventory, were supported by available evidence.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 8 to the consolidated financial statements. The Group held investment properties of HK$2,994 million as at 31st December 2021 which were stated at fair values. The fair value losses from the investment properties for the year ended 31st December 2021 approximates to HK$27 million. We focused on this area because the aggregate carrying amounts represented approximately 52% of total assets of the Group as at 31st December 2021 and the fair values are dependent on the methodologies used and are sensitive to changes of inputs used in the valuations. Fair values of the Group's investment properties are supported by valuation performed by independent professional valuers. The valuers adopted the income capitalization approach, which took into account the rental values and gross reversionary yields, and direct comparison approach, which largely used unobservable inputs including market rent, yield, etc.	We obtained an understanding of the management's internal control and assessment process of the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We assessed the competency, capability and objectivity of the independent external valuers by considering their qualifications, relevant experience and relationship with the Group. We involved our internal valuation specialist in our discussion with the external valuers to understand the rationale of the chosen valuation methods and the assumptions applied; and based on which we assessed the appropriateness of the methodologies used and the reasonableness of assumptions applied, where applicable, we further compared, on a sample basis, the data inputs and assumptions used in the valuation models, such as gross reversionary yields and rental values, to market and industry data. Based on the procedures performed, we considered the methodologies used and key assumptions applied in the valuation of the Group's investment properties were supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chow Shiu Hay, Antonio.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18th March 2022

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

CONSOLIDATED BALANCE SHEET

As at 31st December 2021

	Note	As at 31st December 2021 HK$'000	As at 31st December 2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**121,642**	142,299
Right-of-use assets	7	**66,352**	50,321
Investment properties	8	**2,994,394**	2,950,107
Financial assets at fair value through other comprehensive income	9	**6,947**	6,215
Deferred income tax assets	20	**46,814**	51,580
		3,236,149	3,200,522
Current assets			
Property under development held for sale	11	**715,807**	424,548
Inventories	12	**195,886**	156,479
Trade receivables	14	**100,565**	99,257
Prepayments, deposits and other receivables	14	**126,445**	121,930
Contract assets	15	**59,147**	49,442
Tax recoverable		**5,110**	472
Restricted cash	16	**20,687**	–
Bank deposits	16	**876,185**	745,102
Cash and cash equivalents	16	**454,342**	492,715
		2,554,174	2,089,945
Total assets		**5,790,323**	5,290,467
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	17	**1,101,358**	1,101,358
Reserves	18	**3,523,382**	3,318,880
Total equity		**4,624,740**	4,420,238

CONSOLIDATED BALANCE SHEET

As at 31st December 2021

	Note	As at 31st December 2021 HK$'000	As at 31st December 2020 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables and accruals	19	**31,862**	33,116
Lease liabilities	21	**11,171**	2,806
Deferred income tax liabilities	20	**447,608**	445,477
		490,641	481,399
Current liabilities			
Trade payables	19	**48,594**	25,171
Other payables and accruals	19	**238,696**	152,989
Contract liabilities	15	**365,446**	189,733
Lease liabilities	21	**13,985**	7,710
Current income tax liabilities		**8,221**	13,227
		674,942	388,830
Total liabilities		**1,165,583**	870,229
Total equity and liabilities		**5,790,323**	5,290,467

The consolidated financial statements on pages 77 to 145 were approved by the Board of Directors on 18th March 2022 and were signed on its behalf by:

Mr. Tsang Chi Ming, Ricky
Chairman and Chief Executive Officer

Madam Wong Lei Kuan
Executive Director

The notes on pages 83 to 145 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2021

	Note	2021 HK$'000	2020 HK$'000
Turnover	5	**1,372,184**	1,239,276
Cost of sales	23	**(503,857)**	(512,776)
Gross profit		**868,327**	726,500
Other losses	22	**(26,777)**	(60,255)
Selling and marketing costs	23	**(430,022)**	(354,888)
Administrative expenses	23	**(170,680)**	(145,949)
Operating profit		**240,848**	165,408
Interest income	28	**21,204**	21,265
Interest expense	28	**(1,001)**	(1,186)
Profit before income tax		**261,051**	185,487
Income tax expense	29	**(40,008)**	(37,201)
Profit for the year attributable to owners of the Company		**221,043**	148,286
		HK cents	HK cents
Earnings per share for profit attributable to owners of the Company during the year – Basic and diluted	31	**22.51**	15.10

The notes on pages 83 to 145 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2021

	2021 HK$'000	2020 HK$'000
Profit for the year	**221,043**	148,286
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Revaluation of property, plant and equipment upon reclassification to investment property	**11,030**	–
Change in fair value of financial assets at fair value through other comprehensive income	**575**	(382)
Income tax relating to these items	**(144)**	96
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	**75,121**	171,628
Other comprehensive income for the year	**86,582**	171,342
Total comprehensive income for the year attributable to owners of the Company	**307,625**	319,628

The notes on pages 83 to 145 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2021

	Share capital HK$'000	Other reserves (note 18) HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st January 2020	1,101,358	277,435	2,844,581	4,223,374
Comprehensive income				
Profit for the year	–	–	148,286	148,286
Other comprehensive income				
Change in fair value of financial assets at fair value through other comprehensive income	–	(286)	–	(286)
Currency translation differences	–	171,628	–	171,628
Total other comprehensive income for the year	–	171,342	–	171,342
Total comprehensive income for the year	–	171,342	148,286	319,628
Appropriation to reserves (note 18(i))	–	1	(1)	–
Final dividend relating to 2019 (note 30)	–	–	(93,301)	(93,301)
Interim dividend relating to 2020 (note 30)	–	–	(29,463)	(29,463)
Total transactions with owners in their capacity as owners	–	1	(122,765)	(122,764)
Balance at 31st December 2020	1,101,358	448,778	2,870,102	4,420,238
Balance at 1st January 2021	**1,101,358**	**448,778**	**2,870,102**	**4,420,238**
Comprehensive income				
Profit for the year	**–**	**–**	**221,043**	**221,043**
Other comprehensive income				
Revaluation of property, plant and equipment upon reclassification to investment property	**–**	**11,030**	**–**	**11,030**
Change in fair value of financial assets at fair value through other comprehensive income	**–**	**431**	**–**	**431**
Currency translation differences	**–**	**75,121**	**–**	**75,121**
Total other comprehensive income for the year	**–**	**86,582**	**–**	**86,582**
Total comprehensive income for the year	**–**	**86,582**	**221,043**	**307,625**
Final dividend relating to 2020 (note 30)	**–**	**–**	**(63,838)**	**(63,838)**
Interim dividend relating to 2021 (note 30)	**–**	**–**	**(39,285)**	**(39,285)**
Total transactions with owners in their capacity as owners	**–**	**–**	**(103,123)**	**(103,123)**
Balance at 31st December 2021	**1,101,358**	**535,360**	**2,988,022**	**4,624,740**

The notes on pages 83 to 145 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**256,076**	118,185
Interest paid	28	**(1,001)**	(1,186)
Income tax paid		**(52,757)**	(34,872)
Net cash generated from operating activities		**202,318**	82,127
Cash flows from investing activities			
Purchases of property, plant and equipment	6	**(12,716)**	(13,332)
Additions to investment properties	8	**(11,365)**	(4,243)
Proceeds from disposals of property, plant and equipment	32(a)(i)	**170**	394
Increase in restricted cash		**(20,687)**	–
(Increase)/decrease in bank deposits with maturity over 3 months		**(117,089)**	113,132
Interest received		**18,655**	22,270
Net cash (used in)/generated from investing activities		**(143,032)**	118,221
Cash flows from financing activities			
Principal elements of lease payments	32(c)	**(13,689)**	(17,170)
Dividends paid to owners of the Company		**(103,123)**	(122,764)
Net cash used in financing activities		**(116,812)**	(139,934)
Net (decrease)/increase in cash and cash equivalents		**(57,526)**	60,414
Cash and cash equivalents at 1st January		**492,715**	385,832
Effect of foreign exchange rate changes		**19,153**	46,469
Cash and cash equivalents at 31st December	16	**454,342**	492,715

The notes on pages 83 to 145 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 10 to the financial statements.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 7th floor, Goldlion Holdings Centre, 13–15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong SAR.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 18th March 2022.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and the significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through other comprehensive income ("FVOCI").

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are especially significant to the consolidated financial statements are disclosed in note 4.

(a) Amended standard adopted by the Group

The Group has early adopted HKFRS 16 (Amendment) "COVID-19-related rent concessions beyond 30th June 2021" (effective for annual periods beginning on or after 1st April 2021). The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 to cover lease payments related rent concessions that are originally due on or before 30th June 2022, provided the other conditions for applying the practical expedient are met.

All of the COVID-19 related rent concessions amounted to HK$143,000 (2020: HK$3,486,000) have been credited to the consolidated income statement within "selling and marketing costs".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) Amended standards effective in 2021 but not relevant to the Group

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest rate benchmark reform – Phase 2

The above amended standards did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(c) The following new standard, new interpretation and amended standards have been issued but are not effective for the financial year beginning on 1st January 2021 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Classification of liabilities as current or non-current	1st January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies	1st January 2023
HKAS 8 (Amendment)	Definition of accounting estimates	1st January 2023
HKAS 12 (Amendment)	Deferred tax related to assets and liabilities arising from a single transaction	1st January 2023
HKAS 16 (Amendment)	Property, plant and equipment: Proceeds before intended use	1st January 2022
HKAS 37 (Amendment)	Onerous contracts – Cost of fulfilling a contract	1st January 2022
HKFRS 3 (Amendment)	Reference to the conceptual framework	1st January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet established
HKFRS 17	Insurance contracts	1st January 2023
HKFRSs (Amendments)	Annual improvements 2018–2020 cycle	1st January 2022
Accounting Guideline 5 (Amendment)	Merger accounting for common control combinations	1st January 2022
HK (IFRIC) – Int 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	1st January 2023

The above new standard, new interpretation and amended standards are not expected to have a material impact on the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

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

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, who make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement.

Translation differences on non-monetary assets such as equities classified as FVOCI are recognized in other comprehensive income ("OCI").

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognized in OCI. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, 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), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to the income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in the income statement.

2.5 Property, plant and equipment

Buildings comprise mainly factories, retail outlets and offices other than investment properties as mentioned in note 2.6. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized 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 any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment *(continued)*

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated depreciation rates as follows:

Buildings	2% to 5%
Plant and machinery	10% to 20%
Furniture and fixtures	20% to 33%
Computers	20% to 33%
Motor vehicles	20% to 25%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group revalues such property on the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in assets revaluation reserve.

The fair value at the date of the change in use is the deemed cost for subsequent accounting as investment properties. On disposal of the property, revaluation reserve is transferred to retained profits as a movement in reserves.

2.6 Investment properties

Investment properties, principally comprising leasehold land, land use right and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases is classified and accounted for as investment properties when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment properties are measured initially at their costs, including related transaction costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Impairment of investments in subsidiaries and non-financial assets

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

Assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Property under development held for sale

Property under development held for sale is stated at the lower of cost and net realizable value. Development cost of property comprises cost of land use rights, construction costs and professional fees incurred during the development period. Upon completion, the property is transferred to completed property held for sale.

Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and the anticipated costs to completion.

Property under development held for sale is classified as current asset unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable 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. Net realizable 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.

2.10 Financial assets

(a) Classification

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

– those to be measured subsequently at fair value (either through OCI, or through profit or loss); and

– those to be measured at amortized cost.

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

(b) Recognition and derecognition

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

(c) Measurement

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

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

Changes in the fair value of financial assets at FVPL are recognized in "other income and gains – net" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

(d) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 "Financial instruments" ("HKFRS 9"), which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Trade and other receivables

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

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See note 14 for further information about the Group's accounting for trade receivables and note 2.10(d) for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.14 Share capital

Ordinary shares are classified as equity. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

2.15 Trade and other payables

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Current and deferred income tax *(continued)*

The deferred tax liability in relation to investment properties that are measured at fair value is determined assuming the properties will be recovered entirely through use and through sale for investment properties in the PRC and other region respectively.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in the income statement, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

2.17 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of leave.

(b) Profit sharing and bonus plans

The expected costs of profit sharing and bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within the next twelve months and are measured at the amounts expected to be paid when they are settled.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Employee benefits *(continued)*

(c) Pension obligations

The Group operates defined contribution retirement schemes which are available for all qualified employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds. For the retirement schemes for Hong Kong and Singapore employees, monthly contributions made by the Group and the employees are calculated as a fixed percentage of the employees' basic salaries or a fixed sum for each employee where appropriate. Contributions to these schemes by the Group are expensed as incurred and/or are reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the Group's contributions.

The Group also participates in the employee pension schemes operated by the municipal governments of various cities in China Mainland and is required to make annual contributions to these schemes. The municipal governments are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group is to pay the ongoing required contributions under these schemes. The contributions are charged to the income statement as incurred.

2.18 Revenue recognition

(a) Sale of goods – wholesale

The Group manufactures and sells a range of garments, leather goods and accessories to distributors. Sales are recognized when control of the products has transferred, being when the products are delivered to the distributors, at a point in time.

The goods are often sold with volume discounts based on aggregate sales. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. A liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present. Sales return provisions are recorded based on the contracted return of goods. The Group estimates the sales return provision based on accumulated experience and the terms in the sales contracts with distributors.

(b) Sale of goods – retail

The Group sells garments, leather goods and accessories through chain of retail stores and e-commerce platform. Revenue from the sale of goods is recognized when a group entity sells a product to the customer, the point in time when the control of the goods has been transferred to the customer. Payment of the transaction price is due immediately when the customer purchases the goods.

(c) Rental income from investment properties

Rental income from investment properties is recognized on a straight-line basis over the period of the respective leases.

(d) Licensing income and building management fee

Licensing income and building management fee are recognized in the accounting period in which the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Revenue recognition *(continued)*

(e) Contract liabilities

Contract liability is recognized when payments are received from customers in advance but the relevant performance obligation has not been performed.

A sales refund liability and an asset for the right of return goods are recognized in the consolidated balance sheet. The Group uses the expected value method to estimate the credit refund or return which best predicts the amount of reliable consideration to which the Group entitled.

The Group receives payments from customers in advance in pre-sales arrangement. Such proceeds from customers are recorded as contract liabilities before the relevant sales are recognized.

2.19 Interest income

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

2.20 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9; and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 "Revenue from contracts with customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Leases

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

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Leases *(continued)*

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(a) Variable lease payments

Estimation uncertainty arising from variable lease payments

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

(b) Extension and termination options

Extension and termination options are included in certain property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

2.22 Government grants

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

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

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders for final dividend and Board of Directors for interim dividend.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of an asset, liability or highly probable forecast transaction denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Group operates in various regions and is exposed to foreign exchange risk primarily arising from bank deposits, cash and cash equivalents, trade receivables and interest receivables which are denominated in Renminbi and Singapore dollar, and net investments in foreign subsidiaries in China Mainland and Singapore.

At 31st December 2021, if Hong Kong dollar had weakened/strengthened by 3% against Renminbi with all other variables held constant, post-tax profit for the year would have been HK$2,171,000 (2020: HK$1,698,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated bank deposits, cash and cash equivalents, trade receivables and interest receivables.

Management believes that the appreciation/depreciation of Singapore dollar against Hong Kong dollar would not have a material effect on the Group's post-tax profit for the year. Therefore, no sensitivity analysis for Singapore dollar is presented.

(ii) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates, except for the interest income derived from bank deposits. Apart from bank deposits, the Group has no significant interest-bearing assets or liabilities.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is managed on a group basis and individual basis. Credit risk arises from cash and cash equivalents, restricted cash and deposits with banks, credit exposures to wholesale and retail customers and other parties, including outstanding receivables and deposits and other receivables.

(i) Risk management

The Group limits its exposure to credit risk by rigorously selecting its counterparties including the deposit-takers and debtors and by diversification. Bank deposits are placed only with major and sizeable banks approved by the Board from time to time and there is no significant concentration risk to a single counterparty.

For properties that are still under construction and the buyers choose to pay by bank mortgage, the Group typically provides guarantees to banks in connection with the buyers' borrowing of mortgage loans to finance their purchases of the properties. If a buyer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by more than the buyer's deposits received, the Group may not be in a loss position in selling those properties out. In this regard, the Directors of the Company consider that the Group's credit risk is largely mitigated.

The Group has arranged bank financing for certain buyers of property units and provided guarantees to secure obligations of such buyers for repayments. Detailed disclosure of these guarantees is made in note 33. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

The Group mitigates its exposure to risks relating to trade receivables by its established procedures in granting credit only to customers with sound credit track records. Sales to retail customers are settled in cash or using major credit cards, Alipay or WeChat Pay. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(i) Risk management (continued)

As at 31st December 2021, the financial assets of the Group that are exposed to credit risk and their maximum exposures are as follows:

	As at 31st December 2021		As at 31st December 2020	
	Carrying amount in balance sheet HK$'000	**Maximum exposure to credit risk HK$'000**	Carrying amount in balance sheet HK$'000	Maximum exposure to credit risk HK$'000
Financial assets:				
Trade receivables	**100,565**	**100,565**	99,257	99,257
Deposits and other receivables	**26,125**	**26,125**	21,646	21,646
Restricted cash, bank deposits and cash and cash equivalents	**1,351,214**	**1,351,161**	1,237,817	1,237,761

(ii) Impairment of financial assets

Cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements under HKFRS 9, yet the identified impairment loss is immaterial because the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets without financing components.

To measure the ECL, trade receivables have been grouped based on the settlement profiles of customers, shared credit risk characteristics and the days past due. The contract assets arise from the right to recover products from customer on settling right of return obligation. The Group has therefore concluded that the loss rates for contract assets should be considered separately from trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 1st January 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On this basis, ECL rate of contract assets is assessed to be close to zero, as at 31st December 2021. In respect of trade receivables, the ECL rate is determined according to a provision matrix where overdue balances are provided for at expected losses rate of 1% to 22% (2020: 1% to 20%).

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group.

Other receivables and deposits

Other receivables and deposits are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime ECL. As at 31st December 2021, no impairment loss of deposits and other receivables was identified.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Company employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met. There were no available banking facilities as at 31st December 2021 (2020: nil).

The table below analyzes the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 31st December 2021				
	Less than 1 year HK$'000	Between 1 year and 2 years HK$'000	Between 2 years and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial liabilities:					
Trade payables	48,594	–	–	–	48,594
Other payables	31,949	14,124	15,512	2,145	63,730
Lease liabilities	14,816	6,825	4,809	–	26,450
Guarantees of mortgage facilities	78,995	–	–	–	78,995
	174,354	20,949	20,321	2,145	217,769

	As at 31st December 2020				
	Less than 1 year HK$'000	Between 1 year and 2 years HK$'000	Between 2 years and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial liabilities:					
Trade payables	25,171	–	–	–	25,171
Other payables	43,638	9,870	15,312	7,656	76,476
Lease liabilities	8,960	3,082	333	–	12,375
	77,769	12,952	15,645	7,656	114,022

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

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

The Group monitors capital on the basis of the gearing ratio. Gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total lease liabilities less restricted cash, bank deposits and cash and cash equivalents. The gearing ratios at 31st December 2021 and 2020 were as follows:

	2021 **HK$'000**	2020 HK$'000
Total lease liabilities (note 21)	**25,156**	10,516
Less: restricted cash, bank deposits and cash and cash equivalents (note 16)	**(1,351,214)**	(1,237,817)
Net cash	**(1,326,058)**	(1,227,301)
Total equity	**4,624,740**	4,420,238
Gearing ratio	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value at 31st December 2021 and 2020, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 3	
	2021	2020
	HK$'000	HK$'000
Asset		
Financial assets at fair value through other comprehensive income	**6,947**	6,215

There were no transfers among levels 1, 2 and 3 during the year.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The changes in level 3 financial instruments for the years ended 31st December 2021 and 2020 were set out in note 9.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

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

(a) Write-down of inventories to net realizable value

Net realizable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. The Group reassesses these estimates at each balance sheet date.

(b) Estimate of fair value of investment properties

The fair values of investment properties are determined by using valuation techniques. Details of the judgements and assumptions involved are disclosed in note 8.

(c) Income taxes

The Group is subject to income taxes in a number of different 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. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

(d) Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge prospectively where useful lives are less than previously estimated lives. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(e) Recognition of right of return obligation

Right of return obligation is recorded based on the estimated expected sales amount in future and they are recorded when the relevant sales of goods are recognized or when there are other contractual obligations on sales return. The Group estimates the sales return provision based on contractually bound sales return amount, special sales return credit granted during the year and past experience as basis to provide for amount of sales returns at each financial report date.

(f) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, including, among others, the economic impact of the unprecedented COVID-19 on the operations of the Group and the countries in which it operates. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair values less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the assets in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's reported balance sheet and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the statement of profit or loss.

(g) Impairment of financial assets

The loss allowances for financial assets are 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 historical and existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.1.

5 OPERATING SEGMENTS

The Group has three reportable segments. The segments are managed separately as each business segment offers different products and services and requires different marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

Apparel in China Mainland and Hong Kong SAR – Distribution and manufacturing of garments, leather goods and accessories and licensing of brand name in China Mainland and Hong Kong SAR.

Apparel in Singapore and Malaysia – Distribution and manufacturing of garments, leather goods and accessories in Singapore and Malaysia.

Property investment and development – Investment in and development of properties in China Mainland, Hong Kong SAR and Singapore.

The Group reports the results of its operating segments based on the internal reports reviewed by the chief operating decision maker for the purpose of making strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

5 OPERATING SEGMENTS *(continued)*

(a) Reportable segment profit before income tax and other selected financial information by operating segment

	2021					
	Apparel in China Mainland and Hong Kong SAR HK$'000	Apparel in Singapore HK$'000	Property investment and development HK$'000	Segment total HK$'000	(Elimination)/ unallocated HK$'000	Group HK$'000
Turnover	1,155,928	29,316	186,940	1,372,184	–	1,372,184
Inter-segment sales	695	–	9,307	10,002	(10,002)	–
	1,156,623	29,316	196,247	1,382,186	(10,002)	1,372,184
Segment results	234,462	8,138	69,886	312,486		312,486
Unallocated costs						(51,435)
Profit before income tax						261,051
Income tax expense						(40,008)
Profit for the year						221,043
Interest income	13,449	19	6,119	19,587	1,617	21,204
Depreciation of property, plant and equipment	12,963	576	4,404	17,943	2,122	20,065
Depreciation of right-of-use assets	11,995	251	285	12,531	58	12,589
Impairment of property, plant and equipment	9,788	25	–	9,813	–	9,813
Impairment of right-of-use assets	410	335	–	745	–	745
Reportable segment assets:						
Property, plant and equipment	67,343	3,104	14,842	85,289	36,353	121,642
Right-of-use assets	58,218	4,766	3,229	66,213	139	66,352
Investment properties	–	–	2,994,394	2,994,394	–	2,994,394
Deferred income tax assets	–	–	–	–	46,814	46,814
Property under development held for sale	–	–	715,807	715,807	–	715,807
Inventories	191,742	4,144	–	195,886	–	195,886
Restricted cash, bank deposits and cash and cash equivalents	766,699	22,969	413,850	1,203,518	147,696	1,351,214
Contract assets	59,147	–	–	59,147	–	59,147
Others	124,985	4,550	94,918	224,453	14,614	239,067
Reportable segment liabilities:						
Trade payables	47,170	1,124	268	48,562	32	48,594
Other payables and accruals	56,137	1,730	193,996	251,863	18,695	270,558
Contract liabilities	212,718	–	152,728	365,446	–	365,446
Lease liabilities	18,746	6,261	–	25,007	149	25,156
Current income tax liabilities	–	–	–	–	8,221	8,221
Deferred income tax liabilities	–	–	–	–	447,608	447,608
Capital expenditure	11,291	70	12,720	24,081	–	24,081

5 OPERATING SEGMENTS *(continued)*

(a) Reportable segment profit before income tax and other selected financial information by operating segment *(continued)*

	2020					
	Apparel in China Mainland and Hong Kong SAR HK$'000	Apparel in Singapore and Malaysia HK$'000	Property investment and development HK$'000	Segment total HK$'000	(Elimination)/ unallocated HK$'000	Group HK$'000
Turnover	1,032,011	34,831	172,434	1,239,276	–	1,239,276
Inter-segment sales	71	–	8,933	9,004	(9,004)	–
	1,032,082	34,831	181,367	1,248,280	(9,004)	1,239,276
Segment results	199,807	(14,883)	45,589	230,513		230,513
Unallocated costs						(45,026)
Profit before income tax						185,487
Income tax expense						(37,201)
Profit for the year						148,286
Interest income	10,745	47	6,375	17,167	4,098	21,265
Depreciation of property, plant and equipment	13,457	1,250	4,263	18,970	2,501	21,471
Depreciation of right-of-use assets	14,754	2,887	266	17,907	224	18,131
Impairment of property, plant and equipment	–	702	–	702	–	702
Impairment of right-of-use assets	–	4,328	–	4,328	–	4,328
Reportable segment assets:						
Property, plant and equipment	78,593	7,687	17,907	104,187	38,112	142,299
Right-of-use assets	46,213	479	3,432	50,124	197	50,321
Investment properties	–	–	2,950,107	2,950,107	–	2,950,107
Deferred income tax assets	–	–	–	–	51,580	51,580
Property under development held for sale	–	–	424,548	424,548	–	424,548
Inventories	150,293	6,186	–	156,479	–	156,479
Bank deposits and cash and cash equivalents	669,382	13,698	443,810	1,126,890	110,927	1,237,817
Contract assets	49,442	–	–	49,442	–	49,442
Others	115,197	6,861	96,918	218,976	8,898	227,874
Reportable segment liabilities:						
Trade payables	22,681	2,265	208	25,154	17	25,171
Other payables and accruals	58,075	1,874	109,622	169,571	16,534	186,105
Contract liabilities	185,969	–	3,764	189,733	–	189,733
Lease liabilities	5,402	4,808	100	10,310	206	10,516
Current income tax liabilities	–	–	–	–	13,227	13,227
Deferred income tax liabilities	–	–	–	–	445,477	445,477
Capital expenditure	11,600	219	5,756	17,575	–	17,575

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

5 OPERATING SEGMENTS *(continued)*

(a) Reportable segment profit before income tax and other selected financial information by operating segment *(continued)*

Central costs (mainly costs of support functions that centrally provide services to all of the operating segments) are included as unallocated costs. Taxation charge is not allocated to reportable segments.

(b) Geographical information

The Group's turnover from external customers is derived from the following geographical areas:

	2021 **HK$'000**	2020 HK$'000
China Mainland	**1,286,946**	1,151,393
Hong Kong SAR	**54,937**	52,435
Singapore and Malaysia	**30,301**	35,448
	1,372,184	1,239,276

The Group's non-current assets (excluding deferred income tax assets) by geographical location are detailed below:

	2021 **HK$'000**	2020 HK$'000
China Mainland	**1,948,579**	1,950,547
Hong Kong SAR	**1,188,226**	1,160,649
Singapore and Malaysia	**52,530**	37,746
	3,189,335	3,148,942

(c) Information about major customers

In 2021 and 2020, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

5 OPERATING SEGMENTS *(continued)*

(d) Disaggregation of revenue

	2021 HK$'000	2020 HK$'000
Revenue recognized under HKFRS 15		
Sales of goods	**1,060,346**	964,473
Building management fees	**39,931**	36,857
Licensing income	**124,898**	102,369
	1,225,175	1,103,699
Revenue recognized under other accounting standard		
Rental income from investment properties	**147,009**	135,577
	1,372,184	1,239,276
Timing of revenue recognition under HKFRS 15		
At a point in time	**1,093,741**	976,785
Over time	**131,434**	126,914
	1,225,175	1,103,699

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2020						
Cost	265,588	46,779	102,770	38,377	29,272	482,786
Accumulated depreciation	(150,510)	(45,878)	(82,633)	(35,667)	(19,962)	(334,650)
Net book amount	115,078	901	20,137	2,710	9,310	148,136
Year ended 31st December 2020						
Opening net book amount	115,078	901	20,137	2,710	9,310	148,136
Additions	55	7,870	3,057	2,350	–	13,332
Disposals	–	–	(147)	(21)	(27)	(195)
Depreciation	(10,596)	(156)	(6,531)	(1,100)	(3,088)	(21,471)
Impairment loss	–	–	(702)	–	–	(702)
Exchange differences	1,204	538	976	228	253	3,199
Closing net book amount	105,741	9,153	16,790	4,167	6,448	142,299
At 31st December 2020						
Cost	271,852	58,102	109,586	42,444	26,060	508,044
Accumulated depreciation	(166,111)	(48,949)	(92,796)	(38,277)	(19,612)	(365,745)
Net book amount	105,741	9,153	16,790	4,167	6,448	142,299
Year ended 31st December 2021						
Opening net book amount	**105,741**	**9,153**	**16,790**	**4,167**	**6,448**	**142,299**
Additions	**363**	**1,553**	**4,852**	**5,540**	**408**	**12,716**
Disposals	**–**	**–**	**(448)**	**(202)**	**(41)**	**(691)**
Transfer to investment property	**(4,050)**	**–**	**–**	**–**	**–**	**(4,050)**
Depreciation	**(10,033)**	**(431)**	**(5,501)**	**(1,418)**	**(2,682)**	**(20,065)**
Impairment loss	**–**	**(2,516)**	**(7,251)**	**(46)**	**–**	**(9,813)**
Exchange differences	**482**	**207**	**309**	**162**	**86**	**1,246**
Closing net book amount	**92,503**	**7,966**	**8,751**	**8,203**	**4,219**	**121,642**
At 31st December 2021						
Cost	**269,251**	**61,160**	**114,380**	**48,233**	**26,071**	**519,095**
Accumulated depreciation	**(176,748)**	**(53,194)**	**(105,629)**	**(40,030)**	**(21,852)**	**(397,453)**
Net book amount	**92,503**	**7,966**	**8,751**	**8,203**	**4,219**	**121,642**

Depreciation expense of HK$1,730,000 (2020: HK$520,000) has been expensed in cost of sales, HK$1,626,000 (2020: HK$1,539,000) in selling and marketing costs and HK$16,709,000 (2020: HK$19,412,000) in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

7 RIGHT-OF-USE ASSETS

	2021 HK$'000	2020 HK$'000
At 1st January	**50,321**	69,121
Additions	**28,984**	2,241
Disposal	**(792)**	(622)
Depreciation	**(12,589)**	(18,131)
Impairment loss	**(745)**	(4,328)
Exchange differences	**1,173**	2,040
At 31st December	**66,352**	50,321

The recognized right-of-use assets relate to the following types of assets:

	2021 HK$'000	2020 HK$'000
Land use rights in China Mainland	**43,851**	44,997
Buildings	**22,233**	4,976
Machinery and equipment	**268**	222
Furniture and fixtures	**–**	28
Motor vehicle	**–**	98
	66,352	50,321

Depreciation charge of right-of-use assets:

	2021 HK$'000	2020 HK$'000
Land use rights in China Mainland	**1,991**	1,901
Buildings	**10,377**	15,910
Machinery and equipment	**113**	127
Furniture and fixtures	**9**	101
Motor vehicle	**99**	92
	12,589	18,131

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

7 RIGHT-OF-USE ASSETS *(continued)*

Impairment assessment of plant and equipment and right-of-use assets

Management has performed an assessment on the Group's non-current assets, primarily comprising plant and equipment and right-of-use assets as at 31st December 2021. In this connection, management reviewed the results of operation of each retail store, representing different cash-generating units ("CGUs") in determining whether any impairment indicator exists with each of the CGUs under review. For those retail stores where an impairment indicator was noted, management assessed the recoverable amount of the CGU based on value-in-use calculation using projected cashflow over the lease term of each retail store.

The determination of the value-in-use calculation of the relevant CGU involves the use of assumptions and estimations such as change in revenue, change in operating cost and change in gross profit. Discount rate of 7.62% (2020: 7.62%) is adopted in the impairment assessment, which was determined based on the market's weighted average cost of capital.

The results of the assessment indicated that impairment provision of HK$9,813,000 (2020: HK$702,000) (note 6) and HK$745,000 (2020: HK$4,328,000) on plant and equipment and right-of-use assets respectively were made as at 31st December 2021. Impairment losses of HK$9,788,000 (2020: nil) and HK$770,000 (2020: HK$5,030,000) were included in administrative expenses and selling and marketing costs respectively in the consolidated income statement.

8 INVESTMENT PROPERTIES

	2021 **HK$'000**	2020 HK$'000
At 1st January	**2,950,107**	2,900,247
Additions	**11,365**	4,243
Transfer from property, plant and equipment (note)	**15,080**	–
Fair value losses (note 22)	**(26,777)**	(60,255)
Exchange differences	**44,619**	105,872
At 31st December	**2,994,394**	2,950,107

Note:

The transfer from property, plant and equipment to investment property of HK$4,050,000 and the related revaluation amount comprised of the transfer of HK$11,030,000 which was included in the consolidated statement of comprehensive income for the year.

8 INVESTMENT PROPERTIES *(continued)*

The Group's interests in investment properties are analyzed as follows:

	2021 HK$'000	2020 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**249,200**	243,700
Leases of between 10 and 50 years	**901,400**	877,000
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**1,799,134**	1,799,827
Freehold outside Hong Kong	**44,660**	29,580
	2,994,394	2,950,107

The periods of leases whereby the Group leases out its investment properties range from 1 month to 120 months.

Independent valuations of the Group's investment properties were performed by the independent professional valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Jones Lang LaSalle Property Consultants Pte Ltd, to determine the fair values of the investment properties as at 31st December 2021 and 2020. The fair value losses were included in "Other losses" in income statement (note 22). The following table analyzes the investment properties carried at fair value, by valuation method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

8 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

Description	Fair value measurements at 31st December 2021 using		
	Quoted prices in active markets for identical assets (Level 1) HK$'000	**Significant other observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**
Recurring fair value measurements			
Investment properties:			
– Hong Kong	**–**	**–**	**1,150,600**
– China Mainland	**–**	**–**	**1,799,134**
– Singapore	**–**	**–**	**44,660**

Description	Fair value measurements at 31st December 2020 using		
	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements			
Investment properties:			
– Hong Kong	–	–	1,120,700
– China Mainland	–	–	1,799,827
– Singapore	–	–	29,580

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, 2 and 3 during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

8 INVESTMENT PROPERTIES *(continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Hong Kong HK$'000	China Mainland HK$'000	Singapore HK$'000	Total HK$'000
At 1st January 2021	**1,120,700**	**1,799,827**	**29,580**	**2,950,107**
Additions	**1,088**	**10,277**	**–**	**11,365**
Transfer from property, plant and equipment	**–**	**–**	**15,080**	**15,080**
Fair value gains/(losses)	**28,812**	**(55,589)**	**–**	**(26,777)**
Exchange differences	**–**	**44,619**	**–**	**44,619**
At 31st December 2021	**1,150,600**	**1,799,134**	**44,660**	**2,994,394**

	Hong Kong HK$'000	China Mainland HK$'000	Singapore HK$'000	Total HK$'000
At 1st January 2020	1,126,200	1,744,467	29,580	2,900,247
Additions	2,443	1,800	–	4,243
Fair value losses	(7,943)	(52,312)	–	(60,255)
Exchange differences	–	105,872	–	105,872
At 31st December 2020	1,120,700	1,799,827	29,580	2,950,107

Valuation techniques

The valuations were based on:

(a) Income capitalization approach (term and reversionary method) taking into account the significant adjustment on term yield to account for the risk upon reversionary after expiry of current lease and adjustment on rental value to account for the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties (Level 3 approach).

(b) Direct comparison approach which largely used unobservable inputs and made reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as time, locations and building quality (Level 3 approach).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

8 INVESTMENT PROPERTIES *(continued)*

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31st December 2021 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	**1,799,134**	Income capitalization approach (term and reversionary method)	Monthly rental value	RMB23–1,050/m^2	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	2.4% to 8% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Hong Kong	**1,150,600**	Income capitalization approach (term and reversionary method)	Monthly rental value	HK$91–127/$m^2$	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	4.2% to 4.45% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Singapore	**44,660**	Direct comparison approach	Price per square meter	S$6,137–8,789/$m^2$	The higher the assumed price per square meter, the higher the fair value

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For the year ended 31st December 2021

8 INVESTMENT PROPERTIES *(continued)*

Information about fair value measurements using significant unobservable inputs (Level 3) *(continued)*

Description	Fair value at 31st December 2020 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	1,799,827	Income capitalization approach (term and reversionary method)	Monthly rental value	RMB36–1,050/m^2	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	2.5% to 8% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Hong Kong	1,120,700	Income capitalization approach (term and reversionary method)	Monthly rental value	HK$91–122/$m^2$	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	4.25% to 4.5% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Singapore	29,580	Direct comparison approach	Price per square meter	S$6,512–7,788/$m^2$	The higher the assumed price per square meter, the higher the fair value

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK$'000	2020 HK$'000
At 1st January	**6,215**	6,209
Fair value gain/(loss) transfer to equity	**575**	(382)
Exchange differences	**157**	388
At 31st December	**6,947**	6,215

The fair value of the unlisted equity investment that is denominated in RMB and not traded in an active market is determined by an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The valuation falls within level 3 of the fair value measurement hierarchy, for details, please refer to note 3.3.

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10 SUBSIDIARIES

The following is a list of principal subsidiaries, which in the opinion of the Directors, are significant to the results and net assets of the Group:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest 2021	Group's equity interest 2020
Goldlion (China) Limited (2)	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	US$18,000,000 (2020: US$18,000,000)	**100%**	100%
Goldlion Clothes Making Company Limited (2)	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	US$6,934,000 (2020: US$6,934,000)	**100%**	100%
Goldlion Enterprise (Singapore) Pte Limited	Singapore Limited liability company	Distribution of garments in Singapore	10,000 ordinary shares of S$100 each (2020: 10,000 ordinary shares of S$100 each)	**100%**	100%
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution of garments and property holding in Hong Kong, and licensing of brand name in the PRC	2 ordinary shares and 500,000 non-voting deferred shares (2020: 2 ordinary shares and 500,000 non-voting deferred shares)	**100%**	100%
Goldlion Group (B.V.I.) Limited (1)	British Virgin Islands Limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of US$1 each (2020: 10,000 ordinary shares of US$1 each)	**100%**	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares (2020: 2 ordinary shares)	**100%**	100%
Guangzhou Goldlion Investment Consultancy Company Limited (2)	PRC Limited liability company	Property holding in the PRC	HK$10,000,000 (2020: HK$10,000,000)	**100%**	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Investment holding in the British Virgin Islands	50,000 ordinary shares of US$1 each (2020: 50,000 ordinary shares of US$1 each)	**100%**	100%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

10 SUBSIDIARIES *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest 2021	Group's equity interest 2020
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each and 59,999,998 redeemable shares of HK$1 each (2020: 2 ordinary shares of HK$1 each and 59,999,998 redeemable shares of HK$1 each)	**100%**	100%
Meizhou Silver Dip Property Management Limited (2)	PRC Limited liability company	Property management in the PRC	RMB595,000 (2020: RMB595,000)	**100%**	100%
Shenyang Goldlion Commercial Mansion Limited (2)	PRC Limited liability company	Property holding in the PRC	RMB70,000,000 (2020: RMB70,000,000)	**100%**	100%
Rich Smart Resources Limited	Hong Kong Limited liability company	Property holding in Hong Kong	2 ordinary shares (2020: 2 ordinary shares)	**100%**	100%
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares (2020: 2 ordinary shares)	**100%**	100%
Meizhou Goldlion Properties Development Limited (2)	PRC Limited liability company	Property holding and development in the PRC	HK$50,000,000 (2020: HK$50,000,000)	**100%**	100%
Guangzhou Silver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000 (2020: HK$1,000,000)	**100%**	100%
Shenyang Sliver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000 (2020: HK$1,000,000)	**100%**	100%
Guangzhou Goldlion City Properties Company Limited (2)	PRC Limited liability company	Property holding in the PRC	RMB360,681,188 (2020: RMB360,681,188)	**100%**	100%
Joint Corporation Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	1 ordinary share (2020: 1 ordinary share)	**100%**	100%
Meizhou Goldlion Leather Investment Company Limited (2)	PRC Limited liability company	Investment holding in the PRC	RMB5,100,000 (2020: RMB5,100,000)	**100%**	100%
Guangzhou Goldlion E-commerce Company Limited (2)	PRC Limited liability company	Distribution of garments in the PRC	HK$121,000,000 (2020: HK$1,000,000)	**100%**	100%

(1) Subsidiary held directly by the Company. Except for Goldlion Group (B.V.I.) Limited, other subsidiaries are held indirectly by the Company.

(2) These subsidiaries are wholly foreign-owned enterprises established in PRC. English names of these subsidiaries are direct translations of their Chinese registered names.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

11 PROPERTY UNDER DEVELOPMENT HELD FOR SALE

The Group's interests in property under development held for sale are analyzed as follows:

	2021 HK$'000	2020 HK$'000
Land use rights	114,934	114,066
Development costs	600,873	310,482
	715,807	424,548

The property under development held for sale is located in Meixian Area, China Mainland. Under the Land Use Rights Grant Contract entered between the Meixian Bureau of Land and the Group on 24th January 2014, the delay in commencing and completion of construction works of the project after 18th June 2014 and 24th January 2017 respectively may be subject to a penalty. After taking into account of an independent legal advice, the Directors are of the view that the imposition of a penalty by the relevant authority is remote.

The amount of property under development held for sale expected to be completed and realized within the Group's normal operating cycle in the next one to four years is HK$715,807,000 (2020: HK$424,548,000).

12 INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	2,766	1,607
Work in progress	18,821	13,945
Finished goods	174,299	140,927
	195,886	156,479

The cost of inventories recognized as expense and included in cost of sales amounted to HK$511,921,000 (2020: HK$455,415,000) (note 23).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

13 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	2021 HK$'000	2020 HK$'000
Financial assets at amortized cost		
Trade receivables (note 14)	100,565	99,257
Deposits and other receivables (note 14)	26,125	21,646
Restricted cash, bank deposits and cash and cash equivalents (note 16)	1,351,214	1,237,817
Financial assets at fair value through other comprehensive income (note 9)	6,947	6,215
Total	1,484,851	1,364,935
Financial liabilities, at amortized cost		
Trade payables (note 19)	48,594	25,171
Other payables	63,730	76,476
Lease liabilities	25,156	10,516
Total	137,480	112,163

14 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	101,985	100,613
Less: provision for impairment	(1,420)	(1,356)
Trade receivables – net	100,565	99,257
Purchase deposits	3,823	3,954
Prepayments	60,472	86,167
General deposits	10,497	9,131
Interest receivable	10,625	8,076
VAT recoverable	36,025	10,163
Others	5,003	4,439
Total of prepayments, deposits and other receivables	126,445	121,930

Prepayments, deposits and other receivables do not contain impaired assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

14 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

The Group's sales are on cash on delivery or credit terms ranging from 30 days to 180 days after delivery. The ageing of the trade receivables based on invoice date is as follows:

	2021 HK$'000	2020 HK$'000
1–30 days	**91,438**	92,028
31–90 days	**7,227**	5,214
Over 90 days	**3,320**	3,371
Trade receivables	**101,985**	100,613
Less: provision for impairment of trade receivables	**(1,420)**	(1,356)
Trade receivables – net	**100,565**	99,257

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers dispersed in China Mainland and Singapore. The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates.

The carrying amounts of the Group's trade receivables, prepayments, deposits and other receivables approximate their fair values and are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
Renminbi	**215,572**	207,608
Singapore dollar	**4,551**	6,861
Hong Kong dollar	**6,887**	6,718
	227,010	221,187

Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

14 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Movements on the provision for impairment of trade receivables are as follows:

	2021 HK$'000	2020 HK$'000
At 1st January	**1,356**	1,602
Provision/(reversal of provision) for impairment of trade receivables, net	**153**	(258)
Receivables written off during the year as uncollectible	**(98)**	(8)
Exchange differences	**9**	20
At 31st December	**1,420**	1,356

The provision for impaired receivables was included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

15 CONTRACT ASSETS AND CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Contract assets		
Arising from the right to recover products from customers on settling right of return obligation	**59,147**	49,442
Contract liabilities		
Sales deposits received from customers in relation to pre-sale of properties	**147,393**	–
Receipt in advance from customers	**36,823**	26,128
Right of return obligation	**131,804**	119,033
Deferred revenue	**49,426**	44,572
	365,446	189,733

Revenue that was included in the contract liabilities balance at the beginning of the reporting period was fully recognized in the reporting period. Except for the sales deposits received from customers in relation to pre-sale of properties amounting to HK$2,629,000 which is expected to be recognized as revenue during the year ending 31st December 2024, all balances of contract liabilities at 31st December 2021 is expected to be recognized as revenue within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

16 RESTRICTED CASH, BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash at banks and in hand	438,187	366,184
Bank deposits with maturity less than 3 months	16,155	126,531
Cash and cash equivalents as stated in the consolidated cash flow statement	454,342	492,715
Restricted cash (note)	20,687	–
Bank deposits with maturity over 3 months	876,185	745,102
Restricted cash, bank deposits and cash and cash equivalents as stated in the balance sheet	1,351,214	1,237,817
Maximum exposure to credit risk	1,351,161	1,237,761

Note:

The balance represented the receipts from pre-sale of properties denominated in RMB and placed in designated bank accounts in China Mainland as at 31st December 2021, and will be released in accordance with certain construction progress milestones.

Restricted cash, bank deposits and cash and cash equivalents in the balance sheet are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
Renminbi	1,130,507	1,027,809
Hong Kong dollar	197,738	196,311
Singapore dollar	22,969	13,697
	1,351,214	1,237,817

These bank balances and cash of the Group held in the PRC are subject to the rules and regulations of foreign exchange control promulgated by the Chinese government.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

17 SHARE CAPITAL

	2021 Number of shares (thousands)	2021 Share capital HK$'000	2020 Number of shares (thousands)	2020 Share capital HK$'000
Ordinary shares, issued and fully paid:				
At 1st January and 31st December	**982,114**	**1,101,358**	982,114	1,101,358

18 RESERVES

	Capital reserve HK$'000	Revaluation reserve HK$'000	Other reserves[i] HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2021	(34,204)	100,701	99,394	282,887	448,778	2,870,102	3,318,880
Profit for the year	–	–	–	–	–	221,043	221,043
Revaluation of property, plant and equipment upon reclassification to investment property	–	11,030	–	–	11,030	–	11,030
Change in fair value of financial assets at fair value through other comprehensive income	–	431	–	–	431	–	431
Currency translation differences	–	–	–	75,121	75,121	–	75,121
Total comprehensive income	–	11,461	–	75,121	86,582	221,043	307,625
2020 final dividend paid	–	–	–	–	–	(63,838)	(63,838)
2021 interim dividend paid	–	–	–	–	–	(39,285)	(39,285)
Balance at 31st December 2021	(34,204)	112,162	99,394	358,008	535,360	2,988,022	3,523,382
Representing:							
Reserves	(34,204)	112,162	99,394	358,008	535,360	2,919,274	3,454,634
2021 final dividend proposed	–	–	–	–	–	68,748	68,748
	(34,204)	112,162	99,394	358,008	535,360	2,988,022	3,523,382

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

18 RESERVES *(continued)*

	Capital reserve HK$'000	Revaluation reserve HK$'000	Other reserves[i] HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2020	(34,204)	100,987	99,393	111,259	277,435	2,844,581	3,122,016
Profit for the year	–	–	–	–	–	148,286	148,286
Change in fair value of financial assets at fair value through other comprehensive income	–	(286)	–	–	(286)	–	(286)
Currency translation differences	–	–	–	171,628	171,628	–	171,628
Total comprehensive income	–	(286)	–	171,628	171,342	148,286	319,628
Appropriation of reserves	–	–	1	–	1	(1)	–
2019 final dividend paid	–	–	–	–	–	(93,301)	(93,301)
2020 interim dividend paid	–	–	–	–	–	(29,463)	(29,463)
Balance at 31st December 2020	(34,204)	100,701	99,394	282,887	448,778	2,870,102	3,318,880
Representing:							
Reserves	(34,204)	100,701	99,394	282,887	448,778	2,806,264	3,255,042
2020 final dividend proposed	–	–	–	–	–	63,838	63,838
	(34,204)	100,701	99,394	282,887	448,778	2,870,102	3,318,880

(i) Other reserves are attributable to certain subsidiaries established in China Mainland. These reserves, comprising a general reserve fund and an enterprise development fund, are set aside in accordance with the relevant statutory requirements in China Mainland. The amount set aside is determined by the directors of these subsidiaries at their financial year end. The fund can only be used to make up losses incurred, increase registered capital or used for collective welfare of employees.

19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Trade payables (note (a))	**48,594**	25,171
Other payables and accruals (note (b))	**270,558**	186,105
Less: non-current portion (note (c))	**(31,862)**	(33,116)
Current portion	**238,696**	152,989

The carrying amounts of the Group's trade payables, other payables and accruals approximate their fair values.

Notes:

(a) The ageing of the trade payables based on invoice date is as follows:

	2021 HK$'000	2020 HK$'000
1–30 days	**38,892**	23,812
31–90 days	**8,584**	1,293
Over 90 days	**1,118**	66
	48,594	25,171

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

	2021 HK$'000	2020 HK$'000
Renminbi	**47,438**	22,889
Singapore dollar	**1,124**	2,265
Hong Kong dollar	**32**	17
	48,594	25,171

(b) Nature of other payables and accruals is as follows:

	2021 HK$'000	2020 HK$'000
Deposits received	**59,161**	56,369
Construction payables	**134,450**	57,102
Accruals and others	**76,947**	72,634
	270,558	186,105

(c) The non-current portion of other payables and accruals represents the deposits received from tenants which will be refunded in a period over twelve months from 31st December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

20 DEFERRED INCOME TAX

	2021 HK$'000	2020 HK$'000
Deferred income tax assets	(46,814)	(51,580)
Deferred income tax liabilities	447,608	445,477
	400,794	393,897

The gross movement on the deferred income tax account of the Group is as follows:

	2021 HK$'000	2020 HK$'000
At 1st January	393,897	369,343
(Credited)/charged to consolidated income statement (note 29)	(3,105)	1,184
Charged/(credited) to other comprehensive income	144	(96)
Exchange differences	9,858	23,466
At 31st December	400,794	393,897

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of HK$919,924,000 (2020: HK$909,714,000), of which HK$624,217,000 (2020: HK$605,567,000), HK$13,917,000 (2020: HK$22,392,000) and HK$70,005,000 (2020: HK$69,970,000) are subject to agreement by the Inland Revenue Department in Hong Kong and the relevant tax authorities in the PRC and Singapore, respectively, to carry forward against future taxable income. Out of the unrecognized tax losses, HK$906,007,000 (2020: HK$887,322,000) have no expiry date and the remaining amount will expire at various dates up to and including 2026.

20 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities

	Accelerated taxation depreciation		Change in fair values		Dividend withholding tax		Others		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
At 1st January	**151,081**	139,405	**273,663**	270,900	**55,862**	48,507	**21,998**	30,607	**502,604**	489,419
Exchange differences	**4,129**	9,538	**6,510**	15,742	**1,315**	3,286	**640**	1,294	**12,594**	29,860
Charged/(credited) to consolidated income statement	**637**	2,138	**(13,618)**	(12,883)	**4,457**	4,069	**5,132**	(9,903)	**(3,392)**	(16,579)
Charged/(credited) to other comprehensive income	**–**	–	**144**	(96)	**–**	–	**–**	–	**144**	(96)
At 31st December	**155,847**	151,081	**266,699**	273,663	**61,634**	55,862	**27,770**	21,998	**511,950**	502,604

Deferred income tax assets

	Provisions		Others		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
At 1st January	**(62,881)**	(53,270)	**(45,826)**	(66,806)	**(108,707)**	(120,076)
Exchange differences	**(1,426)**	(3,699)	**(1,310)**	(2,695)	**(2,736)**	(6,394)
Charged/(credited) to consolidated income statement	**9,592**	(5,912)	**(9,305)**	23,675	**287**	17,763
At 31st December	**(54,715)**	(62,881)	**(56,441)**	(45,826)	**(111,156)**	(108,707)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

21 LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Current liabilities	13,985	7,710
Non-current liabilities	11,171	2,806
	25,156	10,516

The total cash payment for lease for the year ended 31st December 2021 was HK$99,271,000 (2020: HK$85,107,000).

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

The Group leases various retail spaces and premises, warehouses, offices, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options (note 2.21(b)). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group also leases certain land use rights in China Mainland. These land use rights are leased for a period of between 40 and 70 years on which plants and buildings of the Group are situated on.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes except for the land use rights in China Mainland.

Future aggregate minimum lease payment under non-cancellable short-term leases amounted to HK$14,561,000 (2020: HK$11,825,000).

Payment obligations in respect of operating leases on properties with rentals vary with gross revenues are not included as future minimum lease payments.

22 OTHER LOSSES

	2021 HK$'000	2020 HK$'000
Fair value losses on investment properties	(26,777)	(60,255)

NOTES TO THE FINANCIAL STATEMENTS

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23 EXPENSES BY NATURE

	2021 HK$'000	2020 HK$'000
Cost of inventories sold	**511,921**	455,415
(Reversal of provision)/provision for impairment of inventories	**(50,591)**	24,704
Direct operating expenses arising from investment properties that generated rental income	**40,797**	32,137
Expenses relating to:		
– short-term leases	**30,520**	24,047
– variable lease payments (note)	**54,061**	42,704
Depreciation of property, plant and equipment (note 6)	**20,065**	21,471
Depreciation of right-of-use assets (note 7)	**12,589**	18,131
Impairment of property, plant and equipment (note 6)	**9,813**	702
Impairment of right-of-use assets (note 7)	**745**	4,328
Staff costs including directors' emoluments (note 24)	**224,356**	195,562
Auditors' remuneration:		
– audit services	**3,146**	3,018
– non-audit services	**401**	168
Advertising and promotion expenses	**113,169**	77,767
Provision/(reversal of provision) for impairment of trade receivables, net (note 14)	**153**	(258)
Net exchange gain	**(64)**	(655)
Other expenses	**133,478**	114,372
	1,104,559	1,013,613
Representing:		
Cost of sales	**503,857**	512,776
Selling and marketing costs	**430,022**	354,888
Administrative expenses	**170,680**	145,949
	1,104,559	1,013,613

Note: Rent concessions related to COVID-19 of HK$143,000 (2020: HK$3,486,000) have been credited in profit or loss and included in selling and marketing costs for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

24 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2021 HK$'000	2020 HK$'000
Staff costs		
– Wages and salaries (note)	**181,829**	170,967
– Retirement benefit costs (note 25)	**42,527**	24,595
	224,356	195,562

Note:

Jobs Support Scheme ("JSS") was introduced by the Singapore Government in February 2020 to provide relief and assistance to companies amidst the outbreak of COVID-19, with the aim of helping businesses retain their local employees during this period of uncertainty. Under JSS, Goldlion Enterprise (Singapore) Pte Limited (as eligible employers) would receive government grant up to 75% of the gross monthly wage of each local employee (Singapore Citizens and Permanent Residents), subject to a monthly wage cap of S$4,600 per employee. The JSS is intended to provide companies support on wages incurred for the month of April 2020 to September 2021. For the year ended 31st December 2021, HK$570,000 (2020: HK$2,385,000) has been credited in profit or loss and included in staff costs for the year.

25 RETIREMENT BENEFIT COSTS

	2021 HK$'000	2020 HK$'000
Defined contribution schemes for:		
Hong Kong employees (note (a))	**1,054**	1,054
Singapore employees (note (b))	**1,592**	2,202
China Mainland employees (note (c))	**39,881**	21,339
	42,527	24,595

Notes:

(a) Under the Mandatory Provident Fund (the "MPF") scheme, both the employer and employee have to contribute 5% of the employee's relevant income or HK$1,500, whichever is lower, as mandatory contribution. The employer and employee may further contribute certain percentage of the employee's relevant income, as voluntary contribution.

The amount represents contributions paid and payable by the Group to the MPF scheme totalling HK$1,054,000 (2020: HK$1,054,000) without any forfeited contributions (2020: nil). The forfeited contributions represent contributions to the retirement scheme prior to the MPF scheme for those employees who leave prior to vesting fully on the employer's contributions. Contributions totalling HK$164,000 (2020: HK$163,000) payable to the MPF scheme at the year end were included in other payables. There were no unutilized forfeited contributions at year end (2020: nil).

(b) Contributions paid and payable by the Group to the schemes amounted to HK$1,592,000 (2020: HK$2,202,000). Contributions totalling HK$217,000 (2020: HK$259,000) payable to the schemes at the year end were included in other payables. There were no unutilized forfeited contributions at year end (2020: nil).

(c) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. There was no contribution payable (2020: nil) to the municipal governments at year end. Exemption of contributions have been provided by the municipal government in relation to COVID-19 of HK$436,000 (2020: HK$15,731,000) this year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

26 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

Pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefit of Directors) Regulation (Cap. 622G) and the Listing Rules, the remuneration of every Director and the Chief Executive for the year ended 31st December 2021:

	2021					
Name	**Fees HK$'000**	**Salary HK$'000**	**Discretionary bonuses HK$'000**	**Estimated money value of other benefits (1) HK$'000**	**Employer's contribution to a retirement benefit scheme HK$'000**	**Total HK$'000**
Director						
Madam Wong Lei Kuan	–	1,951	1,476	35	–	3,462
Mr. Ng Ming Wah, Charles	360	–	–	–	–	360
Dr. Lau Yue Sun	360	–	–	–	–	360
Mr. Li Ka Fai, David	360	–	–	–	–	360
Mr. Ngan On Tak	360	–	–	–	–	360
Director and Chief Executive						
Mr. Tsang Chi Ming, Ricky	–	5,065	5,904	44	18	11,031

	2020					
Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits (1) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Director						
Madam Wong Lei Kuan	–	1,951	1,003	29	–	2,983
Mr. Ng Ming Wah, Charles	360	–	–	–	–	360
Dr. Lau Yue Sun	360	–	–	–	–	360
Mr. Li Ka Fai, David	360	–	–	–	–	360
Mr. Nguyen, Van Tu Peter (2)	165	–	–	–	–	165
Mr. Ngan On Tak (3)	113	–	–	–	–	113
Director and Chief Executive						
Mr. Tsang Chi Ming, Ricky	–	4,936	4,012	13	18	8,979

Notes:

(1) Estimated money value of other benefits includes medical expenses reimbursement.

(2) Mr. Nguyen passed away on 16th June 2020.

(3) Mr. Ngan was appointed on 8th September 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

26 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to or receivable by the Directors in respect of their services as Directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking through defined benefit pension plans (2020: nil).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of termination of Directors' services were paid or made, directly or indirectly, to the Directors; nor are any payable (2020: nil).

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

During the year, no consideration was provided to or receivable by third parties for making available Directors' services (2020: nil).

(e) Information about loans, quasi-loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors

During the year, there are no loans, quasi-loans or other dealings in favor of the Directors, their controlled body corporates and connected entities (2020: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: nil).

27 EMOLUMENTS OF SENIOR MANAGEMENT

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year includes two (2020: two) Directors whose emoluments are reflected in the analysis presented in note 26(a) above. The emoluments payable to the remaining three (2020: three) individuals during the year are as follows:

	2021 HK$'000	2020 HK$'000
Basic salaries, housing and other allowances	13,656	12,116
Bonuses	1,417	1,755
Retirement benefit costs	594	528
	15,667	14,399

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands		
HK$2,500,001–HK$3,000,000	1	1
HK$3,000,001–HK$3,500,000	–	1
HK$4,500,001–HK$5,000,000	1	–
HK$8,000,001–HK$8,500,000	1	1

(b) Other than disclosed in notes 26(a) and 27(a) above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors or the five highest paid individuals (2020: two executive Directors) waived or agreed to waive any emoluments (2020: HK$1,254,000) during the year.

(c) Emoluments of senior management

Other than the emoluments of Directors and five highest paid individuals disclosed in notes 26(a) and 27(a) respectively, the emoluments of the senior management fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands		
HK$1,000,001–HK$1,500,000	–	2
HK$2,000,001–HK$2,500,000	2	–
HK$2,500,001–HK$3,000,000	1	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

28 INTEREST INCOME AND INTEREST EXPENSE

	2021 HK$'000	2020 HK$'000
Interest income:		
– Interest income from bank deposits	21,204	21,265
Interest expense:		
– Interest expense on lease liabilities	(1,001)	(1,186)
	20,203	20,079

29 INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Taxation outside Hong Kong:		
Current year	43,035	35,863
Under-provision in prior year	78	154
	43,113	36,017
Deferred income tax (note 20)	(3,105)	1,184
Total income tax expense	40,008	37,201

Hong Kong profits tax rate is 16.5% (2020: 16.5%). No provision for Hong Kong profits tax has been made as there is no estimated assessable profit for the year (2020: nil).

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the year at the rate of 25% (2020: 25%). Taxation on profits outside Hong Kong and the PRC has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

29 INCOME TAX EXPENSE *(continued)*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2021 HK$'000	2020 HK$'000
Profit before income tax	261,051	185,487
Calculated at a tax rate of 16.5% (2020: 16.5%)	43,073	30,605
Effect of different taxation rates in other countries	(2,756)	(2,707)
Income not subject to tax	(12,565)	(8,325)
Expenses not deductible for tax purposes	3,592	6,042
Utilization of unrecognized tax losses	(2,312)	(821)
Tax losses not recognized	6,472	8,282
Withholding tax on profits retained by the PRC subsidiaries	4,457	4,069
Others	47	56
Total income tax expense	40,008	37,201

Corporate withholding income tax on dividend distribution

Under the CIT Law, corporate withholding income tax is levied on the foreign investor incorporated in Hong Kong for dividends which arise from profits of foreign investment enterprises earned after 1st January 2008 at a tax rate of 5% (2020: 5%).

30 DIVIDENDS

	2021 HK$'000	2020 HK$'000
2020 interim dividend, paid, of 3.0 HK cents per ordinary share	–	29,463
2020 final dividend, paid, of 6.5 HK cents per ordinary share	–	63,838
2021 interim dividend, paid, of 4.0 HK cents per ordinary share	39,285	–
2021 final dividend, proposed, of 7.0 HK cents per ordinary share (note)	68,748	–
	108,033	93,301

Note:

At a meeting held on 18th March 2022, the Directors declared a final dividend of 7.0 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

31 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the number of ordinary shares in issue during the year.

	2021	2020
Profit attributable to owners of the Company (HK$'000)	**221,043**	148,286
Number of shares in issue	**982,114,035**	982,114,035
Basic earnings per share (HK cents)	**22.51**	15.10

(b) Diluted

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the years ended 31st December 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

32 CASH FLOW INFORMATION

(a) Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	2021 HK$'000	2020 HK$'000
Profit before income tax	261,051	185,487
Adjustments for:		
– Depreciation of property, plant and equipment (note 6)	20,065	21,471
– Depreciation of right-of-use assets (note 7)	12,589	18,131
– Impairment of property, plant and equipment (note 6)	9,813	702
– Impairment of right-of-use assets (note 7)	745	4,328
– (Reversal of provision)/provision for impairment of inventories	(50,591)	24,704
– Interest income (note 28)	(21,204)	(21,265)
– Interest expense (note 28)	1,001	1,186
– Losses/(gains) on disposals of property, plant and equipment (note 32(a)(i))	521	(199)
– Gains on disposal of right-of-use assets	(217)	(579)
– Fair value losses on investment properties	26,777	60,255
– Provision/(reversal of provision) for impairment of trade receivables, net (note 14)	153	(258)
Changes in working capital:		
– Property under development held for sale	(280,556)	(150,336)
– Inventories	5,481	47,079
– Trade receivables, prepayments, deposits, other receivables and contract assets	(13,141)	21,730
– Trade payables, other payables, accruals and contract liabilities	283,589	(94,251)
Net cash generated from operations	256,076	118,185

Note:

(i) Disposals of property, plant and equipment

	2021 HK$'000	2020 HK$'000
Net book amount	691	195
(Losses)/gains on disposals of property, plant and equipment	(521)	199
Proceeds received	170	394

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

32 CASH FLOW INFORMATION *(continued)*

(b) Major non-cash financing activities

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$28,984,000 and HK$28,984,000 (2020: HK$2,241,000 and HK$2,241,000), respectively, in respect of lease arrangements for buildings and equipment and disposals of right-of-use assets and lease liabilities of HK$792,000 and HK$1,009,000 (2020: HK$622,000 and HK$1,201,000), respectively, in respect of lease arrangements for building.

(c) Reconciliation of liabilities arising from financing activities

Lease liabilities

	2021 HK$'000	2020 HK$'000
At 1st January	10,516	26,430
Changes from financing cash flows	(13,689)	(17,170)
Additions	28,984	2,241
Disposal	(1,009)	(1,201)
Exchange differences	354	216
At 31st December	25,156	10,516

33 GUARANTEES OF MORTGAGE FACILITIES

	2021 HK$'000	2020 HK$'000
Guarantees in respect of mortgage facilities for certain property buyers	78,995	–

These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issue of the real estate ownership certificates; and (ii) the satisfaction of mortgaged loans by the property buyers.

The Directors of the Company consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Therefore, no provision has been made in the financial statements for the guarantees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

34 COMMITMENTS

(a) Capital commitments

Capital expenditure of the Group at the balance sheet date but not yet incurred is as follows:

	2021 HK$'000	2020 HK$'000
Property, plant and equipment		
Contracted but not provided for	3,913	5,026

(b) Commitments for property development expenditure

	2021 HK$'000	2020 HK$'000
Contracted but not provided for	308,370	460,006
Authorized but not contracted for	215,000	132,000
	523,370	592,006

(c) Future aggregate minimum lease payments receivable under non-cancellable leases

	2021 HK$'000	2020 HK$'000
Rental receivables		
– not later than one year	146,958	135,141
– later than one year and not later than five years	208,848	236,876
– later than five years	19,334	24,058
	375,140	396,075

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

35 RELATED PARTY TRANSACTIONS

The Directors considered the immediate parent company and the ultimate parent company to be Top Grade Holdings Limited and Hin Chi Family Management Limited, which are incorporated in the British Virgin Islands and Hong Kong respectively. Top Grade Holdings Limited was interested in 62.42% of the Company's issued shares. Hin Chi Family Management Limited, as trustee of the Tsang Hin Chi (2007) Family Settlement, held all of the issued share capital of Top Grade Holdings Limited. The Company is ultimately controlled by the Tsang Family (comprising Madam Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and the other direct descendants of the late Dr. Tsang Hin Chi) which, together with 0.26% of the Company's issued shares held by Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky personally, and 5.49% of the Company's issued shares held by Tsang Hin Chi Charities (Management) Limited, collectively controlled approximately 68.17% of the Company's issued shares. The remaining 31.83% of the issued shares are widely held.

In addition to those disclosed elsewhere in the financial statements, the following significant transactions were carried out with related parties:

(a) Purchases of services

	2021 HK$'000	2020 HK$'000
Professional fees paid to a related company	**320**	320

Note:

Equitas Capital Limited acted as financial advisor to the Group for which a professional fees of HK$320,000 was paid by the Company during the year. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and the principal shareholder of Equitas Capital Limited.

(b) Key management compensation

	2021 HK$'000	2020 HK$'000
Salaries, directors' emoluments and other short-term employee benefits	**37,531**	32,460
Retirement benefit costs	**692**	570
	38,223	33,030

(c) Year-end balances arising from purchases of services

	2021 HK$'000	2020 HK$'000
Accruals		
– Equitas Capital Limited	**160**	160

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

36 BALANCE SHEET OF THE COMPANY

		As at 31st December 2021 HK$'000	As at 31st December 2020 HK$'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**10**	10
Current assets			
Amount due from a subsidiary		**1,275,256**	1,282,482
Prepayments		**179**	172
Cash and cash equivalents		**1,551**	1,798
		1,276,986	1,284,452
Total assets		**1,276,996**	1,284,462
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**1,101,358**	1,101,358
Retained earnings	note (a)	**174,334**	182,019
Total equity		**1,275,692**	1,283,377
LIABILITIES			
Current liabilities			
Accruals		**1,304**	1,085
Total equity and liabilities		**1,276,996**	1,284,462

The balance sheet of the Company was approved by the Board of Directors on 18th March 2022 and was signed on its behalf by:

Mr. Tsang Chi Ming, Ricky
Chairman and Chief Executive Officer

Madam Wong Lei Kuan
Executive Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2021

36 BALANCE SHEET OF THE COMPANY *(continued)*

Note:

(a) Retained earnings movement of the Company

	Retained earnings HK$'000
At 1st January 2021	**182,019**
2020 final dividend paid	**(63,838)**
2021 interim dividend paid	**(39,285)**
Profit for the year	**95,438**
At 31st December 2021	**174,334**
Representing:	
Reserves	**105,586**
2021 final dividend proposed	**68,748**
	174,334
At 1st January 2020	308,115
2019 final dividend paid	(93,301)
2020 interim dividend paid	(29,463)
Loss for the year	(3,332)
At 31st December 2020	182,019
Representing:	
Reserves	118,181
2020 final dividend proposed	63,838
	182,019

37 SUBSEQUENT EVENTS

(a) Possible major transaction – entering into of the investment agreement

On 13th January 2022, Goldlion (Far East) Limited ("Goldlion Far East"), an indirect wholly-owned subsidiary of the Company, entered into an investment agreement with the Guangzhou Airport Economic Zone Management Committee ("Guangzhou Committee"), pursuant to which (i) Goldlion Far East has conditionally agreed to invest in the project through Guangzhou Goldlion E-commerce Company Limited ("the Project Company"), an indirect wholly-owned subsidiary of the Company, with an investment of no less than RMB330,000,000 after the land use rights over the project land, a piece of modern logistics storage land with a total site area of approximately 66 mu (畝) located in the Guangzhou Airport Economic Zone ("Zone"), has been obtained by the Project Company; and (ii) the Guangzhou Committee has conditionally agreed to assist Goldlion Far East to implement the project. More details can be referred to the Company's circular dated 21st February 2022.

The project is subject to the condition that the Project Company has obtained the land use rights over the project land successfully. The project will involve the set-up of an international trade and consumption integrated headquarters in the Zone to achieve offline store and e-commerce business management and operation, centralized domestic products procurement, and the provision of regional headquarters settlement services and modern intelligent distribution services.

(b) Closure of mask factory

Upon continuous review of the operations of the Group's mask factory operated by Goldlion (China) Limited, an indirect wholly-owned subsidiary of the Company, management decided in February 2022 that its operation will be terminated in March 2022. As at 31st December 2021, property, plant and equipment in relating to the mask factory of RMB8,157,000 has been fully impaired (note 6). Up to the date of this report, management is still in the process of determining the appropriate level of compensation and severance to be paid to the affected employees in accordance with the relevant local laws and regulations.

(c) COVID-19 situation

Since February 2022, there have been a surge of confirmed cases of Coronavirus ("COVID-19") in China Mainland and Hong Kong SAR. The COVID-19 outbreak is considered a non-adjusting subsequent event and its related financial impact has not been reflected in the financial statements of the Group as at and for the year ended 31st December 2021. The outbreak is expected to affect the financial results of the Group and the macro-economic environment in China Mainland and Hong Kong SAR as a whole, the effect of which cannot be estimated as of the date of the report. The Group will pay close attention to the development of the outbreak, perform further assessment of its impact and take relevant measures as appropriate.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31st December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit attributable to owners of the Company	**221,043**	148,286	306,028	376,244	322,275
Assets and liabilities					
Total assets	**5,790,323**	5,290,467	5,181,108	5,066,251	4,808,220
Total liabilities	**(1,165,583)**	(870,229)	(957,734)	(927,572)	(861,086)
Total equity	**4,624,740**	4,420,238	4,223,374	4,138,679	3,947,134

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