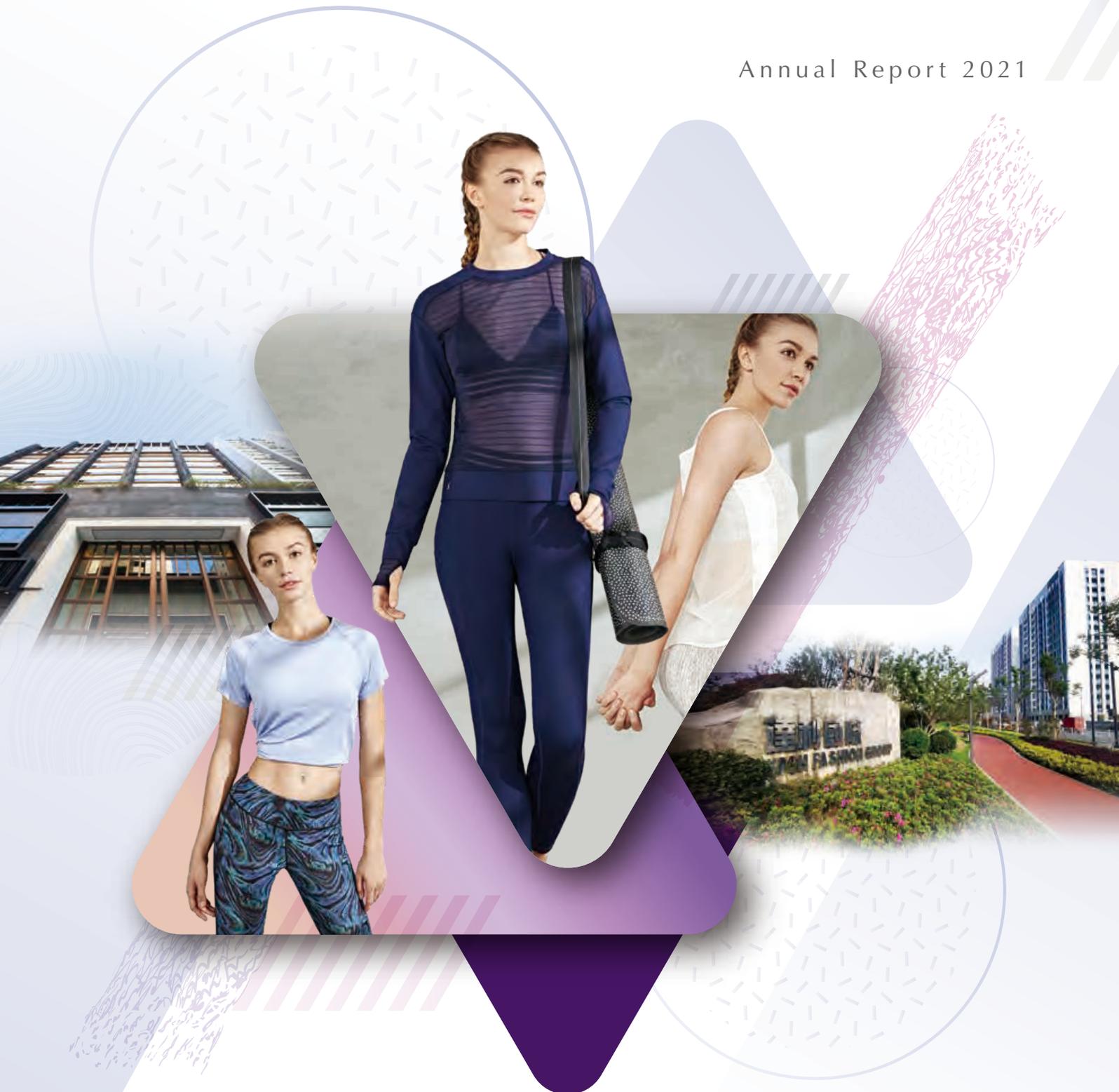




High Fashion International Limited

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

Annual Report 2021

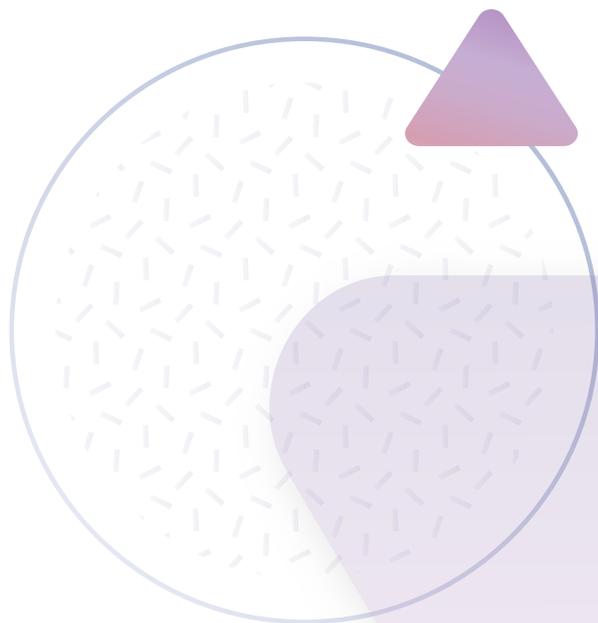




Xiaoshan WL District Phase One – A closed-loop incubation platform and a green innovative park that intergrates and houses production, lifestyle, and ecosystem

Xiaoshan WL District Phase Two – High Fashion Qianjiang International Science and Technology Park. The goal of the project is to attract biotech, digital economy, and high-end services corporates to join us





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Chairman's Statement

While the 2021 world economy is still largely in recession due to the coronavirus, the Russia-Ukraine war and escalating tension has brought further uncertainties to global finance and consumer market. The unstable energy supply, fluctuating energy price and the constantly changing logistic have imposed huge risks for trade activities. However, despite the undesirable market environment, High Fashion is able to deliver an improving and decent result.

Our key results for the year ended 31 December 2021 are as follow:

- Net profit attributable to shareholders at HK\$147.2 million
- Gearing ratio of non-current liabilities to shareholders' fund at 46%. Current ratio at 1.5
- Basic earnings per share landed at HK\$0.48
- Net asset value per share amounted to HK\$10.22
- Proposed final dividend per share is HK\$0.06 and the dividend for the year will be HK\$0.08

High Fashion has transcended in the midst of all crises with our highest sense of urgency. We are dedicated to pushing for breakthroughs in our sustainability, green and smart manufacturing and supply chain reforms. Coupled with the pursuit of environment protection, innovation, quality and efficiency, High Fashion has become a leading innovative green fashion enterprise. We have answered to dynamic market needs proactively and continue to provide high quality offerings for our clientele, helping them to build a stronger competitive advantage.

High Fashion aims to be the leader of fashion and market trend and being green is one of the milestones. We have integrated sustainability into our product development, supply chain reform and constantly challenge ourselves into higher sustainability standard on peak emission, carbon neutrality, water footprints and material traceability. On green production development, we have partnered with world renowned research institutes on diversified fabric studies, including bio-based fabric, recycled fabric and upcycling. With scientific advancement and sustainability, High Fashion is making remarkable progress on the journey to sustainable fashion.

Digitalization is the most important governing strategy and goal and is also now the Group's core management doctrine. Departments are using intelligent management to assist analysis and decision making, enhancing efficiency on production and risk management. High Fashion is also using big data to forecast market trends and digital marketing to create greater advantages for our future growth. A comprehensive and complete digitalization has ensured an objective and scientific management approach, optimized operating cost and built a solid foundation for constructing our global supply chain network.

High Fashion Silk in Xinchang has made delightful achievement in digitalization and smart manufacturing in 2021. High Fashion Silk has performed well despite the circumstances and delivered satisfying results in her business development and performance.

Chairman's Statement

The adverse effect of the pandemic is still clouding the global macro-economic landscape. European and US market remained weak in 2021 and High Fashion has also laid the groundwork for markets with greater potential, including China and other Asian markets. Although there are ever-changing challenges, we anticipate a positive growth in our business. High Fashion is going to seize the opportunity and evolve. We are fully confident about the future.

Regarding our property projects, the projects in Mainland China and Hong Kong have continued to generate stable cashflow for our group. The WL District in Hangzhou and Hong Kong has achieved notable successes in 2021 and we expect its full potential would be realized in near future. Meanwhile, High Fashion has been developing a fashion ecosystem, facilitating communications and collaborations among businesses, creating alliances between best of the best and providing opportunities for cross-industry synergies to develop. Hangzhou WL District has not only been accredited by local government, it has also demonstrated and alleviated how government, industry, business, universities and research could work together, in order to steer full upgrade of the apparel industry.

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

Lam Foo Wah

Chairman

Hong Kong, 31 March 2022

High Fashion Tonglu Silk Culture Expo Centre –
Now fully open for investment and strategic
collaboration



High Fashion Centre in Hong Kong
– A new paradigm demonstrating
modern, fashionable and smart
workplace

By bringing culture, technology, green and fashion together, the park in Xinchang has become the most distinctive and strongest production base



Xinchang High Fashion Silk Cultural Industrial Park – the leading production base demonstrating perfect integration of green and digitalization. It was awarded “30.60 China Fashion Brand Carbon Neutral Acceleration Plan Enterprise” by the China National Textile and Apparel Council

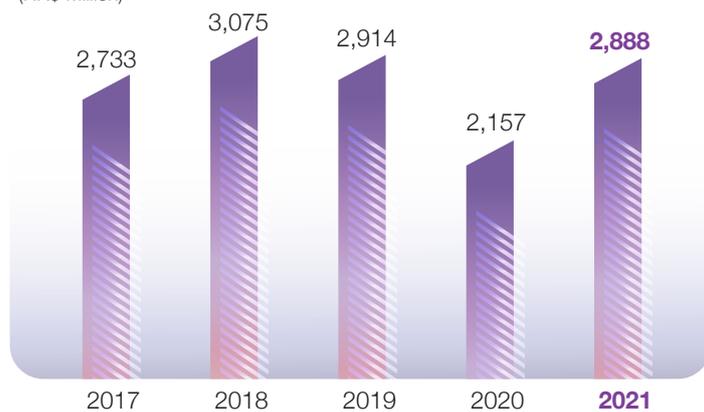


With the technological enhancement in digital sewing workshop, digitalized management, organic silkworm production, sewage-reuse technique, along with the extensive installation of solar panels across the site, High Fashion Silk has integrated digitalized economic empowerment and green development, leading on the path of sustainability

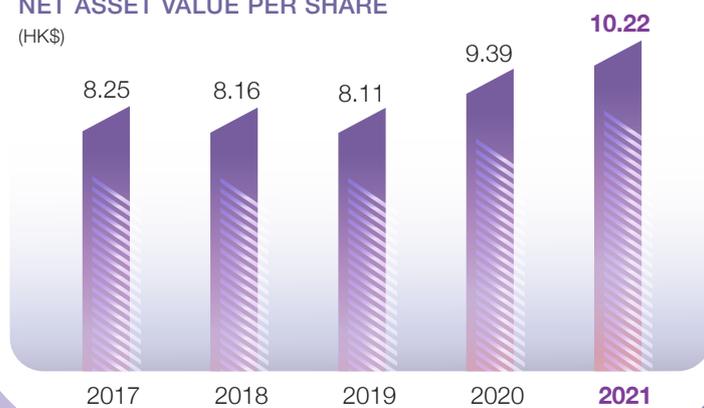


Financial Highlights

TURNOVER (HK\$ Million)



NET ASSET VALUE PER SHARE (HK\$)



Management Discussion and Analysis

BUSINESS REVIEW

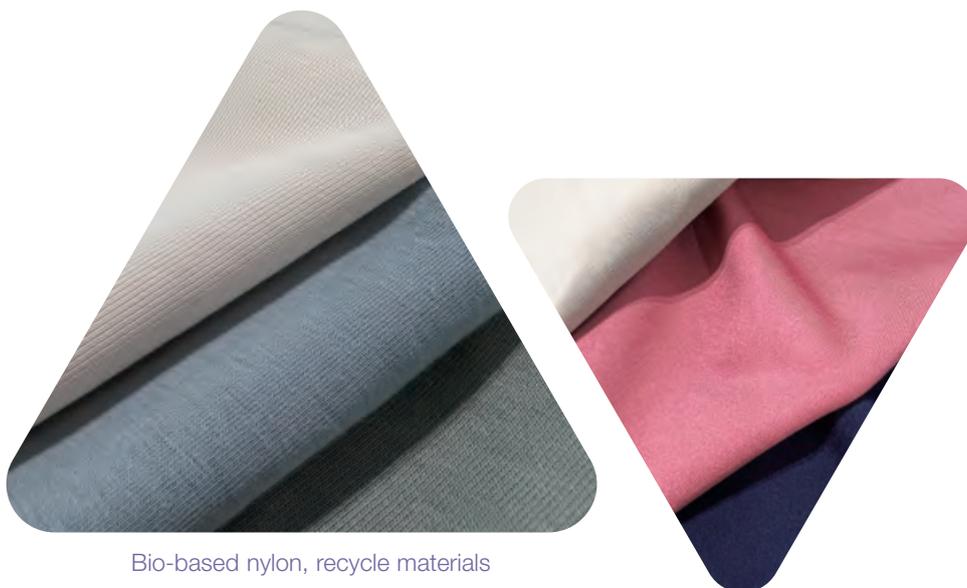
The coronavirus has continued to spread in 2021. However, with governments worldwide pushing forward compulsory Covid-19 vaccination, trade activities have been resumed in the second half of the year. There is also a growth in consumer spending on apparel products after the prolonged lockdown due to the pandemic. Mainland China was the first country to normalize after coronavirus, domestic sales volume has witnessed robust growth. In 2021, High Fashion had significant growth of revenue from manufacturing and trading of garments. High Fashion is optimistic that with our diversified product development, smart and green manufacturing and speed-to-market strategy, we are going to achieve a promising result in the coming years.

The pandemic has changed people's life and spending pattern. Businesses have adjusted to working from home; hence comfort and functionality have become top priorities in daily attire. E-commerce has registered strong growth and reshaped traditional supply chain models. With our core value of "being market-oriented" deeply ingrained, High Fashion has been able to adjust our market strategy with forward-looking mindset to answer to changing market needs.

Sustainability and green are the essence of our business. We have reformed our production process and improved efficiency to achieve waste and carbon footprint reduction. High Fashion has been pushing for breakthroughs in green product development, including advocating bio-based fabric, recycled fabric and upcycling and is working hand-in-hand with suppliers to reduce carbon emissions. We anticipate our effort on sustainability and innovation would bring synergy to the group and enhance our profitability. Together High Fashion is advancing to the world of green fashion with our clients.

Digitalization and our information technology infrastructure have enabled a comprehensive upgrade of our business operation and High Fashion is able to amplify our general operational and management efficiency in the ever-changing business environment. Information technology has empowered our group to achieve real-time and seamless communication and has become a major driving force for High Fashion to strive for breakthroughs.

In 2021, High Fashion also started the construction of Phase II of our WL District in Hangzhou upon our solid property management foundation. This project has not only generated stable income for our group but also facilitated the creation of our supply chain platform, bringing a golden opportunity for High Fashion to upgrade and transform into a diversified business.



Bio-based nylon, recycle materials

Management Discussion and Analysis

FINANCIAL REVIEW

The Group's revenue in 2021 increased by 33.9% to HK\$2,888 million (2020: HK\$2,157 million). Revenue was mainly derived from the Manufacturing and Trading of Garment business, benefiting from the recovery of consumers' demand and a substantial increase in domestic orders in Mainland China. However, the rising raw material and higher fuel price resulting in a slightly decrease in gross profit margin. In response to the soaring cost of sales, we have adopted certain cost management measures and restructuring projects to reduce costs. With the operation flexibility, the Group keeps adjusting our business and operating environment. The Group's profit for the year of 2021 was HK\$147.6 million (2020: HK\$125.2 million).

Geographically, revenue derived from China in 2021 was HK\$1,557.5 million, accounting for 53.9% of total revenue, and it represented an increase of 44.9% (2020: HK\$1,075.1 million, representing 49.8% of total revenue). The Group's export sales to others, mainly to Southeast Asian countries, also increased, accounting for 15.8% of total revenue (2020: 13.3% of total revenue). Selling in the USA and European countries have not yet returned to pre-pandemic levels but have rebounded steadily, accounting for 30.3% of total revenue (2020: 36.9% of total revenue). This change reflects the Group is shifting and diversifying our development focus to different markets and regions in order to expand the sales network and reduce risks.

Other gains for the year of 2021 was HK\$140.1 million (2020: HK\$148.5 million), consisting of mainly fair value gains from investment properties of HK\$129.4 million (2020: HK\$150.5 million). The fair value gain from investment properties in both years' earnings attributed to the increased property prices in Hong Kong. 2020 is higher than that in 2021 due to the revitalization works of the Hong Kong properties was completed in mid-2020 and ready to lease out.

Administrative expenses as a percentage of total revenue decreased from 11.4% in 2020 to 9.7% in 2021. Selling and distribution expenses as a percentage of total revenue decreased from 6.6% in 2020 to 6.0% in 2021. The decreases were mainly due to the leveraging of the Group's expenses resulted from streamlined operating processes and increased revenue.

The Group recorded income tax expense of HK\$38.2 million (2020: HK\$36.5 million), which including deferred tax of HK\$23.7 million (2020: HK\$27.2 million) generated from fair value gains on investment properties.

For the year ended 2021, basic earnings per share were HK\$0.48, an increase of 17.1% compared to HK\$0.41 in 2020. As at 31 December 2021, net asset value per share was HK\$10.22, an increase of 8.8% compared to HK\$9.40 as at 31 December 2020.

Management Discussion and Analysis

SEGMENT INFORMATION

The segment information for the year ended 31 December 2021 is as follows:

	Revenue		Contribution	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
By principal activities:				
Manufacturing and trading of garments	2,743,006	1,913,949	29,353	3,755
Property investment and development	127,448	210,405	65,961	44,244
Brand business	17,406	32,747	(3,450)	(14,447)
	2,887,860	2,157,101	91,864	33,552
By geographical segments:				
China	1,557,526	1,075,138	73,859	56,305
USA	539,217	504,199	6,408	(19,350)
Europe	335,081	291,019	907	(2,876)
Others	456,036	286,745	10,690	(527)
	2,887,860	2,157,101	91,864	33,552

Manufacturing and trading of garments

Revenue from garment manufacturing and trading business in 2021 was HK\$2,743 million, an increase of HK\$829 million or 43.3%, compared to revenue of HK\$1,914 million in 2020. Profit for 2021 was HK\$29.4 million, representing a significant increase of 673.7% compared to HK\$3.8 million for 2020.

The Group incorporated largely sustainable elements in product development and production design, which is highly recognized by customers in China and overseas. Through lean management to reduce production costs, optimize workflows to improve operational profitability, and create a green fashion ecosystem with our supply chain, we provided the more innovative and comprehensive services to our customers.

Amid the swiftly markets change, the Group has adopted an active, rapid and flexible strategy to expand the markets in China and Southeast Asian, which enabling us to quickly fulfil the needs of existing and new customers after recovering from the epidemic.

Management Discussion and Analysis

SEGMENT INFORMATION (Cont'd)

Property investment and development

Income from property investment and development business was HK\$127 million in 2021, compared to HK\$210 million in 2020. The decrease in revenue was due to the sales of the Tonglu's residential units was completed in 2020.

The Group is now vigorously expanding the scale of WL District project. The WL District in Hangzhou has received recognition and support from the local government, we will continue to optimize the combination of enterprises stationed in the districts, and collaborate with more high-quality partners for the creation and innovative co-research projects. The first phase of WL District project under development in Hangzhou has been completed and will gradually reflect the return on investment in future.

The Group's high-quality property investment and development portfolio will continue to provide high-value assets and generate stable revenue for the Group.

Brand business

The Group will continue to scale down the retail brand business. Sales from brand business was mainly attributed to internal orders and clearance of inventory.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

Over the years, the Group has vigorously adopted the concept of sustainable development and green, from procurement, production processes, product research and development, centered on environmental and green enterprise. We committed to solve the problems of high energy consumption and pollution that are common in traditional manufacturing business. With the celebration of our traceable accomplishments of the four-year

Sustainable Development Goals set in 2016, the Group has set a five-year Sustainable Development Goals in 2020, which covering green procurement, sustainable product research and development, carbon emission reduction, resource conservation and corporate social responsibility to further strengthen and embody its commitment as an industry leader and promoter of sustainable development. In response to the Mainland China's

goal of achieving carbon neutrality by 2060, the Group integrates sustainable development into its corporate strategy and day-to-day management, with the mission of establishing a green supply chain.

Sewage treatment



Factory area roof-top photovoltaic power station

Management Discussion and Analysis

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY (Cont'd)

The Group's efforts in sustainability have been widely recognized in recent years at various levels. Internationally, our Dongguan branch has received the Gold Label of Low Carbon Manufacturing Programme ("LCMP") Certification and Global Recycle Standard ("GRS") Certification. At regional level, our Hangzhou factory has been awarded the "Green Factory in Low Carbon Emission" Certification by the Zhejiang Provincial Government. The above accolades highlight our mindfulness in unwavering commitment to pursuing the highest standards in achieving carbon neutral goals.

Being a socially responsible corporate citizen, the Group also devotes efforts in providing a safe and supportive working environment. Furthermore, the Group helps to build a more connected and vibrant society by making financial and in-kind contributions to charitable organizations and individuals in need. Our care to employees and the society have been acknowledged with the awards of "Harmonious Labour Relations Enterprise Certification" and "Spring Action 20th Anniversary Compassion Award Excellent Enterprise" respectively by the Xiaoshan Local Government in Hangzhou.

The Group values and emphasizes our Board and employees at all levels to commit and participate in dedication of sustainability. Through adopting a comprehensive environmental, social and governance ("ESG") structure, the Board takes a leading role in overseeing the Group ESG goals and strategy formulation with the support of ESG Committee in monitoring and evaluating the execution of various ESG policies and projects. Various ESG working groups have been formed in different regions to execute and lead the regional sustainability operations. Regular meetings with ESG Committee are held to report the project progress, challenges and risks. The Risk Management Committee also plays an important role in assessing the ESG risks involved in the Group business and providing appropriate risk management advice. We believe that a well-established ESG framework is an essential component in achieving sustainability.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's total bank balance and cash, bank deposit and financial assets amounted to HK\$1.1 billion, compared to HK\$1.3 billion as at 31 December 2020. The decrease in total balances was mainly due to the increase in capital expenditures.

Bank loans decreased from HK\$1.71 billion as at 31 December 2020 to HK\$1.68 billion as at 31 December 2021, bank loans were mainly dominated by HKD. Bank loans are mainly used for a number of property construction, development projects and fixed asset investment for the development and upgrading of the production plants in Mainland China.

The ratio of non-current liabilities to shareholders' funds improved to 46% as at 31 December 2021 (31 December 2020: 48%) and current ratio is 1.5 (31 December 2020: 1.6), revealing that the Group has a solid capital base. The Group's current assets are transformed into long-term investment projects to facilitate the Group's long-term development.

Net cash from operating activities decreased from approximately HK\$107 million in 2020 to approximately HK\$38 million in 2021, mainly due to purchase of raw material to fulfill customers' demand in early 2022. With adequate bank financing and stable income from its own properties, the Management is confident to maintain healthy working capital and liquidity to meet operational needs and future growth.

Management Discussion and Analysis

FOREIGN CURRENCY RISK EXPOSURE

Foreign currency risk is primarily related to RMB and USD, which is due to the fact that most of our operating expenses are denominated in RMB and most of our sales are denominated in US dollars. The Group complies with the policy of monitoring foreign exchange risks and, where appropriate, will use short-term foreign exchange contracts to minimize its foreign exchange losses. As the Hong Kong dollar is pegged to the USD, the Group management considers that the relevant foreign exchange risks are minimal. Management will continue to take prudential measures to mitigate risks.

CHARGES ON ASSETS

Apart from HK\$1,390 million for mortgaged properties in Hong Kong (31 December 2020: HK\$1,289 million), the Group has no collateral for other assets.

CAPITAL EXPENDITURE

The Group has purchased the plant and equipment, leasehold improvement and construction in progress of around HK\$97.3 million in order to upgrade the manufacturing capabilities and improve the environmental protection facilities during the year. The Group also injects HK\$158.0 million into certain properties construction and development projects during the reporting period.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group is committed to capital expenditure in respect of acquisition of property, plant and equipment and construction work contracted but not provided for amounted to HK\$181.9 million.

CONTINGENT LIABILITIES

Please refer to note 49 to the consolidated financial statements for details of contingent liabilities.

HUMAN RESOURCES

The total number of employees of the Group including joint ventures as at the end of the reporting year was about 4,800. Management of the Group made much account of staff training in order to equip the staff with the right knowledge, staff training by face-to-face as well as on-line were held. The Group evaluates its staff according to their performance, qualifications and industry practices. Other than the competitive remuneration package offered to the employees, share options may also be granted to selected employees based on the Group's performance. No share option was granted to employees during the year.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LAM Foo Wah, aged 73, is the founder of the Group. Mr. Lam is the Chairman and the chairman of the Nomination Committee of the Company. He was the Managing Director of the Company until February 2020. He is also a director of various subsidiaries of the Company. Mr. Lam is the visionary leader and provides guidance for the overall strategic planning with goals setting for the Group to pursue aggressively. He has over 40 years of experience in manufacturing of apparel industry and marketing of brand and retail management. Mr. Lam is the father of Mr. Lam Gee Yu, Will and Mr. Lam Din Yu, Well, the Executive Directors of the Company. Mr. Lam is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is also a director of Hinton Company Limited and High Fashion Charitable Foundation Limited, the substantial shareholders of the Company.

Mr. LAM Gee Yu, Will, aged 39, joined the Group in 2010. Mr. Will Lam is an Executive Director, and a member of the Remuneration Committee of the Company. He has been appointed as the Managing Director of the Company since February 2020 and is responsible for the management of all the businesses in the Group. Mr. Will Lam has also been appointed as the chairman of the Risk Management Committee of the Company with effect from the conclusion of the annual general meeting held on 4 June 2021. He is also a director of various subsidiaries of the Company. Mr. Will Lam has been appointed by the Hong Kong Research Institute of Textiles and Apparel Limited (HKRITA) as a member of the board of directors in September 2020. He also currently serves as an honorary president of The Hong Kong Ningxia Youth Association, a president of High Fashion Womenswear Institute, a vice president of Shenzhen Garment Industry Association, a vice president of Hong Kong Hangzhou Entrepreneurs Association, an executive director of the National Council of Zhejiang Zheshang Chuanmei Limited (浙江浙商傳媒有限公司), a member of The Hong Kong Real Property Federation Limited, a member of retail and tourism committee of The Hong Kong General Chamber of Commerce, a member of The Chinese Manufacturers' Association of Hong Kong, a member of The Hong Kong Institute of Directors, a member of The Federation of Hong Kong Garment Manufacturers, a member of Hong Kong 3D Printing Association, a member of the Hong Kong Trade Development Council Garment Advisory Committee and a member of the CreateSmart Initiative Vetting Committee. He holds a Bachelor of Science Degree from The Chinese University of Hong Kong and a Master of Finance Degree from Princeton University. Prior to joining the Group, he worked for an international bank in Asia and an international investment bank in the United States. He is a son of Mr. Lam Foo Wah and a brother of Mr. Lam Din Yu, Well, the Executive Directors of the Company. He is also a director of Hinton Company Limited and High Fashion Charitable Foundation Limited, the substantial shareholders of the Company.

Mr. LAM Din Yu, Well, aged 37, joined the Group in 2006. Mr. Well Lam is an Executive Director and has been appointed as the Managing Director (China) of the Company since February 2020. He is also a director of various subsidiaries of the Company. He is responsible for the group business in the Mainland China, as well as the new business development area. He is also the principal member of China Silk Association, Zhejiang Silk Association, Zhejiang New High-Tech Enterprises Association, Hangzhou Silk Association, Federation of Industry and Commerce of Xiaoshan Hangzhou and International Silk Union. He holds a Bachelor Degree of Business Administration from Boston University. He is a son of Mr. Lam Foo Wah and a brother of Mr. Lam Gee Yu, Will, the Executive Directors of the Company. He is also a director of Hinton Company Limited and High Fashion Charitable Foundation Limited, the substantial shareholders of the Company.

Ms. SO Siu Hang, Patricia, aged 63, joined the Group in 1990. Ms. So is an Executive Director and a director of various subsidiaries of the Company. She is responsible for the Group's global business development, strategic planning and implementation. She has an in-depth knowledge of the fashion apparel industry and substantial valuable experience in value chain management and e-commerce sales and marketing. She holds a Bachelor Degree in Commerce and Finance from the University of Toronto and a Master Degree in Business Administration from York University in Canada. Prior to joining the Group, she worked for Standard Chartered Bank for 4 years.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. HUNG Ka Hai Clement, aged 66, joined the Group in 2017. Mr. Hung is a Non-executive Director of the Company and a member of the Audit Committee of the Company. He had served Deloitte China for 31 years. He retired from the chairman role of Deloitte China in June 2016 and had represented Deloitte China in the Deloitte Global Board and Governance Committee as a member during that time. Mr. Hung assumed various leadership roles in Deloitte, including, the audit group leader and office managing partner of Deloitte Shenzhen Office and Guangzhou Office. He was also a member of the China Management Team of Deloitte China. Later on, Mr. Hung assumed the role of the southern audit leader and the deputy managing partner of the Southern Region (including Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha).

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

Mr. Hung is an independent non-executive director of Gome Finance Technology Co., Ltd., SY Holdings Group Limited (formerly known as "Sheng Ye Capital Limited"), Aoyuan Healthy Life Group Company Limited, China East Education Holdings Limited, Huarong International Financial Holdings Limited and Skyworth Group Limited, the shares of these companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He has been appointed as an independent non-executive director of Hong Kong Aerospace Technology Group Limited with effect from 16 July 2021, the shares of which are listed on the Stock Exchange.

He has served as an independent non-executive director of Zhongchang International Holdings Group Limited until June 2020 and retired as an independent non-executive director of Tibet Water Resources Ltd. until the conclusion of its annual general meeting held on 30 June 2021, both companies' shares are listed on the Stock Exchange. He has also served as a non-executive director of SMI Holdings Group Limited until February 2019, a company delisted from the Stock Exchange in December 2020.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor YEUNG Kwok Wing, aged 74, joined the Group in 2000. Professor Yeung has been re-designated as an Independent Non-executive Director from a Non-executive Director of the Company with effect from 4 June 2021. He is a member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee of the Company. He is currently the executive director of Clothing Industry Training Authority (“CITA”) in Hong Kong. He holds a PhD from the Queen’s University of Belfast, Northern Ireland. Professor Yeung specializes in textile product development, quality assurance and management, and serves as various honorary fellows and members of international associations of textile, dyers and colorists as well. He has a long and distinguished academic career and was associated with The Hong Kong Polytechnic University (“PolyU”) for more than 30 years before joining CITA in June 2006. His administrative ability is also highly appreciated in PolyU when he was posted as its vice president overseeing academic development from 2002 to 2005.

Mr. LEUNG Hok Lim, CPA (Macau), aged 86, joined the Group in 2004. Mr. Leung is an Independent Non-executive Director, the chairman of the Audit Committee, and a member of the Remuneration Committee, Nomination Committee and Risk Management Committee of the Company. Mr. Leung is the founder and senior partner of PKF. Mr. Leung is an independent non-executive director of Phoneix Media Investment (Holdings) Limited and was an independent non-executive director of Fujian Holdings Limited, the shares of these companies are listed on the Stock Exchange. He retired as an independent non-executive director of S E A Holdings Limited, the shares of which are listed on the Stock Exchange, with effect from the conclusion of its annual general meeting held on 28 May 2021.

Mr. Chung Kwok Pan, aged 58, joined the Group in July 2019. Mr. Chung is an Independent Non-executive Director, a member of the Audit Committee, Nomination Committee and Risk Management Committee of the Company. He has been appointed as the chairman of the Remuneration Committee of the Company with effect from the conclusion of the annual general meeting of the Company held on 4 June 2021. He has been responsible for the business management of Chungweiming Knitting Factory Limited since early 1988. Mr. Chung also has several social positions, including Leader of Liberal Party, Honorary Life Chairman of Hong Kong Apparel Society, a member of Honorary General Committee of The Chinese Manufacturers’ Association of Hong Kong, an advisor of New Territories General Chamber of Commerce, a director of Hong Kong Design Centre, Chairman of Design Discipline Advisory Board of Vocational Training Council, Chairman of Fashion Industry Training Advisory Committee, Education Bureau of the Hong Kong Special Administrative Region (“HKSAR”) and a member of the Advisory Group on Implementation of Fashion Initiatives, The Commerce and Economic Development Bureau of the HKSAR. He was also a member of the 5th and 6th Legislative Council of Hong Kong (Textile and Garment Sector) and a member of the 9th Guangdong Provincial Committee of the Chinese People’s Political Consultative Conference in 2005. Mr. Chung is an independent non-executive director of Planetree International Development Limited and Esprit Holdings Limited, the shares of these companies are listed on the Stock Exchange. He has been appointed as an independent non-executive director of Legendary Group Limited (formerly known as “L&A International Holdings Limited”), with effect from 2 June 2021, the shares of which are listed on the Stock Exchange. Mr. Chung obtained a Bachelor’s Degree in Quantity Surveying from Robert Gordon’s Institute of Technology, Scotland (currently known as “Robert Gordon University, Aberdeen”) in July 1986 and a Master’s Degree in Business Administration from the University of Stirling, Scotland, United Kingdom in May 1988.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Ms. LEUNG Suk Yin, Hilda, aged 65, has been with the Group since its inception. She is the vice chairman of High Fashion (China) Co., Ltd. and a director of various subsidiaries of the Company. Ms. Leung holds a diploma in business management from The Hong Kong Polytechnic University and The Hong Kong Management Association. She has over 40 years of experience in the marketing, merchandising and production of garments.

Mr. RUAN Gen Yao, aged 61, joined the Group in 2001. He is the vice chairman of High Fashion (China) Co., Ltd. He is also a director and the general manager of Zhejiang Dali Culture Creativity Co., Ltd. and is responsible for the operation of that company. He is a politician engineer in China and Labour Model of Hangzhou and the representation of The People's Congress of Tonglu, China. He has over 25 years' experience in silk finishing and dyeing industry and extensive experience in business management.

Mr. LIN Ping, aged 61, joined the Group in 1993. He is the chairman and the CEO of High Fashion Silk (Zhejiang) Co., Ltd. and is responsible for the operation and administration. He serves as vice president of Chinese Textile Enterprisers Association, vice president of China Silk Association, vice president of China Fashion Color Association, vice president of Silk Branch of China Textile Chamber of Commerce, vice president of China Silk Quilt Association, an executive member of China Textile Photography Association, president of Zhejiang Industry Tourism Association, vice president of Zhejiang Textile Association, vice president of Zhejiang Province Silk Association, vice president of Shaoxing Textile Association, vice president of Shaoxing Tourism Association, representative of 6th and 7th NPC of Shaoxing, representative of 13th, 14th and 15th NPC of Xinchang, creative consultant of Donghua University, professor and tutor for master degree of Wuhan Textile University, part-time professor of Zhejiang Sci-Tech University and honorary professor of Hangzhou Vocational Technical College. He was the dean of High Fashion Women Wear Institute. He attains EMBA education and is the senior economist in China. He has over 40 years' experience in textile industry and extensive experience in product design and development, silk weaving production and management.

Report of the Directors

The directors of the Company (the “Director(s)”) present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, property investment and development. Details of the principal activities of the principal subsidiaries are set out in note 50 to the consolidated financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021, including a fair review of the Group’s business, the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and indication of likely future development in the Group’s business is set out in the “Chairman’s Statement” and the “Management Discussion and Analysis” sections on pages 2 to 3 and 7 to 12 respectively of this annual report. Details of the Group’s financial risk management are set out in note 41 to the consolidated financial statements. An analysis using financial key performance indicators for the year is set out in the “Financial Summary” section on page 157 of this annual report.

The Group has complied with the relevant laws and regulations, which have significant impact on the Group’s operation during the year. Details of the Group’s compliance are set out in the “Corporate Governance Report” section on pages 28 to 46 and “Management Discussion and Analysis” section of this annual report.

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

RESULTS AND DIVIDENDS

The Group’s results for the year ended 31 December 2021 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 52 to 156 of this annual report.

An interim dividend of 2 HK cents per ordinary share was paid on 15 October 2021. The board of Directors (the “Board”) recommends the payment of a final dividend of 6 HK cents per ordinary share for the year ended 31 December 2021 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 22 June 2022 (2020: 3 HK cents per ordinary share). The proposed final dividend is subject to the approval of shareholders of the Company at the forthcoming annual general meeting to be held on Tuesday, 14 June 2022 (the “2022 AGM”). If being approved, dividend warrants for the final dividend is expected to be despatched on Friday, 15 July 2022. More information about the proposed final dividend is set out in note 13 to the consolidated financial statements.

Report of the Directors

RESULTS AND DIVIDENDS (Cont'd)

Dividend Policy

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

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

- (a) the actual and expected financial performance of the Group;
- (b) the working capital requirements for future business needs and expansion plans of the Group;
- (c) the liquidity position of the Group;
- (d) the retained earnings and distributable reserves of the Group;
- (e) general economic conditions and other internal and external factors which may have an impact on the financial and business performance of the Group; and
- (f) any other factors that the Board deems relevant.

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

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 10 June 2022 to Tuesday, 14 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to determine shareholders who are entitled to attend and vote at the 2022 AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Thursday, 9 June 2022.

In addition, the Register of Members will also be closed from Tuesday, 21 June 2022 to Wednesday, 22 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to determine shareholders who are entitled to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Monday, 20 June 2022.

Report of the Directors

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 157 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 17 to the consolidated financial statements, respectively.

PROPERTIES

Details of the properties of the Group held for investment and sale purposes at 31 December 2021 are set out in the section headed “Schedule of Principal Investment Properties” on page 158 of this annual report.

RESERVES

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

DISTRIBUTABLE RESERVES

The Company’s reserves available for distribution as at 31 December 2021 amounted to HK\$119,541,000 (2020: HK\$108,695,000).

DONATIONS

During the year, the Group made charitable and other donations of approximately HK\$1,137,000 (2020: HK\$3,457,000). More information about the donations is set out in the Environmental, Social and Governance Report of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, less than 20% of the Group’s revenue from sales of goods or rendering of services was attributable to the Group’s five largest customers, and less than 17% of the Group’s total purchases were attributable to the Group’s five largest suppliers.

Report of the Directors

DIRECTORS

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

Executive Directors:

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

Non-executive Director:

Mr. Hung Ka Hai, Clement

Independent Non-executive Directors:

Professor Yeung Kwok Wing (*Note 1*)
Mr. Leung Hok Lim
Mr. Chung Kwok Pan
Mr. Wong Shiu Hoi, Peter (*Note 2*)

Notes:

1. Professor Yeung Kwok Wing was re-designated from a Non-executive Director to an Independent Non-executive Director with effect from 4 June 2021.
2. Mr. Wong Shiu Hoi, Peter retired as an Independent Non-executive Director with effect from the conclusion of the annual general meeting of the Company held on 4 June 2021 (the "2021 AGM").

The current Directors' biographical information including their membership at various Board committees and relationships among the Directors are set out in the "Biographical Details of Directors and Senior Management" section on pages 13 to 16 of this annual report. Information on the re-election of the retiring Director at 2022 AGM is set out in the "Corporate Governance Report" section of this annual report.

DIRECTORS' EMOLUMENTS

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

The Company has adopted a share option scheme to provide recognition to the contributions or services of Directors. Details are set out in the "Share Option Scheme" section on pages 24 to 25 of this annual report and note 39 to the consolidated financial statements.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2022 AGM has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

Other than the related party transactions as disclosed in note 48 to the consolidated financial statements, no Director or any entity connected with him had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party at the end of or during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

The Company has undertaken the Directors and Officers Liability Insurance ("D&O Insurance") to provide such indemnities to the Directors. The permitted indemnity provision in the Bye-laws and the D&O Insurance for the benefit of the Directors are currently in force and was in force throughout this year.

Report of the Directors

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

As at 31 December 2021, the interests and short positions of the Directors, chief executives of the Company (the "Chief Executives") and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

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

(a) Ordinary shares of the Company

Name of Directors	Notes	Capacity	Nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital (Note 4)
Lam Foo Wah		Beneficial owner	Personal	1,789,901	0.59%
	1, 2	Other interest	Other	215,313,460	70.45%
So Siu Hang, Patricia		Beneficial owner	Personal	2,963,207	0.97%

(b) Share options granted by the Company

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

Report of the Directors

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

(ii) Long Position in Ordinary Shares of Associated Corporation

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

Notes:

1. Mr. Lam Foo Wah is deemed to have interests in 166,083,620 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under The Lam Foo Wah 1992 Trust. Mr. Lam is regarded as a founder of the trust.
2. Mr. Lam Foo Wah is deemed to have interests in 49,229,840 ordinary shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under High Fashion Trust. Mr. Lam is regarded as a founder of the trust.
3. Particulars of these share options and their movements as at 31 December 2021 are set out in the "Share Option Scheme" section below.
4. The issued share capital of the Company is 305,615,420 shares as at 31 December 2021.
5. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.
6. The issued share capital of High Fashion Knitters Limited was 15,000,000 shares as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors, Chief Executives nor their associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which have been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

Furthermore, save as disclosed in the "Share Option Scheme" section below and note 39 to the consolidated financial statements, at no time during the year ended 31 December 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the following substantial shareholders, other than Directors and Chief Executives, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to section 336 of SFO:

Long Positions in the Ordinary Shares of the Company:

Name of Shareholders	Notes	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital (Note 3)
Leung Shuk Bing	1	Interest of spouse	217,103,361	71.04%
Hinton Company Limited	2	Beneficial owner	166,083,620	54.34%
High Fashion Charitable Foundation Limited	2	Beneficial owner	49,229,840	16.11%

Notes:

- Ms. Leung Shuk Bing is spouse of Mr. Lam Foo Wah and is deemed to have interests in 217,103,361 ordinary shares.
- Such interests have been disclosed as interests of Mr. Lam Foo Wah in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
- The issued share capital of the Company is 305,615,420 shares as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, no person, other than the Directors or Chief Executives, whose interests are set out in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" section above, had registered a long or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to section 336 of the SFO.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, is set out in note 38 to the consolidated financial statements. No shares of the Company were issued during the year.

SHARE OPTION SCHEME

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

Report of the Directors

SHARE OPTION SCHEME (Cont'd)

The movements in the Company's share options during the year ended 31 December 2021 are disclosed as follows:

Name of grantees	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options				
				As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	As at 31 December 2021
<i>Directors</i>								
Lam Gee Yu, Will	3 December 2018	1.76	3 December 2019 to 2 December 2028	1,250,000	-	-	-	1,250,000
			3 December 2020 to 2 December 2028	1,250,000	-	-	-	1,250,000
				2,500,000	-	-	-	2,500,000
Lam Din Yu, Well	3 December 2018	1.76	3 December 2019 to 2 December 2028	1,250,000	-	-	-	1,250,000
			3 December 2020 to 2 December 2028	1,250,000	-	-	-	1,250,000
				2,500,000	-	-	-	2,500,000
			Total	5,000,000	-	-	-	5,000,000

Note:

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

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

As at the date of this annual report, the total number of share options available for issue under the Scheme is 24,721,355, representing 8.09% of the issued share capital of the Company. Further information of the Scheme during the year is set out in note 39 to the consolidated financial statements.

Report of the Directors

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed above and note 39 to the consolidated financial statements, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

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

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

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

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2021, which do not constitute connected transactions under the Listing Rules are disclosed in note 48 to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021, except for the deviations as mentioned in the "Corporate Governance Report" section of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published by 31 May 2022.

Report of the Directors

AUDITORS

The consolidated financial statements for the year ended 31 December 2021 were audited by Deloitte Touche Tohmatsu.

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditors of the Company and to authorise the Directors to fix their remuneration will be proposed at the 2022 AGM.

ON BEHALF OF THE BOARD

LAM FOO WAH

Chairman

Hong Kong, 31 March 2022

Corporate Governance Report

The Board and the management of the Company are committed to maintaining good corporate governance practices and procedures to enable an effective Board, the long-term success and sustainability of the Company. The Company believes that good corporate governance provides a framework that is essential for effective strategic management and risk control as well as enhancement of shareholders' value and communication. The corporate governance principles of the Company emphasize a quality and diversified Board with responsible decision-making aligning with corporate cultures and values, independent and objective views on the Board, sound and effective risk management and internal control systems, improvement in accountability and transparency to all shareholders with recognition of their legitimate interests.

The Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules on the Stock Exchange throughout the year ended 31 December 2021, except for the deviations as described below:

CODE PROVISION A.4.1*

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

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

CODE PROVISION D.1.4*

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

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

* With effect from 1 January 2022, code provision A.4.1 has been deleted, code provisions A.4.2 and D.1.4 have been re-designated as B.2.2 and C.3.3 respectively in the CG Code.

Corporate Governance Report

THE BOARD

The Board is collectively responsible and accountable for the operating and financial performance, oversight of the strategic business management and risk management and internal control of the Group. It leads and supervises the senior management in formulation and implementation of policies in relation to the corporate vision and mission, business and corporate accommodation, compensation policies and succession planning, effective governance and corporate social responsibility.

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

Executive Directors:

Mr. Lam Foo Wah (*Chairman*)

Mr. Lam Gee Yu, Will (*Managing Director*)

Mr. Lam Din Yu, Well (*Managing Director (China)*)

Ms. So Siu Hang, Patricia

Non-executive Director:

Mr. Hung Ka Hai, Clement

Independent Non-executive Directors:

Professor Yeung Kwok Wing (*Note 1*)

Mr. Leung Hok Lim

Mr. Chung Kwok Pan

Mr. Wong Shiu Hoi, Peter (*Note 2*)

Notes:

1. Professor Yeung Kwok Wing was re-designated from a Non-executive Director to an Independent Non-executive Director with effect from 4 June 2021.
2. Mr. Wong Shiu Hoi, Peter retired as an Independent Non-executive Director with effect from the conclusion of the 2021 AGM.

The current Directors' biographical information including their membership at various Board committees and relationships among the Directors are set out in the "Biographical Details of Directors and Senior Management" section of this annual report.

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

Corporate Governance Report

THE BOARD (Cont'd)

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

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

Directors' and Officers' Insurance

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

Board Meetings

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

In order to ensure that the Board is able to fulfill its responsibilities, it has established and delegated specific authority to the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee with specific matters as defined in the respective terms of reference. The main duties and meeting details of these committees are stipulated on pages 32 to 39 of this annual report.

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

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

Corporate Governance Report

THE BOARD (Cont'd)

Directors' attendance records

During the year ended 31 December 2021, details of Directors' attendance at the Board and respective Board Committees meetings and the 2021 AGM are as follows:

Name of Directors	Meetings Attended/Held					2021 AGM <i>(Note 1)</i>
	Board	Audit Committee <i>(Note 1)</i>	Remuneration Committee	Nomination Committee	Risk Management Committee	
Executive Directors:						
Mr. Lam Foo Wah	4/4	N/A	N/A	1/1	N/A	1/1
Mr. Lam Gee Yu, Will	4/4	N/A	1/1	N/A	1/1	1/1
Mr. Lam Din Yu, Well	4/4	N/A	N/A	N/A	N/A	1/1
Ms. So Siu Hang, Patricia	3/4	N/A	N/A	N/A	N/A	0/1
Non-executive Director:						
Mr. Hung Ka Hai, Clement	4/4	3/3	N/A	N/A	N/A	1/1
Independent Non-executive Directors:						
Professor Yeung Kwok Wing <i>(Note 2)</i>	3/4	2/3	1/1	1/1	1/1	0/1
Mr. Leung Hok Lim	4/4	3/3	1/1	1/1	1/1	1/1
Mr. Chung Kwok Pan	3/4	3/3	0/1	1/1	0/1	1/1
Mr. Wong Shiu Hoi, Peter <i>(Note 3)</i>	1/1	1/1	1/1	1/1	1/1	0/1

Notes:

- Representatives of the external auditors participated in every Audit Committee meeting and the 2021 AGM.
- Professor Yeung Kwok Wing was re-designated from a Non-executive Director to an Independent Non-executive Director with effect from 4 June 2021.
- Mr. Wong Shiu Hoi, Peter retired as an Independent Non-executive Director with effect from the conclusion of the 2021 AGM.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Managing Directors assume the roles and responsibilities of a chief executive officer of the Company. The roles of the Chairman and the Managing Directors are complementary but distinct and separate with clear division of delegation and accountabilities.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (Cont'd)

The Board, led by the Chairman, is responsible for adopting and promoting corporate culture and visions; approving and monitoring the Group's overall strategies and policies; approving the financial budget; evaluating the performance of the Group against targets and objectives; ensuring compliance with regulations; and ensuring effective shareholders' communication. The important roles of the Chairman are to provide leadership to the Board, monitor and evaluate Board effectiveness with consideration of Board diversity and independent views from the Independent Non-executive Directors and encourage all Directors to make a full and active contribution to the Board's affairs so as to ensure that the Board acts in the best interests of the Group. The Chairman ensures that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary.

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

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

BOARD COMMITTEES

The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. Four Board committees have been established and each of them has its specific duties and authorities setting out in its own terms of reference. Written terms of reference, which are in line with the CG Code, of each of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the websites of the Company and the Stock Exchange. The members of the Board committees as at the date of this annual report is set out in the "Corporate Information" section on page 159 of this annual report. The attendance record of members of the Board committees in 2021 is set out in the "Directors' attendance records" section above.

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

Corporate Governance Report

BOARD COMMITTEES (Cont'd)

Audit Committee

As at the date of this annual report, the Audit Committee comprises one Non-executive Director and three Independent Non-executive Directors, at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Audit Committee adopted the terms of reference with reference to the guidelines issued by the Hong Kong Institute of Certified Public Accountants and in accordance with the requirements of the CG Code.

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

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

- (i) to recommend to the Board on the appointment, reappointment and removal of the external auditors, and address any questions of resignation or dismissal of the auditors;
- (ii) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (iii) to develop and implement policy on the engagement of external auditors to supply non-audit services;
- (iv) to monitor integrity of financial statements, annual and interim reports of the Company and accounts, and to review significant financial reporting judgements contained in such reports;
- (v) to review the Company's financial controls, internal control and risk management systems;
- (vi) to review and monitor the effectiveness of the internal audit function; and
- (vii) to review the Group's financial and accounting policies and practices.

Corporate Governance Report

BOARD COMMITTEES (Cont'd)

Audit Committee (Cont'd)

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

- (a) review the interim and annual financial reports and consolidated financial statements of the Group;
- (b) review with the external auditors and the management on the audit report issued by the external auditors of the Company covering the audit approach and methodology applied in key audit matters;
- (c) review and endorse the changes in accounting and auditing standards;
- (d) review the significant findings and recommendations from the internal audit department and the external auditors of the Company;
- (e) review and approve the internal audit plan of the Group for 2021;
- (f) review and provide supervision of the Group's financial reporting system;
- (g) evaluate the adequacy and effectiveness of the risk management and internal control systems and internal audit functions; and
- (h) review the independence of the external auditors of the Company, approve the scope and nature of audit services and the 2021 audit fee.

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

Corporate Governance Report

BOARD COMMITTEES (Cont'd)

Remuneration Committee

As at the date of this annual report, the Remuneration Committee comprises one Executive Director and three Independent Non-executive Directors.

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

- (i) to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management;
- (ii) to review the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time;
- (iii) to make recommendation to the Board on the remuneration packages of, including benefits in kind, pension rights and compensation payments, of individual Executive Directors and senior management;
- (iv) to make recommendations to the Board on the remuneration of Non-executive Directors; and
- (v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

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

During the year, the Remuneration Committee held one meeting to:

- (a) make recommendations to the Board on the remuneration package of Professor Yeung Kwok Wing for his re-designation from a Non-executive Director to an Independent Non-executive Director;
- (b) review the policy and structure for all Directors' and senior management's remuneration;
- (c) review the remuneration packages of Executive Directors and senior management and make relevant recommendations to the Board after considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; and
- (d) review the Directors' fee of all Directors and make relevant recommendations to the Board.

Particulars of Directors' emoluments and employees' emoluments for the year ended 31 December 2021 are set out in note 9 to the consolidated financial statements.

Corporate Governance Report

BOARD COMMITTEES (Cont'd)

Nomination Committee

As at the date of this annual report, the Nomination Committee comprises one Executive Director and three Independent Non-executive Directors.

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

- (i) to review the structure, size and composition (including the skills, knowledge, experience, expertise and diversity of perspectives) of the Board to complement the Company's corporate strategy;
- (ii) to make recommendations to the Board on the appointment, re-appointment and succession planning of Directors and senior management, based on merits and having due regard to the benefits of diversity of the Board;
- (iii) to assess the independence of Independent Non-executive Directors; and
- (iv) to conduct regular review on the Board Diversity Policy and make relevant recommendations to the Board for any necessary amendments, if appropriate, to achieve Board diversity.

During the year, the Nomination Committee held one meeting to:

- (a) make recommendations to the Board on the re-designation of Professor Yeung Kwok Wing from a Non-executive Director to an Independent Non-executive Director;
- (b) make recommendations to the Board on the appointment of Mr. Lam Gee Yu, Will and Mr. Chung Kwok Pan as the chairman of Risk Management Committee and Remuneration Committee respectively;
- (c) review the structure, size and composition of the Board;
- (d) make recommendations to the Board in relation to the re-appointment of the retiring Director at the 2022 AGM; and
- (e) assess the independence of the Independent Non-executive Directors.

Corporate Governance Report

BOARD COMMITTEES (Cont'd)

Nomination Committee (Cont'd)

Nomination Policy

To facilitate the succession planning and refreshment of the Board in the purpose of business development, the Nomination Committee nominates candidates and re-election of Directors on the basis of the Nomination Policy as summarized below:

1. *Selection Criteria*

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

2. *Nomination Procedures*

Appointment of Directors

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

The nomination was made in accordance with the Nomination Policy and other objective criteria including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge relevant to the Company's corporate goals and strategies set out in the Board Diversity Policy and the independence guidelines pursuant to the Listing Rules.

Re-election of Directors

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

Corporate Governance Report

BOARD COMMITTEES (Cont'd)

Nomination Committee (Cont'd)

Nomination Policy (Cont'd)

3. *Review of the Nomination Policy*

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

In accordance with Bye-law 87 of the Bye-laws, every Director shall be subject to retirement by rotation at least once every three years and that one-third (or the number nearest to one-third) of the Directors shall retire from office every year at annual general meeting of the Company and being eligible for re-election. Mr. Lam Din Yu, Well, Ms. So Siu Hang, Patricia and Mr. Leung Hok Lim will retire from office and be eligible for re-election at the 2022 AGM. Ms. So Siu Hang, Patricia and Mr. Leung Hok Lim have indicated that they will not stand for re-election and will retire at the 2022 AGM. Mr. Lam Din Yu, Well, being eligible, has offered himself for re-election at the 2022 AGM. The Nomination Committee recommended to the Board on the re-election of the retiring Director on the basis of the Nomination Policy. Further details will be set out in the circular to shareholders to be despatched with this annual report.

The re-election of Directors is conducted through a separate resolution and there is no cumulative voting in Director elections. None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Board Diversity Policy

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

All Non-executive Directors are professionals with extensive experience in garments and fashion, accounting and business fields and make major contribution to the strategy planning, risk and management control and future development of the Company. In considering the Board's succession, the Nomination Committee would continue to identify potential candidates for Non-executive Directors, as and when appropriate.

Corporate Governance Report

BOARD COMMITTEES (Cont'd)

Risk Management Committee

As at the date of this annual report, the Risk Management Committee comprises one Executive Director and three Independent Non-executive Directors.

The main duties of the Risk Management Committee are set out below:

- (i) to advise the Audit Committee and the Board on the Group's risk appetite statement(s), risk principles and other risk-related issues;
- (ii) to oversee risk management framework to identify and deal with financial, operational, legal, regulatory, technology, business and strategic, environmental and social risks faced by the Group and amend and supplement this from time to time;
- (iii) to review risk reports and breaches of risk tolerances and policies;
- (iv) to review and assess the effectiveness of the Group's risk control/mitigation tools; and
- (v) to review and oversee the environmental and social sustainable development and strategies, evaluate the adequacy and effectiveness of the Group's sustainability and report to the Board the sustainability risks and opportunities.

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

Key risk exposures of the Group identified are set out in the "Management Discussion and Analysis" section of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

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

1. to develop and review the Company's policies and practices on corporate governance, if appropriate, raise recommendations;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
5. to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions.

Confirmation has been sought from all Directors and they have complied with the required standard set out in the Model Code for the year ended 31 December 2021.

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

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Comprehensive orientation packages on the Group's business and structure, terms of reference of the Board and committees, corporate governance practices and policies, Directors' rights and duties and updates on applicable laws, rules and regulations are provided for newly appointed Directors.

To keep abreast of the latest industry trends and practices as well as the risks and opportunities facing the Group, the Directors acknowledge the need to update and refresh their knowledge and skills necessary for making contributions to the Company. During the year, Directors were invited to attend the seminars and conferences conducted by external industry experts on various topics of interests including review of notifiable and connected transactions, preparation of financial statements, continuing disclosure obligations and updates of the ESG trends and guidelines. Articles and publication of relevant governance updates are regularly provided to the Directors.

All Directors are required to provide and confirm their annual training records to the Company. The participation by every Director in the continuous professional development programme with various topics in 2021 is recorded in the table below.

Name of Directors	Topics of Training				
	Directors' roles/duties	ESG trends/updates	Regulatory compliance	Financial reporting/risk management	Corporate Governance
Executive Directors:					
Mr. Lam Foo Wah	✓	✓	✓	✓	✓
Mr. Lam Gee Yu, Will	✓	✓	✓	✓	✓
Mr. Lam Din Yu, Well	✓	✓	✓	✓	✓
Ms. So Siu Hang, Patricia	✓	✓	✓	✓	✓
Non-executive Director:					
Mr. Hung Ka Hai, Clement	✓	✓	✓	✓	✓
Independent Non-executive Directors:					
Professor Yeung Kwok Wing	✓	✓	✓	✓	✓
Mr. Leung Hok Lim	✓	✓	✓	✓	✓
Mr. Chung Kwok Pan	✓	✓	✓	✓	✓

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

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

The Directors are responsible for ensuring that the financial statements are prepared on a “going concern” basis and give a true and fair view of the state of affairs of the consolidated financial position of the Group in accordance with the applicable laws and regulations. In preparing the accounts for the year ended 31 December 2021, the Directors believe that they have selected appropriate accounting policies which are applied in consistency, made judgments and estimates that are prudent and reasonable, and ensured the financial statements are prepared on a “going concern” basis.

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

A statement by the Auditors of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the “Independent Auditor’s Report” section on pages 47 to 51 of this annual report.

External Auditors

The Group has engaged Deloitte Touche Tohmatsu to perform audit services for the year ended 31 December 2021. The Group paid or payable to Deloitte Touche Tohmatsu in respect of audit services fee and non-audit services (including review, reporting and tax services) amounted to approximately HK\$3,200,000 and HK\$410,000 respectively.

Risk Management

The Board has overall responsibility for maintaining a sound and effective risk management and internal control system (including those for ESG-related risks) and reviewing its effectiveness to safeguard the interests of the shareholders and the Group’s assets. The Board is committed to the identification, management and monitoring the nature and extent of risks associated with its business activities and strategic objectives. The Board carries out annual review on the risk management system on the advice of the Risk Management Committee.

Review of the Group’s risk management covering major operational, financial, business, information system, human resources, ESG and compliance controls of different systems and has been done on a systematic and on-going basis based on the risk assessments of the operations and controls for the year ended 31 December 2021. The adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting, internal audit and financial reporting functions is ensured. No major issue but areas for improvement have been identified during the year. The Board, the Audit Committee and the Risk Management Committee considered that the present risk management controls of the Group are reasonably implemented and effective.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT (Cont'd)

Risk Management (Cont'd)

In addition, up to the date of approval of the Company's 2021 Annual Report based on the respective assessments made by the management and also taking into account the results of the audit conducted by the external auditors, the Audit Committee and the Directors considered that:

- (i) the risk management and accounting systems of the Group are designed to provide reasonable but not absolute assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication;
- (ii) the risk management systems of the Group have been implemented with room for improvement and the Group internal audit department has actively conducted follow-up audit for any improvements which were identified; and
- (iii) there is an on-going process in place for identifying, evaluating and managing significant risks faced by the Group.

Internal Control

The Board conducts reviews of the effectiveness of the internal control system for the year ended 31 December 2021 covering all material controls, including financial, operational and compliance controls and risk management functions by considering reviews performed by the Risk Management Committee, Audit Committee, executive management and both the Group internal audit department and external auditors. The Group's system of internal control comprises a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations.

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

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

(i) ***Organisational Structure***

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

(ii) ***Authority and Control***

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

Corporate Governance Report

ACCOUNTABILITY AND AUDIT (Cont'd)

Internal Control (Cont'd)

(iii) *Budgetary Control and Financial Reporting*

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

(iv) *Systems and Procedures*

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

(v) *Internal Audit*

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

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

According to the 2021 internal audit reports, the Group's internal control system is functioning effectively and there was no significant weakness found in the course of the audits carried out during the year. The Board, through the Audit Committee and the internal audit function, has reviewed the effectiveness of the Group's internal control system and is of the view that there are no suspected frauds, irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations that cause the Board to believe that the systems are ineffective or inadequate. The Board is satisfied that the Company and the Group have fully complied with the code provisions on internal control as set forth in the CG Code for the year ended 31 December 2021.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT (Cont'd)

Internal Control (Cont'd)

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

COMPANY SECRETARY

Ms. Yung Pik Man, the Company Secretary and Finance Director, is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman and is responsible for ensuring that Board procedures and all applicable rules and regulations are followed as well as bridging the information flows and communications among all Directors, the management and shareholders. For the year ended 31 December 2021, Ms. Yung has complied with Rule 3.29 of the Listing Rules by taking over 15 hours of relevant professional training during her tenure as the Company Secretary.

CONSTITUTIONAL DOCUMENTS

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

COMMUNICATION WITH SHAREHOLDERS

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

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS (Cont'd)

General Meeting

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

At the 2021 AGM held:

- (i) a separate resolution was proposed by the Chairman of that meeting in respect of each separate issue, including the re-election of Directors.
- (ii) the Chairman of the Board, and Chairmen of the Audit Committee and Nomination Committee, members from the respective committees and key executives of the Company, attended the 2021 AGM to address shareholders' queries.
- (iii) external auditors attended the 2021 AGM and was available to assist the Directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.
- (iv) all resolutions were voted by poll according to Rule 13.39(4) of the Listing Rules and Bye-law 66 of the Bye-laws. Tricor Secretaries Limited, the Company's Hong Kong branch share registrar and transfer office, was engaged as scrutineer to ensure the votes were properly counted.

The poll results of the 2021 AGM are available on the websites of the Stock Exchange and the Company.

The 2022 AGM will be held at 11/F., High Fashion Centre, 1-11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong on Tuesday, 14 June 2022 at 11 a.m. All the proposed resolutions will be voted by poll pursuant to the Listing Rules. Notice of the 2022 AGM, which constitutes part of a circular to shareholders, will be despatched together with this annual report and the proxy form. The poll results of the 2022 AGM will be published on the websites of the Stock Exchange and the Company shortly after the conclusion of the 2022 AGM.

In light of the uncertain development of the current COVID-19 pandemic development, all the shareholders are reminded that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolutions at the 2022 AGM as an alternative to attending the meeting in person. Additional pre-cautionary measures will be implemented in accordance with the legislations and guidelines to ensure safety of every attendee. The Company may implement further changes and precautionary measures, and may issue further announcement on such measures or meeting arrangement as appropriate.

Shareholders' Rights

Procedures for shareholders convening meetings

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

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS (Cont'd)

Shareholders' Rights (Cont'd)

Procedures for shareholders convening meetings (Cont'd)

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

Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the Bermuda Companies Act 1981.

Procedures for shareholders putting forward proposals

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

Procedures for shareholders nominating Directors

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

Investor Relations

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

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

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents, together with the latest corporate information are also made available on the Company's website. The corporate information and shareholders & investor relation information is set out on pages 159 to 160 of this annual report.

Independent Auditor's Report

Deloitte.

德勤

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED

達利國際集團有限公司

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of High Fashion International Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 52 to 156, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Independent Auditor's Report

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED (Cont'd)

達利國際集團有限公司

(incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS (Cont'd)

Key audit matter

Valuation of investment properties

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

The Group's investment properties portfolio comprises office properties, retail premises and commercial complex. The carrying value of the Group's investment properties amounted to approximately HK\$3,101,216,000 as at 31 December 2021.

As set out in note 17 of the consolidated financial statements, during the year ended 31 December 2021, certain property, plant and equipment and right-of-use assets with carrying amounts of HK\$98,973,000 and HK\$1,319,000, respectively, were transferred to investment properties due to end of owner-occupation. Fair value at the date of transfer was approximately HK\$138,366,000. The difference between the carrying amounts and the fair value of these properties of HK\$38,074,000 was credited to property revaluation reserve.

The fair value change recognised in profit or loss in respect of these investment properties was approximately HK\$129,443,000 for the year ended 31 December 2021, as disclosed in note 7 to the consolidated financial statements.

All of the Group's investment properties are measured using the fair value model based on a valuation performed by independent qualified professional valuers (the "Valuers"). As disclosed in notes 4 and 17 to the consolidated financial statements, in determining the fair value, the Valuers have applied a market value basis that involves, inter-alia, certain estimates, including comparable market transaction prices, development costs, appropriate capitalisation rates and discount rates and reversionary income potential.

How our audit addressed the key audit matter

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

- evaluating the competence, capabilities, and objectivity of the Valuers and obtaining an understanding of the Valuers' scope of work and their terms of engagement;
- involving our internal valuation expert to evaluate the appropriateness of the valuation methodology and the reasonableness of the key estimates such as comparable market transaction prices, development costs appropriate capitalisation rates and discount rates used in the valuation models, on sampling basis, based on market data and certain company specific parameters; and
- assessing the adequacy of the disclosures of the fair value measurement of investment properties including the fair value measurement hierarchy, the valuation technique and significant unobservable inputs in the consolidated financial statements.

Independent Auditor's Report

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED (Cont'd)

達利國際集團有限公司

(incorporated in Bermuda with limited liability)

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED (Cont'd)

達利國際集團有限公司

(incorporated in Bermuda with limited liability)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

TO THE MEMBERS OF HIGH FASHION INTERNATIONAL LIMITED (Cont'd)

達利國際集團有限公司

(incorporated in Bermuda with limited liability)

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is K.W. Yim.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Revenue			
Goods and services		2,812,148	2,133,734
Rental		75,712	23,367
Total revenue	5	2,887,860	2,157,101
Cost of sales		(2,389,328)	(1,770,408)
Gross profit		498,532	386,693
Other income		42,119	51,923
Other gains and losses	7	140,130	148,539
Impairment losses under expected credit loss model, net of reversal	41	(4,601)	(3,628)
Administrative expenses		(280,531)	(245,895)
Selling and distribution expenses		(173,482)	(142,218)
Other expenses		(7,337)	(4,236)
Finance costs	8	(28,976)	(29,146)
Share of losses of joint ventures	18	–	(365)
Profit before taxation		185,854	161,667
Income tax expense	10	(38,240)	(36,503)
Profit for the year	11	147,614	125,164
Other comprehensive income (expense)	12		
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		122,708	171,254
Fair value gain on equity instruments at fair value through other comprehensive income (“FVTOCI”)		–	27,895
Gain on revaluation of owner-occupied properties		38,074	105,504
Income tax relating to items that will not be reclassified to profit or loss		(9,519)	(19,755)
		151,263	284,898
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		(32,235)	(10,117)
Other comprehensive income for the year, net of tax		119,028	274,781
Total comprehensive income for the year		266,642	399,945
Profit for the year attributable to:			
Owners of the Company		147,214	124,518
Non-controlling interests		400	646
		147,614	125,164
Total comprehensive income for the year attributable to:			
Owners of the Company		266,242	399,303
Non-controlling interests		400	642
		266,642	399,945
Earnings per share	14		
Basic		HK\$0.48	HK\$0.41
Diluted		HK\$0.48	HK\$0.41

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	15	474,369	554,627
Right-of-use assets	16	74,582	84,035
Investment properties	17	3,101,216	2,630,916
Interests in joint ventures	18	7,559	7,299
Equity instruments at FVTOCI	19	16,416	16,416
Derivative financial instruments	35	1,989	–
Deferred tax assets	20	42,865	30,821
Other non-current assets	21	89,268	32,674
		3,808,264	3,356,788
Current assets			
Inventories	22	600,337	347,823
Properties held for sale	23	22,042	40,449
Trade receivables	24	517,730	453,348
Deposits, prepayments and other receivables	25	113,434	128,751
Amounts due from joint ventures	26	5,395	5,395
Equity investments at FVTOCI	19	–	9,381
Derivative financial instruments	35	1,663	3,091
Other financial assets at fair value through profit or loss (“FVTPL”)	27	660,250	610,389
Short-term bank deposits	28	19,981	13,988
Bank balances and cash	29	417,527	710,079
		2,358,359	2,322,694
Current liabilities			
Trade payables	30	581,592	414,795
Other payables and accruals	31	284,133	238,076
Provision	21	–	2,371
Lease liabilities	32	6,006	7,254
Amount due to an associate	33	583	583
Contract liabilities	34	64,141	58,619
Tax payable		56,422	54,982
Derivative financial instruments	35	–	577
Bank borrowings	36	608,246	639,362
		1,601,123	1,416,619
Net current assets		757,236	906,075
Total assets less current liabilities		4,565,500	4,262,863

Consolidated Statement of Financial Position

At 31 December 2021

	<i>NOTES</i>	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Deferred tax liabilities	<i>20</i>	348,307	299,691
Derivative financial instruments	<i>35</i>	–	1,081
Bank borrowings	<i>36</i>	1,068,833	1,070,000
Lease liabilities	<i>32</i>	12,404	18,162
Provision for long service payments	<i>37</i>	2,721	2,645
Provision	<i>21</i>	2,445	–
Deferred income		8,144	–
		1,442,854	1,391,579
<hr/>			
Net assets		3,122,646	2,871,284
<hr/>			
Capital and reserves			
Share capital	<i>38</i>	30,562	30,562
Share premium and reserves		3,122,177	2,871,215
<hr/>			
Equity attributable to owners of the Company		3,152,739	2,901,777
Non-controlling interests		(30,093)	(30,493)
<hr/>			
Total equity		3,122,646	2,871,284

The consolidated financial statements on pages 52 to 156 were approved and authorised for issue by the Board of Directors on 31 March 2022 and are signed on its behalf by:

LAM GEE YU, WILL
DIRECTOR

LAM DIN YU, WELL
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company							Attributable to non-controlling interests		Total HK\$'000			
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Reserve funds HK\$'000	Property revaluation reserve HK\$'000	FVTOCI reserve HK\$'000	Capital redemption reserve HK\$'000	Share options reserve HK\$'000	Other reserve HK\$'000		Retained profits HK\$'000	Subtotal HK\$'000	
At 1 January 2020	30,562	287,656	37,502	89,542	306,631	18,009	8,511	1,037	39,853	1,691,462	2,510,765	(31,135)	2,479,630
Profit for the year	-	-	-	-	-	-	-	-	-	124,518	124,518	646	125,164
Exchange differences arising on translation of financial statements to presentation currency	-	-	171,258	-	-	-	-	-	-	-	171,258	(4)	171,254
Fair value gain on equity instruments at FVTOCI	-	-	-	-	-	27,895	-	-	-	-	27,895	-	27,895
Gain on revaluation of owner-occupied properties	-	-	-	-	105,504	-	-	-	-	-	105,504	-	105,504
Income tax relating to items that will not be reclassified	-	-	-	-	(19,755)	-	-	-	-	-	(19,755)	-	(19,755)
Exchange differences arising on translation of financial statements of foreign operations	-	-	(10,117)	-	-	-	-	-	-	-	(10,117)	-	(10,117)
Other comprehensive income for the year	-	-	161,141	-	85,749	27,895	-	-	-	-	274,785	(4)	274,781
Total comprehensive income for the year	-	-	161,141	-	85,749	27,895	-	-	-	124,518	399,303	642	399,945
Transfer upon partial disposal of equity instruments at FVTOCI	-	-	-	-	-	(20,657)	-	-	-	20,657	-	-	-
Transfer to reserve funds	-	-	-	559	-	-	-	-	-	(559)	-	-	-
Dividends declared and paid in cash <i>(note 13)</i>	-	-	-	-	-	-	-	-	-	(9,168)	(9,168)	-	(9,168)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	877	-	-	877	-	877
	-	-	-	559	-	(20,657)	-	877	-	10,930	(8,291)	-	(8,291)
At 31 December 2020	30,562	287,656	198,643	90,101	392,380	25,247	8,511	1,914	39,853	1,826,910	2,901,777	(30,493)	2,871,284

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company							Attributable to non-controlling interests		Total HK\$'000			
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Reserve funds HK\$'000 (note i)	Property revaluation reserve HK\$'000 (note ii)	FVTOCI reserve HK\$'000	Capital redemption reserve HK\$'000	Share options reserve HK\$'000	Other reserve HK\$'000 (note iii)		Retained profits HK\$'000	Subtotal HK\$'000	Attributable to non-controlling interests HK\$'000
At 1 January 2021	30,562	287,656	198,643	90,101	392,380	25,247	8,511	1,914	39,853	1,826,910	2,901,777	(30,493)	2,871,284
Profit for the year	-	-	-	-	-	-	-	-	-	147,214	147,214	400	147,614
Exchange differences arising on translation of financial statements to presentation currency	-	-	122,708	-	-	-	-	-	-	-	122,708	-	122,708
Gain on revaluation of owner-occupied properties	-	-	-	-	38,074	-	-	-	-	-	38,074	-	38,074
Income tax relating to items that will not be reclassified	-	-	-	-	(9,519)	-	-	-	-	-	(9,519)	-	(9,519)
Exchange differences arising on translation of financial statements of foreign operations	-	-	(32,235)	-	-	-	-	-	-	-	(32,235)	-	(32,235)
Other comprehensive income for the year	-	-	90,473	-	28,555	-	-	-	-	-	119,028	-	119,028
Total comprehensive income for the year	-	-	90,473	-	28,555	-	-	-	-	147,214	266,242	400	266,642
Transfer upon partial disposal of equity instruments at FVTOCI	-	-	-	-	-	(9,354)	-	-	-	9,354	-	-	-
Transfer to reserve funds	-	-	-	1,044	-	-	-	-	-	(1,044)	-	-	-
Dividends declared and paid in cash (note 13)	-	-	-	-	-	-	-	-	-	(15,280)	(15,280)	-	(15,280)
	-	-	-	1,044	-	(9,354)	-	-	-	(6,970)	(15,280)	-	(15,280)
At 31 December 2021	30,562	287,656	289,116	91,145	420,935	15,893	8,511	1,914	39,853	1,967,154	3,152,739	(30,093)	3,122,646

Notes:

- (i) As stipulated by the relevant laws and regulations of the mainland of the People's Republic of China (the "Mainland China"), before distribution of the profit each year, the subsidiaries established in the Mainland China with limited liability shall set aside 10% of their net profit to the statutory surplus reserve. The statutory surplus reserve can only be used upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.
- (ii) Property revaluation reserve represents the revaluation reserve arising upon the transfer of owner-occupied property and right-of-use assets to investment property, net of deferred tax. The property revaluation reserve will be transferred to retained profits when the relevant properties are disposed of.
- (iii) Other reserve represents capitalisation of retained profits of a subsidiary.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	185,854	161,667
Adjustments for:		
Impairment losses under expected credit loss model, net of reversal	4,601	3,628
Finance costs	28,976	29,146
Interest income	(19,968)	(16,980)
Increase in fair value of investment properties	(129,443)	(150,479)
Depreciation of property, plant and equipment	63,255	46,673
Depreciation of right-of-use assets	10,592	11,656
Loss on disposal/written-off of property, plant and equipment, net	796	5,387
Fair value change of derivative financial instruments	(17,108)	(3,858)
Fair value change of other financial assets at FVTPL	(3,956)	(6,047)
Share of losses of joint ventures	–	365
Equity-settled share option expense	–	877
Operating cash flows before movements in working capital	123,599	82,035
(Increase) decrease in inventories	(240,047)	66,375
Decrease in properties held for sale	19,668	128,813
Increase in trade receivables	(62,821)	(52,753)
(Increase) decrease in deposits, prepayments and other receivables	(18,060)	45,676
Increase (decrease) in trade payables	156,612	(18,032)
Increase in other payables and accruals	69,468	4,120
Increase (decrease) in contract liabilities	4,096	(130,934)
Increase (decrease) in long service payments	76	(84)
Net cash from operations	52,591	125,216
Hong Kong Profits Tax paid	(2,762)	(2,123)
Overseas taxes paid	(11,949)	(15,875)
NET CASH FROM OPERATING ACTIVITIES	37,880	107,218

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
INVESTING ACTIVITIES		
New short-term bank deposits placed	(12,542)	(13,217)
Withdrawal of short-term bank deposits	6,985	3,360
Purchases of other financial assets at FVTPL	(657,550)	(590,191)
Redemption of other financial assets at FVTPL	631,104	549,849
Interests received	19,968	16,980
Proceed on partial disposal of equity instruments at FVTOCI	9,381	21,107
Purchases of property, plant and equipment	(97,260)	(58,190)
Additions of right-of-use assets	(20,357)	–
Settlement of derivative financial instruments	14,889	4,614
Proceeds on disposal of property, plant and equipment	2,780	–
Proceeds on disposal of right-of-use assets	1,776	–
Additions to investment properties	(158,027)	(111,059)
Government subsidies received	8,144	–
NET CASH USED IN INVESTING ACTIVITIES	(250,709)	(176,747)
FINANCING ACTIVITIES		
New bank borrowings raised	145,000	1,467,344
Repayment of bank borrowings	(177,850)	(1,015,158)
Interests paid	(27,983)	(34,699)
Dividends paid by the Company	(15,280)	(9,168)
Repayment of lease liabilities and related interest	(9,017)	(9,156)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(85,130)	399,163
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(297,959)	329,634
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	710,079	359,583
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	5,407	20,862
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	417,527	710,079
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	417,527	710,079

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. GENERAL

High Fashion International Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed on page 159 to the annual report.

At 31 December 2021, Hinton Company Limited and High Fashion Charitable Foundation Limited, companies ultimately owned by Mr. Lam Foo Wah (“Mr. Lam”), the Chairman of the Company, and Mr. Lam, collectively own 71.04% of ordinary shares of the Company and collectively hold the same percentage of the voting rights of the Company. Accordingly, Mr. Lam is considered as the ultimate controlling party of the Company.

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont'd)

Amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* (“HKFRS 7”).

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. Additional disclosures as required by HKFRS 7 are set out in note 41.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other costs necessary to make the sale, including carriage outward charges in addition to incremental costs. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont'd)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ²

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

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont'd)

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group’s liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont'd)

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (Cont'd)

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* (“HKAS 12”) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$17,114,000 and HK\$18,410,000, respectively. The Group is in the process of assessing the full impact of the application of the amendments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

Investments in joint ventures

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Investments in joint ventures (Cont'd)

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

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

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

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

Revenue from contracts with customers

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Revenue from contracts with customers (Cont'd)

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

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

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

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

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

Variable consideration

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Leasing

Definition of a lease

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

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

The Group as a lessee

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Leasing (Cont'd)

The Group as a lessee (Cont'd)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Leasing (Cont'd)

The Group as a lessee (Cont'd)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

The Group as a lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease and is presented in "Revenue" on the consolidated statement of profit or loss and other comprehensive income when it is derived from the Group's ordinary course of business.

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Leasing (Cont'd)

The Group as a lessor (Cont'd)

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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

Foreign currencies

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

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

Retirement benefit costs

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

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

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

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

Equity-settled share-based payment transactions

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Equity-settled share-based payment transactions (Cont'd)

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

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

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

Taxation

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Taxation (Cont'd)

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Government grants

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

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

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

Property, plant and equipment

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Property, plant and equipment (Cont'd)

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

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

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

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (Cont'd)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Provisions and contingent liabilities

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

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

Contingent liability is a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties held for sale

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (Cont'd)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (Cont'd)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (Cont'd)

(v) Measurement and recognition of ECL

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

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

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

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

Derecognition of financial assets

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

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

Revenue recognition from sale of garments with no alternative use

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

Deferred taxation on investment properties

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Key sources of estimation uncertainty

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

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves, inter-alia, certain estimates including comparable market transaction prices, development costs, appropriate capitalisation rates and discount rates and reversionary potential, which are set out in note 17.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Whilst the Group considers valuations of the Group's investment properties are the best estimates, changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2021, the carrying amount of the Group's investment properties is HK\$3,101,216,000 (2020: HK\$2,630,916,000).

Provision in respect of the ongoing enquiry of customs duty

Provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. As disclosed in note 21(b), the Group has an ongoing enquiry by the customs authority in Shaoxing City of Zhejiang Province in the Mainland China in relation to customs duty for import of certain machinery parts and apparel accessories for manufacturing by the Mainland China factories into China. Notwithstanding the judgments made by the court, the Group's legal professionals in the Mainland China advised that the evidence relied upon by the court is not factually supported. Based on the legal advice, management of the Group determined it is not probable that the Group will be required to settle penalty and unpaid customs stated in the court judgments. At 31 December 2021, the Group made a provision for penalty for not complying the processing trade requirement of RMB2,000,000 (equivalent to approximately HK\$2,445,000) (2020: RMB2,000,000 (equivalent to approximately HK\$2,371,000)) (Note 21(b)).

Provision of ECL for trade receivables

The debtors which are not credit-impaired are grouped by internal credit rating and assessed collectively. Debtors which are credit impaired are assessed individually. The provision rates are based on the Group's historical default rates and forward-looking information that is reasonable, supportable and available without undue cost or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables is disclosed in note 41.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE

Disaggregation of revenue from contracts with customers

	2021 HK\$'000	2020 HK\$'000
Recognised at a point in time under HKFRS 15:		
Manufacturing and trading of garments	2,743,006	1,913,949
Sale of properties	51,736	187,038
Sale of brand garments	17,406	32,747
Revenue from contracts with customers	2,812,148	2,133,734
Rental income recognised under HKFRS 16	75,712	23,367
	2,887,860	2,157,101
Geographical markets:		
China (including Mainland and Hong Kong)	1,557,526	1,075,138
United States of America ("USA")	539,217	504,199
Europe	335,081	291,019
Others	456,036	286,745
	2,887,860	2,157,101

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

	Manufacturing and trading of garments HK\$'000	Brand business HK\$'000	Property investment and development HK\$'000
For the year ended 31 December 2021			
Segment revenue	2,779,990	17,406	127,448
Less: rental income recognised under HKFRS 16	–	–	(75,712)
Less: inter-segment sales	(36,984)	–	–
Revenue from contracts with customers	2,743,006	17,406	51,736
For the year ended 31 December 2020			
Segment revenue	1,938,937	32,747	210,405
Less: rental income recognised under HKFRS 16	–	–	(23,367)
Less: inter-segment sales	(24,988)	–	–
Revenue from contracts with customers	1,913,949	32,747	187,038

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE (Cont'd)

Performance obligations for contracts with customers

Manufacturing and trading of garments

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

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

Sale of brand garments (retail business)

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

Sale of properties

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE (Cont'd)

Performance obligations for contracts with customers (Cont'd)

Transaction price allocated to the remaining performance obligations

As at 31 December 2021, contracts with customers with unsatisfied performance obligations have original expected duration of one year or less. As permitted under HKFRS 15, the aggregate amount of transaction price allocated to these unsatisfied contract is not disclosed.

Leases

	2021 HK\$'000	2020 HK\$'000
For operating leases:		
Lease payments that are fixed	75,712	23,367

6. SEGMENT INFORMATION

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

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

	2021 HK\$'000	2020 HK\$'000
Segment revenue		
– Manufacturing and trading of garments	2,779,990	1,938,937
– Brand business	17,406	32,747
– Property investment and development	127,448	210,405
	2,924,844	2,182,089
<i>Inter-segment sales eliminated</i>		
– Manufacturing and trading of garments (note (i))	(36,984)	(24,988)
Revenue – external sales	2,887,860	2,157,101
Segment results		
– Manufacturing and trading of garments	29,353	3,755
– Brand business	(3,450)	(14,447)
– Property investment and development	65,961	44,244
	91,864	33,552
Change in fair value of derivative financial instruments	17,108	3,858
Change in fair value of investment properties	129,443	150,479
Unallocated corporate overhead and other expenses (note (ii))	(52,561)	(26,222)
Profit before taxation	185,854	161,667

Notes:

- (i) Inter-segment sales are charged at agreed terms set out in the subcontracting agreement entered into between group companies.
- (ii) Central administration costs are apportioned between segments and corporate and allocated to the respective segments according to segment revenue in the respective reporting periods.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Cont'd)

Other segment information

For the year ended 31 December 2021

	Manufacturing and trading of garments HK\$'000	Brand business HK\$'000	Property investment and development HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	59,046	22	4,187	63,255
Depreciation of right-of-use assets	7,344	3,248	-	10,592
Loss on disposal/written-off of property, plant and equipment, net	796	-	-	796
Impairment losses under expected credit loss model, net of reversal	4,586	15	-	4,601
Interest income	(19,466)	-	(502)	(19,968)
Finance costs	17,867	-	11,109	28,976
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Fair value gain on derivative financial instruments				(17,108)
Increase in fair value of investment properties				(129,443)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

For the year ended 31 December 2020

	Manufacturing and trading of garments HK\$'000	Brand business HK\$'000	Property investment and development HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	42,806	525	3,342	46,673
Depreciation of right-of-use assets	7,862	3,407	387	11,656
Loss on disposal/written-off of property, plant and equipment, net	5,387	-	-	5,387
Impairment losses under expected credit loss model, net of reversal	3,573	55	-	3,628
Interest income	(16,221)	(23)	(736)	(16,980)
Finance costs	26,965	-	2,181	29,146
Share of losses of joint ventures	365	-	-	365
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Fair value gain on derivative financial instruments				(3,858)
Increase in fair value of investment properties				(150,479)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Cont'd)

Geographical information

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

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the customers. Information about the Group's non-current assets (excluding interests in joint ventures, deferred tax assets and financial instruments) is presented based on the geographical location of the assets.

	Revenue		Non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
China	1,557,526	1,075,138	3,702,716	3,264,040
USA	539,217	504,199	149	234
Europe	335,081	291,019	–	51
Others	456,036	286,745	4,329	5,253
	2,887,860	2,157,101	3,707,194	3,269,578

Information about major customer

During the years ended 31 December 2021 and 2020, there is no customer from manufacture and trading of garments segment, brand business nor property investment and development segment which contributed over 10% of the total revenue of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. OTHER GAINS AND LOSSES

	2021 HK\$'000	2020 HK\$'000
Change in fair value of derivative financial instruments	17,108	3,858
Change in fair value of other financial assets at FVTPL	3,956	6,047
Loss on disposal/written-off of property, plant and equipment, net	(796)	(5,387)
Net foreign exchange loss	(9,581)	(6,458)
Increase in fair value of investment properties	129,443	150,479
	140,130	148,539

8. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interests on:		
Bank borrowings and overdrafts	26,747	35,382
Lease liabilities	993	830
Borrowings on discounted bills	1,236	2,135
Total borrowing costs	28,976	38,347
Less: Amount capitalised in investment properties and construction in progress that is arisen from specific borrowings	-	(9,201)
	28,976	29,146

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Directors' and Managing Director's emoluments

The emoluments paid or payable to each of the eight (2020: nine) directors of the Company, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinances, are as follows:

	Other emoluments					Total emoluments HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits schemes contributions HK\$'000	Performance related incentive payments HK\$'000	Equity- settled share option expense HK\$'000	
2021						
<i>Executive directors</i>						
Lam Foo Wah	200	5,070	-	-	-	5,270
Lam Gee Yu, Will	200	3,960	18	1,400	-	5,578
Lam Din Yu, Well	200	3,660	18	1,400	-	5,278
So Siu Hang, Patricia	200	3,430	18	-	-	3,648
<i>Non-executive directors</i>						
Yeung Kwok Wing (Note (a))	-	-	-	-	-	-
Hung Ka Hai, Clement	200	840	-	-	-	1,040
<i>Independent non-executive directors</i>						
Yeung Kwok Wing (Note (a))	200	-	-	-	-	200
Wong Shiu Hoi, Peter (Note (b))	85	-	-	-	-	85
Leung Hok Lim	200	-	-	-	-	200
Chung Kwok Pan	200	-	-	-	-	200
Total for 2021	1,685	16,960	54	2,800	-	21,499

Notes:

- On 4 June 2021, Professor Yeung Kwok Wing was re-designated as an independent non-executive director of the Company.
- After the conclusion of the annual general meeting of the Company held on 4 June 2021, Mr. Wong Shiu Hoi, Peter retired as an independent non-executive director of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

	Fees HK\$'000	Salaries and other benefits HK\$'000	Other emoluments			Total emoluments HK\$'000
			Retirement benefits schemes contributions HK\$'000	Performance related incentive payments HK\$'000	Equity- settled share option expense HK\$'000	
2020						
<i>Executive directors</i>						
Lam Foo Wah	200	4,680	–	390	–	5,270
Lam Gee Yu, Will	200	3,960	18	330	439	4,947
Lam Din Yu, Well	200	3,660	18	305	438	4,621
So Siu Hang, Patricia	200	3,166	18	264	–	3,648
<i>Non-executive directors</i>						
Yeung Kwok Wing	200	–	–	–	–	200
Hung Ka Hai, Clement	200	840	–	–	–	1,040
<i>Independent non-executive directors</i>						
Wong Shiu Hoi, Peter	200	–	–	–	–	200
Leung Hok Lim	200	–	–	–	–	200
Chung Kwok Pan	200	–	–	–	–	200
Total for 2020	1,800	16,306	54	1,289	877	20,326

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

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

In 2020, Mr. Lam Foo Wah resigned as the Managing Director of the Company and Mr. Lam Gee Yu, Will and Mr. Lam Din Yu, Well became the Managing Director and Managing Director (China) of the Company respectively.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Employee's emoluments

Out of the five individuals with the highest emoluments in the Group, four (2020: four) of them are directors of the Company whose emoluments are disclosed above. The emoluments of the remaining one individual (2020: one) are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	1,347	1,560
Retirement benefits schemes contributions	18	18
Performance related incentive payments	550	130
	1,915	1,708

The number of the highest paid individual whose emoluments fell within the following band is as follows:

	2021	2020
HK\$1,500,001 to HK\$2,000,000	1	1

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Current tax charge:		
Hong Kong	3,817	4,749
Mainland China	13,253	17,174
Other jurisdictions	3	–
	17,073	21,923
(Over) underprovision in prior years:		
Hong Kong	118	98
Mainland China	(1,307)	(1,810)
	(1,189)	(1,712)
Deferred taxation (<i>note 20</i>):		
Current year	22,356	16,292
	38,240	36,503

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

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

Under the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% from 1 January 2008 onwards, except for High Fashion Silk (Zhejiang) Co., Ltd. (“High Fashion Silk”) and High Fashion (China) Co., Ltd. (“High Fashion China”), which have been recognised as an advanced technology enterprise by the Mainland China Tax Bureau in 2021. High Fashion Silk and High Fashion China are subject to an income tax rate of 15% for three years starting from the year being recognised as an advanced technology enterprise in Hangzhou.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. INCOME TAX EXPENSE (Cont'd)

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

	2021 HK\$'000	2020 HK\$'000
Profit before taxation	185,854	161,667
Tax at the income tax rate of 16.5% (2020: 16.5%)	30,666	26,675
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,227	6,960
Tax effect of share of results of joint ventures	–	60
Tax effect of income not taxable for tax purpose	(2,585)	(2,850)
Tax effect of expenses not deductible for tax purpose	8,600	8,690
Tax effect of tax losses not recognised	9,759	7,772
Utilisation of tax losses previously not recognised	(2,398)	(2,213)
Overprovision in prior years	(1,189)	(1,712)
Tax relief in relation to additional tax deductions on research and development costs incurred	(6,840)	(6,474)
Others	–	(405)
Income tax expense	38,240	36,503

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11. PROFIT FOR THE YEAR

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

	2021 HK\$'000	2020 HK\$'000
Costs of inventories recognised as expenses (including allowance for inventory obsolescence)	2,360,069	1,588,401
Research and development costs recognised as expenses (included in cost of sales)	45,600	38,185
Cost of properties sold (included in cost of sales)	25,098	135,966
Depreciation of property, plant and equipment	63,255	46,673
Depreciation of right-of-use assets	10,592	11,656
Less: Amount capitalised in inventories	(33,729)	(30,386)
	40,118	27,943
Auditor's remuneration	3,200	3,200
Staff costs (including directors' emoluments):		
Wages, salaries and bonuses	631,898	405,592
Retirement benefits schemes contributions	28,114	29,706
Equity-settled share option expense	–	877
Less: Amount capitalised in investment properties under construction, construction in progress and inventories	(381,154)	(209,397)
	278,858	226,778
Gross rental income from investment properties	(75,712)	(23,367)
Less: Outgoings for investment properties rented out (included in cost of sales)	9,420	8,216
Net rental income	(66,292)	(15,151)
Government grants (included in other income) (Note)	(8,838)	(21,819)
Bank interest income (included in other income)	(19,968)	(16,980)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

12. OTHER COMPREHENSIVE INCOME

	2021 HK\$'000	2020 HK\$'000
Fair value gain on equity instruments at FVTOCI	–	27,895
Gain on revaluation of owner-occupied properties	38,074	105,504
Exchange differences on translation to presentation currency	122,708	171,254
Exchange differences on translation of foreign operations	(32,235)	(10,117)
Other comprehensive income	128,547	294,536
Income tax relating to components of other comprehensive income:		
Revaluation of owner-occupied properties	(9,519)	(19,755)
Other comprehensive income for the year, net of tax	119,028	274,781

13. DIVIDENDS

	2021 HK\$'000	2020 HK\$'000
Dividends recognised as distribution and paid during the year:		
Interim dividend – 2 HK cents per ordinary share for 2021 (2020: nil per ordinary share for 2020)	6,112	–
Final dividend – 3 HK cents per ordinary share for 2020 (2020: HK3 cents per ordinary share for 2019)	9,168	9,168
	15,280	9,168

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of 6 HK cents (2020: final dividend in respect of the year ended 31 December 2020 of 3 HK cents) per ordinary share, in an aggregate amount of HK\$18,337,000 (2020: HK\$9,168,000) has been proposed by the directors of the Company and is subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

14. EARNINGS PER SHARE

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

Earnings

	2021 HK\$'000	2020 HK\$'000
Earnings for the purpose of basic and diluted earnings per share attributable to owners of the Company	147,214	124,518

Number of shares

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

The computation of diluted earnings per share for the years ended 31 December 2021 and 31 December 2020 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings				Plant and equipment	Furniture		Motor vehicles	Total
	Buildings (in Hong Kong)	(outside Hong Kong)	Construction in progress	Leasehold improvements		and fixtures			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000		
Cost									
At 1 January 2020	8,192	399,090	79,914	115,252	548,540	129,609	29,588	1,310,185	
Additions	-	92	61,127	2,947	29,590	7,714	1,452	102,922	
Transfers	55,648	483	(77,648)	7,290	14,227	-	-	-	
Transfers to investment properties	(23,024)	(32,691)	-	-	-	-	-	(55,715)	
Disposals/written-off	-	-	-	(5,804)	(50,568)	(7,530)	(774)	(64,676)	
Exchange realignment	-	18,171	1,295	10,887	17,589	6,497	1,281	55,720	
At 31 December 2020	40,816	385,145	64,688	130,572	559,378	136,290	31,547	1,348,436	
Additions	-	-	42,873	5,370	10,737	7,185	881	67,046	
Transfers	-	6,120	(69,935)	15,285	34,646	13,793	91	-	
Transfers to investment properties	-	(109,523)	(27,502)	-	-	-	-	(137,025)	
Disposals/written-off	-	-	-	(29)	(14,660)	(3,566)	(1,308)	(19,563)	
Exchange realignment	-	15,948	1,608	4,068	16,163	3,861	592	42,240	
At 31 December 2021	40,816	297,690	11,732	155,266	606,264	157,563	31,803	1,301,134	
Accumulated depreciation and impairment									
At 1 January 2020	3,928	124,511	-	111,690	420,462	94,954	26,178	781,723	
Provided for the year	464	9,662	-	4,664	24,439	5,761	1,683	46,673	
Transfers to investment properties	(1,590)	(9,012)	-	-	-	-	-	(10,602)	
Eliminated on disposals/written-off	-	-	-	(5,598)	(45,554)	(7,493)	(652)	(59,297)	
Exchange realignment	-	6,361	-	5,576	17,518	5,000	857	35,312	
At 31 December 2020	2,802	131,522	-	116,332	416,865	98,222	28,066	793,809	
Provided for the year	1,479	15,264	-	12,380	24,691	8,589	852	63,255	
Transfers to investment properties	-	(38,052)	-	-	-	-	-	(38,052)	
Eliminated on disposals/written-off	-	-	-	-	(11,590)	(3,219)	(1,178)	(15,987)	
Exchange realignment	-	5,133	-	3,746	11,681	2,689	491	23,740	
At 31 December 2021	4,281	113,867	-	132,458	441,647	106,281	28,231	826,765	
Carrying value									
At 31 December 2021	36,535	183,823	11,732	22,808	164,617	51,282	3,572	474,369	
At 31 December 2020	38,014	253,623	64,688	14,240	142,513	38,068	3,481	554,627	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

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

The Group has pledged its buildings in Hong Kong with a net book value of approximately HK\$36,535,000 (2020: HK\$38,014,000) to secure general banking facilities granted to the Group.

16. RIGHT-OF-USE ASSETS

	Leasehold land HK\$'000	Leased properties HK\$'000	Total HK\$'000
As at 31 December 2021			
Carrying amount	57,468	17,114	74,582
As at 31 December 2020			
Carrying amount	60,099	23,936	84,035
For the year ended 31 December 2021			
Depreciation charge	3,218	7,374	10,592
For the year ended 31 December 2020			
Depreciation charge	2,324	9,332	11,656

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

	2021 HK\$'000	2020 HK\$'000
Expenses relating to short-term leases	3,028	5,712
Variable lease payments not included in lease liabilities	–	562
Total cash outflow for leases	8,024	15,430
Addition of right-of-use assets	–	14,354
Disposal of right-of-use assets	(1,776)	–
Transfer to investment properties	(1,319)	(1,256)

For both years, the Group leases various offices premises, retail stores, factories and warehouses for its operations. Lease contracts are entered into for fixed term of 12 months to 10 years (2020: 12 months to 10 years), but may have termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

The Group regularly entered into short-term leases for retail stores. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Leases of retail stores are either with only fixed lease payments or contain variable lease payment that are based on certain percentage of gross sales when the sales meet certain specified level and minimum annual lease payment that are fixed over the lease term. For leases with both fixed and variable lease payments, the amount of fixed and variable lease payments paid/payable to relevant lessors for the year ended 31 December 2021 are HK\$848,000 and nil respectively (2020: fixed and variable lease payments paid/payable to relevant lessors are HK\$4,629,000 and HK\$562,000 respectively). The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

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

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

	Lease liabilities recognised as at 31 December 2021 HK\$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK\$'000	Lease liabilities recognised as at 31 December 2020 HK\$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK\$'000
Warehouse	-	-	2,029	270

The Group has pledged its leasehold land with a carrying amount of approximately HK\$1,003,000 (2020: HK\$1,053,000) to secure general banking facilities granted to the Group.

In addition, lease liabilities of HK\$18,410,000 (2020: HK\$25,416,000) are recognised with related right-of-use assets of HK\$17,114,000 (2020: HK\$23,936,000) as at 31 December 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 32.

Notes to the Consolidated Financial Statements

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17. INVESTMENT PROPERTIES

	Completed investment properties HK\$'000	Investment properties held for development/ under construction HK\$'000	Total HK\$'000
FAIR VALUE			
At 1 January 2020	740,714	1,379,474	2,120,188
Additions	–	141,458	141,458
Transfer	1,027,763	(1,027,763)	–
Transfer from property, plant and equipment and right-of-use assets	151,873	–	151,873
Increase in fair value recognised in profit or loss (included in other gains and losses) – unrealised	129,324	21,155	150,479
Exchange realignment	44,257	22,661	66,918
At 31 December 2020	2,093,931	536,985	2,630,916
Additions	–	158,027	158,027
Transfer	508,733	(508,733)	–
Transfer from property, plant and equipment and right-of-use assets	138,366	–	138,366
Increase in fair value recognised in profit or loss (included in other gains and losses) – unrealised	84,359	45,084	129,443
Exchange realignment	39,914	4,550	44,464
At 31 December 2021	2,865,303	235,913	3,101,216

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

17. INVESTMENT PROPERTIES (Cont'd)

During the year ended 31 December 2021, certain property, plant and equipment and right-of-assets with carrying amounts of HK\$98,973,000 and HK\$1,319,000, respectively (2020: property, plant and equipment and right-of-assets with carrying amounts of HK\$45,113,000 and HK\$1,256,000, respectively), were transferred to investment properties. Valuations which were made by Centaline Surveyors Limited and 新昌信安達資產評估有限公司, independent qualified professional valuers not connected with the Group, at the date of transfer was approximately HK\$138,366,000 (2020: HK\$151,873,000). The difference between the carrying amount and the fair value of these properties amounting to HK\$38,074,000 (2020: HK\$105,504,000) was credited to “property revaluation reserve”.

The fair value of the Group’s investment properties at 31 December 2021 have been arrived at on the basis of a valuation carried out by Centaline Surveyors Limited and 新昌信安達資產評估有限公司, independent qualified professional valuers not connected with the Group. Centaline Surveyors Limited are members of the Institute of Valuers, while 新昌信安達資產評估有限公司 are certified public valuers in the Mainland China.

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

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

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

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

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

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17. INVESTMENT PROPERTIES (Cont'd)

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

Description	Fair value as at		Valuation techniques	Unobservable inputs	Relationship of inputs to fair value
	2021 HK\$'000	2020 HK\$'000			
Completed investment properties					
Office premises					
– Shenzhen	220,877	212,423	Income capitalisation approach	(i) Capitalisation rate of 4.5% (2020: 4.5%), taking into account the capitalisation of rental income potential and nature of properties (ii) Monthly market rent of RMB126 (2020: RMB125) per month per square meter in average	The higher the capitalisation rate, the lower the fair value The higher the market rent, the higher the fair value
– Xiaoshan	513,226	270,543	Income capitalisation approach	(i) Capitalisation rate of 7.7% (2020: 7.5%), taking into account the capitalisation of rental income potential and nature of properties (ii) Monthly market rent of RMB20 (2020: RMB17) per month per square meter in average	The higher the capitalisation rate, the lower the fair value The higher the market rent, the higher the fair value
– Shanghai	43,051	41,181	Income capitalisation approach	(i) Capitalisation rate of 4.7% (2020: 4.7%), taking into account the capitalisation of rental income potential and nature of properties (ii) Monthly market rent of RMB27 (2020: RMB27) per month per square meter in average	The higher the capitalisation rate, the lower the fair value The higher the market rent, the higher the fair value
Retail premises					
– Xinchang	327,553	319,784	Income capitalisation approach	(i) Capitalisation rate of 4.0% (2020: 4.0%), taking into account the capitalisation of rental income potential and nature of properties (ii) Monthly market rent of RMB20 (2020: RMB19) per month per square meter in average	The higher the capitalisation rate, the lower the fair value The higher the market rent, the higher the fair value

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17. INVESTMENT PROPERTIES (Cont'd)

Description	Fair value as at		Valuation techniques	Unobservable inputs	Relationship of inputs to fair value
	2021 HK\$'000	2020 HK\$'000			
Completed investment properties (Cont'd)					
Commercial Complex – Hong Kong	1,356,000	1,250,000	Comparison approach	Market price of HK\$8,400 (2020: HK\$7,700) per square foot in average and adjusting for age, location, condition and surrounding facilities of the properties	The higher the market price, the higher the fair value
– Tonglu	404,596	(Note a)	Comparison approach	Market price of RMB16,000 per square foot in average and adjusting for age, location, condition and surrounding facilities of the properties	The higher the market price, the higher the fair value
Investment properties held for development/under construction					
Commercial Complex – Tonglu	(Note a)	414,889	Residual approach	(i) Monthly market price of RMB15,400 per month per square meter in average (ii) Construction costs of RMB8,400 per square meter	The higher the market price, the higher the fair value The higher the costs, the lower the fair value
– Xiaoshan	235,913	(Note b)	Residual approach	(i) Market price of RMB3,900 per square meter in average and adjusting for location of the land (ii) Construction costs of RMB3,400 per square meter	The higher the market price, the higher the fair value The higher the costs, the lower the fair value
Vacant land – Xiaoshan	(Note b)	122,096	Residual approach	Market price of RMB1,226 per square meter in average and adjusting for location of the land	The higher the market price, the higher the fair value
	3,101,216	2,630,916			

Notes:

- a. The construction of the commercial complex at Tonglu was completed and was leased for rental income during the year.
- b. The land at Xiaoshan commenced construction of commercial complex during the year.

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

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18. INTERESTS IN JOINT VENTURES

	2021 HK\$'000	2020 HK\$'000
Cost of unlisted investments in joint ventures	17,407	17,407
Share of post-acquisition losses	(13,963)	(13,963)
Exchange realignment	4,115	3,855
	7,559	7,299

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

On 26 September 2014, the High Court of the Hong Kong Special Administrative Region made an interim order ("Longford Order") to New Media, under which the bank mandate of Longford had to be followed to the effect that one representative of the Group and Ms. Leong shall form joint signatories of the bank account and to operate it jointly. As a result of the Longford Order, Longford has become effectively jointly controlled by New Media and Ms. Leong as decisions regarding the relevant activities of Longford effectively required unanimous consent of both the Group and Ms. Leong starting from 26 September 2014. As the Longford Order has not been released as at 31 December 2021, Longford is accounted for as a joint venture of the Group irrespective of the Group's 65% effective shareholding thereon.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. INTERESTS IN JOINT VENTURES (Cont'd)

As at 31 December 2021 and 2020, the Group has interests in the following joint ventures:

Name	Form of business structure	Place of registration and operations	Percentage of						Principal activities
			Ownership interest		Voting power of the board of directors		Profit sharing		
			2021	2020	2021	2020	2021	2020	
			%	%	%	%	%	%	
Hangzhou Dalifu Silk Finishing Co., Ltd. <i>(note i)</i>	Established	Mainland China	51	51	50	50	51	51	Dyeing, printing and sandwashing of fabric
The Silk Passion Company Limited ("Silk Passion") <i>(notes ii & iii)</i>	Incorporated	Hong Kong	51	51	60	60	51	51	Dormant
Longford	Established	Mainland China	65	65	67	67	65	65	E-commerce

Notes:

- (i) This joint venture provides subcontracting services to the Group during both years.
- (ii) This joint venture aims to enter into the fashion market in France.
- (iii) The Group holds 51% of the registered/issued share capital and 60% voting power of the board of directors of Silk Passion. However, under the joint venture agreement of Silk Passion, all significant events including operating and financial decisions must require unanimous consent by the Group and the other shareholder. Therefore, Silk Passion is classified as joint venture of the Group.

Notes to the Consolidated Financial Statements

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18. INTERESTS IN JOINT VENTURES (Cont'd)

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

	2021 HK\$'000	2020 HK\$'000
Group's share of losses of joint ventures	-	365

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

	2021 HK\$'000	2020 HK\$'000
Unrecognised share of losses of joint ventures for the year	2	2
Accumulated unrecognised share of losses of these joint ventures	8,245	8,243

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

Notes to the Consolidated Financial Statements

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19. EQUITY INSTRUMENTS AT FVTOCI

	2021 HK\$'000	2020 HK\$'000
Unlisted equity investments	16,416	25,797
Less: Amount classified as assets held for sale shown under current assets	–	(9,381)
Amount shown under non-current assets	16,416	16,416

Amount represents the Group's 2.1% equity interests in a private entity incorporated in the British Virgin Islands ("BVI") for long-term strategic purpose. The directors of the Company have elected to designate these investments as equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

In 2020, the Group disposed of its 0.95% equity interests in the above investment at a consideration of approximately HK\$21.1 million, which was also the fair value as at the date of disposal ("Disposal Date"). A cumulative gain on disposal of HK\$20,657,000 was transferred to retained profits. The Group also entered into an agreement with a third party pursuant to which the Group was entitled to request the third party to purchase from the Group its 0.42% equity interests in the investee, exercisable at any time beginning on or after the Disposal Date until twelve months after the Disposal Date (the "Put Option").

In the current year, the Group exercised the Put Option to dispose of its 0.42% equity interest in the above investment at a consideration of approximately HK\$9.4 million, which was also the fair value as at the date of disposal. A cumulative gain on disposal of HK\$9,354,000 was transferred to retained profits during the year.

Notes to the Consolidated Financial Statements

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20. DEFERRED TAXATION

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

	Deferred tax assets						
	Unrealised profit arising on intra-group transactions	Allowance for credit losses	Allowance on obsolete inventories	Impairment loss on property, plant and equipment	Government grant received in respect of properties	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	386	3,193	15,727	2,990	6,478	337	29,111
Credit (charge) to profit or loss	(386)	157	515	–	(39)	–	247
Exchange realignment	–	92	692	176	483	20	1,463
At 31 December 2020	–	3,442	16,934	3,166	6,922	357	30,821
Credit (charge) to profit or loss	–	157	9,934	–	(251)	1,668	11,508
Exchange realignment	–	14	196	99	216	11	536
At 31 December 2021	–	3,613	27,064	3,265	6,887	2,036	42,865

	Deferred tax liabilities (assets)							
	Accelerated tax depreciation	Revaluation of investment properties	Revaluation of transferred properties to investment properties	Acquisition cost of land use rights	Withholding tax in respect of undistributed earnings of subsidiaries in Mainland China	Fair value change of derivative financial instruments and structured deposits	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	1,588	194,185	83,652	1,274	19,689	1,101	(47,287)	254,202
(Credit) charge to profit or loss	58	27,229	–	–	–	346	(11,094)	16,539
Charge to other comprehensive income	–	–	19,755	–	–	–	–	19,755
Exchange realignment	–	5,860	3,016	236	–	83	–	9,195
At 31 December 2020	1,646	227,274	106,423	1,510	19,689	1,530	(58,381)	299,691
(Credit) charge to profit or loss	(644)	23,692	–	–	–	(612)	11,428	33,864
Charge to other comprehensive income	–	–	9,519	–	–	–	–	9,519
Exchange realignment	–	3,285	1,861	47	–	40	–	5,233
At 31 December 2021	1,002	254,251	117,803	1,557	19,689	958	(46,953)	348,307

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For the year ended 31 December 2021

20. DEFERRED TAXATION (Cont'd)

Under the law in Mainland China, withholding tax is imposed on dividends declared to non-residents in respect of profits earned by subsidiaries in the Mainland China from 1 January 2008 onwards. Deferred tax liabilities have not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits earned by subsidiaries in the Mainland China amounting to HK\$1,033,067,000 (2020: HK\$1,010,960,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

The Group has estimated unused tax losses of HK\$649,549,000 (2020: HK\$692,692,000) available for offsetting against future taxable profits of the companies in which the losses arose. A deferred tax asset has been recognised in respect of HK\$284,563,000 (2020: HK\$353,824,000) of the temporary differences, while no deferred tax asset has been recognised in respect of the remaining temporary differences of HK\$364,986,000 (2020: HK\$338,868,000) due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$125,923,000 (2020: HK\$107,215,000) that will expire in 2029 to 2039. Other tax losses may be carried forward indefinitely.

21. OTHER NON-CURRENT ASSETS

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Life insurance contract	<i>(a)</i>	32,241	32,674
Customs deposit	<i>(b)</i>	36,670	–
Deposit for purchasing a leasehold land		20,357	–
		89,268	32,674

Notes:

- (a) The Group entered into a life insurance contract with an insurance company to insure an executive director. Under the contract, the beneficiary and contract holder is High Fashion Garments Management Limited (“HFGML”), a wholly owned subsidiary of the Company, and the total insured sum is approximately United States Dollar (“US\$”) 10,000,000 (equivalent to HK\$77,500,000). HFGML paid a gross premium of US\$3,582,000 (equivalent to HK\$27,763,000), including a premium charge at inception of the contract amounting to US\$215,000 (equivalent to HK\$1,666,000). HFGML may request a partial surrender or full surrender of the contract at any time and receive cash based on the cash value of the contract at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed income earned and minus insurance premium charged at inception. In addition, if withdrawal is made between the 1st to 15th year, there is a specified surrender charge. The insurer will pay HFGML a guaranteed interest of 5.2% per annum for the first year, followed by minimum guaranteed return of 3% per annum for the following years, with the actual return determined at the discretion of the insurer.

Notes to the Consolidated Financial Statements

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21. OTHER NON-CURRENT ASSETS (Cont'd)

Notes: (Cont'd)

(a) (Cont'd)

At the inception date, the gross premium was separated into the investment component of a life insurance contract and prepayment of life insurance premium. The prepayment of life insurance premium was amortised to profit or loss over the insured period and the investment component is classified as a financial asset at FVTPL as contractual rights to cash flows do not represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding upon initial application of HKFRS 9 at 1 January 2018. At 31 December 2021, the fair value of the investment component of a life insurance contract was HK\$32,241,000 (2020: HK\$32,183,000), while the carrying amount of the prepayment of premium was nil (2020: HK\$491,000).

(b) The deposit of RMB30,000,000 (equivalent to HK\$36,670,000) (2020: RMB30,000,000 (equivalent to HK\$35,562,000) in current assets) paid to the customs authority in Shaoxing City of Zhejiang Province in the Mainland China in relation to an ongoing enquiry of customs duty for import of certain machinery parts and apparel accessories for manufacturing by the factories in the Mainland China into China.

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

After the legal proceedings in 2017 and 2018, management of the Group had sought advice from legal professionals in the Mainland China, who advised that the evidence relied upon by the court is not factually supported, against which the Group has strong grounds to refute. Nevertheless, the Group may still be subject to a penalty for not complying the processing trade requirement, which is estimated to be approximately RMB2,000,000 (equivalent to HK\$2,445,000) (2020: RMB2,000,000 (equivalent to HK\$2,371,000)). The Group has made a provision for penalty for the same amount accordingly since 2018.

In May 2019, a court hearing was held by the Higher People's Court of Zhejiang Province to hear the defense opinion from the Group. In July 2019, the Zhejiang People's Procuratorate (浙江省人民檢察院) visited the Group's office in Hangzhou and performed various verification of defense evidence. According to the external lawyer in the Mainland China, the verification process is a common judicial practice in the Mainland China and it implies a favourable outlook to the Group. As at 31 December 2021, the Group has not yet received the judgment from the court and the external lawyer remains the same view.

Based on the latest external legal advice, the final ruling of the court will not be probable in the next twelve months from the end of the reporting period, and therefore, the deposit and provision have been presented as a non-current asset and a non-current liability (2020: a current asset and a current liability), respectively, in the consolidated statement of financial position.

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For the year ended 31 December 2021

22. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Raw materials	205,882	134,510
Work in progress	213,777	125,376
Finished goods	180,678	87,937
	600,337	347,823

23. PROPERTIES HELD FOR SALE

	2021 HK\$'000	2020 HK\$'000
Completed properties	22,042	40,449
Analysis of leasehold land:		
Carrying amount	3,606	6,617

The carrying amount of leasehold land is measured at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold land taking into account the estimated residual values as at 31 December 2021.

All the completed properties as at 31 December 2021 and 2020 are expected to be realised after twelve months.

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24. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables		
Contracts with customers	535,998	461,060
Rental	1,506	6,380
	537,504	467,440
Less: Allowance for credit losses	(19,774)	(14,092)
	517,730	453,348

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

At 1 January 2020, trade receivables from contracts with customers net of allowance for credit losses amounted to HK\$527,484,000.

At 31 December 2021, total sales invoices amounting to HK\$4,516,000 (2020: HK\$39,024,000) are held by the Group for future settlement of trade receivables that are pledged by the Group for bank borrowings.

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

	2021 HK\$'000	2020 HK\$'000
Within 90 days	460,373	352,223
91 to 180 days	46,310	27,436
181 to 360 days	3,260	66,843
Over 360 days	7,787	6,846
	517,730	453,348

At 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$68,014,000 (2020: HK\$152,314,000) which are past due as at the reporting date. The trade receivables which have been past due 90 days or more from the reporting date amounted to HK\$25,323,000 (2020: HK\$82,469,000), of which HK\$10,968,000 (2020: HK\$72,176,000) are not considered as defaulted due to long and on-going business relationship and by considering the expected subsequent and historical repayment from these customers. The Group does not hold any collateral over these balances.

Details of impairment assessment on trade and lease receivables are set out in note 41.

Notes to the Consolidated Financial Statements

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25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Customs deposit (<i>Note 21(b)</i>)	–	35,562
Prepayments and advances to suppliers	58,782	49,856
Value-added tax receivables and prepaid other taxes	30,334	20,287
Other receivables	15,335	12,580
Utility and other deposits	8,201	8,616
Others	782	1,850
	113,434	128,751

Details of impairment assessment on other receivables and refundable rental deposits are set out in note 41.

26. AMOUNTS DUE FROM JOINT VENTURES

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

The amounts due from joint ventures represent receivable of HK\$5,395,000 (2020: HK\$5,395,000) which is non-trade in nature. At 31 December 2020, the Group assessed the ECL for amount due from Longford in accordance with HKFRS 9 as described in note 41. In prior years, the Group considered the prospect of recovery is remote due to the legal dispute and determined that a full impairment should be made after assessment and an impairment loss of HK\$17,086,000 was recognised in profit or loss.

Details of impairment assessment on amounts due from joint ventures are set out in note 41.

Notes to the Consolidated Financial Statements

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27. OTHER FINANCIAL ASSETS AT FVTPL

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Structured deposits	<i>(a)</i>	564,281	610,389
Unlisted funds in the Mainland China	<i>(b)</i>	77,548	–
Unlisted fund in Hong Kong	<i>(c)</i>	18,421	–
		660,250	610,389

Notes:

- (a) The structured deposits are placed with banks in the Mainland China with coupon linked to certain exchange rates and interest rates detailed below. The structured deposits are classified as financial assets at FVTPL on initial recognition.

Major terms of the structured deposits are as follows:

Principal amount	Maturity <i>(note i)</i>	Annual coupon rate	<i>Notes</i>
As at 31 December 2021			
RMB367,500,000	January – December 2022	From 1.0% to 2.8%	<i>(ii)</i>
RMB92,000,000	January 2022	From 1.15% to 2.1%	<i>(iii)</i>
As at 31 December 2020			
RMB419,790,000	January – December 2021	From 1.0% to 1.7%	<i>(ii)</i>
RMB92,000,000	January 2021	From 1.15% to 2.1%	<i>(iii)</i>

Notes:

- (i) All the deposits are subject to the option for early termination by issuing banks.
- (ii) The annual coupon rate is dependent on whether the spot rate for conversion of Euro (“EUR”), Japanese Yen and Australia Dollar for US\$ as prevailing in the international foreign exchange market falls within ranges as specified in the relevant agreements during the period from inception date to maturity date of the relevant agreements.
- (iii) The annual coupon rate is dependent on whether 3-month US\$ London Interbank Offered Rate (“LIBOR”) falls within ranges as specified in the relevant agreement during the period from inception date to maturity date of the relevant agreement.
- (iv) As at 31 December 2021, the Group’s structured deposits of HK\$564,281,000 (2020: HK\$540,319,000) were pledged to banks for the Group’s banking facilities.

Notes to the Consolidated Financial Statements

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27. OTHER FINANCIAL ASSETS AT FVTPL (Cont'd)

Notes: (Cont'd)

- (b) The unlisted funds in the Mainland China with principal amount of RMB63,000,000 (equivalent to approximately HK\$77,008,000) have expected return ranging from 2.1% per annum to 3.1% per annum and they are due to redeemable at any time.
- (c) The unlisted fund in Hong Kong with principal amount of RMB15,000,000 (equivalent to approximately HK\$18,335,000) and have expected minimum return of 8% per annum and the principal amount and the return thereof are guaranteed by a company listed on the Main Board of the Hong Kong Stock Exchange. The unlisted fund is redeemable in whole or partially every six months.

The above structured deposits and unlisted funds are stated at fair value based on valuation provided by respective counterparties. The fair values are calculated using discounted cash flow analysis based on the applicable yield curves of relevant rates of return, exchange rates and interest rates. Details of which are set out in note 41.

28. SHORT-TERM BANK DEPOSITS

The short-term bank deposits carry interests rate at a range from 1.5% to 2.0% (2020: rate at a range from 1.50% to 3.02%) per annum.

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

As at 31 December 2021 and 2020, the Group's short-term deposits were pledged to banks for the Group's banking facilities.

Details of impairment assessment of short-term bank deposits are set out in note 41.

29. BANK BALANCES AND CASH

Bank balances carry interests at market rates which range from 0.001% to 0.35% (2020: 0.001% to 1.5%) per annum.

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

Details of impairment assessment of bank balances are set out in note 41.

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30. TRADE PAYABLES

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

	2021 HK\$'000	2020 HK\$'000
Within 90 days	517,560	235,287
91 to 180 days	12,258	19,252
181 to 360 days	11,671	4,975
Over 360 days	12,908	10,737
	554,397	270,251
Accrued purchases	27,195	144,544
	581,592	414,795

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

The Group's trade payables included trade payables under supplier finance arrangements in which the Group has issued bills with the carrying amount of HK\$17,634,000 as at 31 December 2021 (2020: HK\$68,211,000) to the relevant suppliers for future settlement and continues to recognise trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension.

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

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31. OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Accruals	31,143	32,193
Construction costs payable	23,441	53,643
Payables to non-trade suppliers	81,829	42,431
Payable for acquisition of property, plant and equipment	–	12
Overpayment from customers	198	1,964
Staff salaries and welfare payable and bonus provision	110,119	63,426
Value-added tax payable	20,311	25,789
Others	17,092	18,618
	284,133	238,076

32. LEASE LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Lease liabilities payable:		
Within one year	6,006	7,254
Within a period of more than one year but not more than two years	4,704	6,143
Within a period of more than two year but not more than five years	7,218	11,033
Within a period of more than five years	482	986
	18,410	25,416
Less: Amount due for settlement within 12 months shown under current liabilities	(6,006)	(7,254)
Amount due for settlement after 12 months shown under non-current liabilities	12,404	18,162

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32. LEASE LIABILITIES (Cont'd)

The incremental borrowing rates applied to lease liabilities ranging from 3.9% to 5.2% (2020: ranging from 1.8% to 5.5%) per annum.

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

	US\$ HK\$'000	Great Britain Pound HK\$'000
As at 31 December 2021	–	–
As at 31 December 2020	7,497	923

33. AMOUNT DUE TO AN ASSOCIATE

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

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

34. CONTRACT LIABILITIES

All contract liabilities of the Group as at 31 December 2020 and 2021 represent receipts in advance from customers for sale of garment products and were/are expected to be recognised as revenue during the year ended 31 December 2021 and 2022, respectively. As at 1 January 2020, such contract liabilities amounted to HK\$189,553,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Foreign exchange forward contracts	1,663	3,091	-	-
Interest rate swap contract	-	(577)	1,989	(1,081)

The foreign exchange forward contracts as at 31 December 2021 sell an aggregate notional amount of US\$33,500,000 (2020: US\$5,350,000) for Renminbi at exchange rates of RMB6.3050-6.5155:US\$1 (2020: RMB6.6025-6.6305:US\$1), with maturity date for the period from 7 January 2022 to 24 February 2022 (2020: from 25 January 2021 to 25 March 2021).

The interest rate swap contract as at 31 December 2021 swap the interest rate from HIBOR to 0.38% (2020: from HIBOR to 0.38%) per annum for an aggregate notional amount of HK\$480,000,000 (2020: HK\$480,000,000), with maturity date on 17 October 2023 (2020: 17 October 2023).

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36. BANK BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Bank borrowings (including discounted bills with full recourse)	1,677,079	1,709,362
Analysed as:		
Secured	1,162,102	1,119,352
Unsecured	514,977	590,010
	1,677,079	1,709,362
Carrying amount of bank borrowings repayable based on scheduled repayment dates set out in the loan agreements:		
Within one year	93,269	11,366
More than one year, but not exceeding two years	118,000	55,000
More than two years, but not exceeding five years	950,833	1,015,000
	1,162,102	1,081,366
Carrying amount of bank borrowings that contain a repayment on demand clause based on scheduled repayment dates set out in the loan agreements:		
Within one year	514,977	627,996
	1,677,079	1,709,362
Less: Amount due within one year shown under current liabilities	608,246	639,362
Amount shown under non-current liabilities	1,068,833	1,070,000

The ranges of effective interest rates (which are same as the contracted interest rates) on the Group's variable-rate bank borrowings are from 0.9% to 3.1% (2020: from 1.1% – 3.3%) per annum.

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For the year ended 31 December 2021

37. PROVISION FOR LONG SERVICE PAYMENTS

	HK\$'000
At 1 January 2020	2,729
Amount reversed during the year	(7)
Amount utilised during the year	(77)
At 31 December 2020	2,645
Amount accrued during the year	76
At 31 December 2021	2,721

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

38. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	1,000,000	100,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	305,616	30,562

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

39. SHARE-BASED PAYMENTS

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

At 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 5,000,000 (2020: 5,000,000), which if exercised in full representing 1.64% (2020: 1.64%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual (including exercised, cancelled and outstanding options) in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. In addition, any share options to a substantial shareholder of the Company and/or an independent non-executive director of the Company or any of their respective associates that would result in the total number of shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceeding 0.1% of the shares in issue and with an aggregate value (based on the price of the shares on the date of grant) in excess of HK\$5 million is subject to shareholders' approval in a general meeting.

No consideration is payable by the grantee in respect of the acceptance of the offer of grant of the option. The exercise period of the share options granted is determinable by the directors of the Company, but no later than 10 years from the date of the offer. The minimum period for which an option must be held before it can be exercised is to be determined by the directors of the Company after having regard to the particular circumstances of each grantee.

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

Details of options granted are as follows:

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

There is no movement of the Company's share options granted during the years ended 31 December 2021 and 2020.

The Group did not recognise any expense for the year ended 31 December 2021 (2020: an expense of HK\$877,000) in relation to share options granted by the Company.

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40. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank borrowings and lease liabilities disclosed in notes 36 and 32, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
Financial assets		
Derivative financial instruments	3,652	3,091
Equity instruments at FVTOCI	16,416	25,797
Financial assets mandatorily measured at FVTPL	692,491	642,572
Financial assets at amortised cost	984,951	1,205,856
Financial liabilities		
Derivative financial instruments	–	1,658
Amortised cost	2,364,524	2,220,826

Financial risk management objectives and policies

The Group's financial instruments include investment component of a life insurance contract, trade receivables, deposits and other receivables, derivative financial instruments, equity instruments at FVTOCI, amounts due from joint ventures, structured deposits, unlisted funds, short-term bank deposits, bank balances, trade payables, other payables, amount due to an associate and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases. The carrying amounts of major foreign currency denominated monetary assets and monetary liabilities (including trade receivables, deposits and other receivables, short-term bank deposits, bank balances and cash, trade payables, other payables and bank borrowings) which expose the Group to foreign currency risk at the end of the reporting period are as follows:

	Assets		Liabilities	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
HK\$ against RMB	1,056	80,566	800	–
US\$ against RMB	17,976	35,882	88	36,783
RMB against HK\$	67,904	1,437	1,019	6,713

In addition, the Group was exposed to foreign currency risks arising from foreign currency forward contracts which were not subject to cash flow hedges at 31 December 2021 and 2020. Management of the Group monitors foreign exchange exposure and considers hedging significant foreign exchange exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) strengthening in the group entities' functional currencies against the relevant foreign currencies except for the Group's exposure of US\$ relative to HK\$ since the directors of the Company consider HK\$ is pegged to US\$ and the exposure related to US\$ is insignificant. 5% (2020: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates. A positive/negative number below indicates an increase/decrease in post-tax profit for the year.

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41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Currency risk (Cont'd)

Sensitivity analysis (Cont'd)

	Impact on HK\$		Impact on US\$		Impact on RMB	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Profit or loss	(2,759)	(2,650)	–	79	(678)	225

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

No sensitivity analysis on foreign exchange forward contracts is performed for the years ended 31 December 2021 and 2020 as it is not regarded as significant.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits and lease liabilities. The Group is also exposed to cash flow interest rate risk relating to the variable-rate bank balances, bank borrowings and derivative financial instruments, including interest rate swap, which mainly concentrated on fluctuation of HIBOR. Management of the Group monitors interest rate exposure and considers hedging significant interest rate exposure should the need arise.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative nearly risk-free rates. As listed in note 36, all of the Group's HIBOR bank borrowings may be subject to the interest rate benchmark reform. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Sensitivity analysis

For the variable-rate bank balances at 31 December 2021 and 2020, the directors of the Company consider the Group's exposure to cash flow interest rate risk is minimal taking into account the minimal fluctuation on market interest rate. Accordingly, no sensitivity analysis on interest rate risk on bank balances is presented.

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis includes the variable-rate bank borrowings, assuming that outstanding balances at the end of the reporting period are outstanding for the whole year, and interest rate swaps. A 50 basis points (2020: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rate.

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41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Interest rate risk (Cont'd)

Sensitivity analysis (Cont'd)

If interest rates had been 50 basis points (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately HK\$7,006,000 (2020: HK\$7,141,000).

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Price risk

The Group is exposed to equity price risk through its equity interests in private entity for long term strategic purposes which has been designated as financial assets at FVTOCI. In addition, the Group also measured investment component of a life insurance contract, derivative financial instruments, structured deposits and unlisted funds at FVTPL. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis for investment component of a life insurance contract and unquoted equity investments with fair value measurement are not disclosed as the effect is considered insignificant.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, deposits, other receivables, amounts due from joint ventures, short-term deposits and bank balances, whose carrying amounts best represent the maximum exposure to credit risk. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

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41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

The Group performed impairment assessment for trade receivables and other financial assets (deposits, other receivables, amounts due from joint ventures, short-term deposits and bank balances) under ECL model.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due over 30 days amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost which are subject to ECL assessment:

	Notes	External credit rating	12-month or lifetime ECL	Gross carrying amount	
				2021 HK\$'000	2020 HK\$'000
Trade receivables	24	N/A	Lifetime ECL (not credit-impaired)	523,149	452,648
		N/A	Lifetime ECL (credit-impaired)	14,355	14,792
Deposits and other receivables	25	N/A	12-month ECL (not credit-impaired)	24,318	23,046
Amounts due from joint ventures	26	N/A	12-month ECL (not credit-impaired)	5,395	5,395
		N/A	Lifetime ECL (credit-impaired)	17,086	17,086
Short-term bank deposits	28	Baa1 – Aa3	12-month ECL (not credit-impaired)	19,981	13,988
Bank balances	29	Baa1 – Aa3	12-month ECL (not credit impaired)	416,987	709,482

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41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

Trade receivables

Before accepting any new customer, the Group assesses the potential customer's credit quality by internal credit rating and defines credit limits by customer. Credit limits attributed to customers are reviewed twice a year. The terms of payment of the major customers are under bank's letter of credit. Other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables which are not credit-impaired collectively grouped by internal credit rating and individually for debtors which are credit impaired. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The expected credit losses on trade receivables are estimated by reference to past due status of the individual debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, future economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The debtors which are not credit-impaired are grouped by internal credit rating and assessed collectively as below:

Internal credit rating	2021			2020		
	Loss rate	Gross carrying amount	Impairment loss allowance	Loss rate	Gross carrying amount	Impairment loss allowance
		HK\$'000	HK\$'000		HK\$'000	HK\$'000
Low risk	0.46%	393,333	1,810	0.52%	399,431	2,077
Watch list	1.98%	52,516	1,039	2.09%	38,082	796
Doubtful	6.02%	77,300	4,650	6.12%	15,135	926
		523,149	7,499		452,648	3,799

An estimated loss rate is applied to each group of internal credit rating. The loss rates are estimated taking into consideration past repayment histories and proxy to default rates published by international credit-rating agencies and are adjusted for forward-looking information.

Debtors which are credit impaired with gross carrying amounts of HK\$14,355,000 (2020: HK\$14,792,000) are assessed individually, with impairment allowance on the fully impaired balance of HK\$10,421,000 (2020: HK\$9,534,000) and partially impaired balance of HK\$1,854,000 (2020: HK\$759,000) made at 31 December 2021.

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For the year ended 31 December 2021

41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

*Credit risk and impairment assessment (Cont'd)**Trade receivables (Cont'd)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
At 1 January 2020	4,450	6,078	10,528
Changes due to trade receivables recognised at 1 January 2020:			
Transfer to credit-impaired	(45)	45	–
Impairment loss recognised	–	5,359	5,359
Impairment loss reversed	(4,405)	(1,125)	(5,530)
Write off	–	(298)	(298)
New trade receivables originated	3,799	–	3,799
Exchange realignment	–	234	234
At 31 December 2020	3,799	10,293	14,092
Changes due to trade receivables recognised at 1 January 2021:			
Impairment loss recognised	2,701	4,776	7,477
Impairment loss reversed	(3,799)	(2,900)	(6,699)
New trade receivables originated	4,798	–	4,798
Exchange realignment	–	106	106
At 31 December 2021	7,499	12,275	19,774

The Group writes off a trade receivable when the amount is over two years past due. None of the trade receivables that have been written off is subject to enforcement activities.

Deposits, other receivables and amounts due from joint ventures

For deposits, other receivables and amounts due from joint ventures, the directors of the Company make individual assessment on the recoverability of these balances based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information, to ensure that adequate provisions for impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Notes to the Consolidated Financial Statements

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41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

Deposits, other receivables and amounts due from joint ventures (Cont'd)

Deposits and other receivables mainly represent refund and claims receivables and utility deposits. The directors of the Company consider that there is no material credit risk inherent with the outstanding balance of deposits and other receivables after individual assessment on the recoverability of these balances based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information.

The directors of the Company consider that the risk of default by the counterparties is low taking into account the historical settlement records and the financial position of the joint ventures except for the amount due from Longford. At 31 December 2021 and 2020, the Group considered the prospect of recovery the amount due from Longford is remote due to the legal dispute and determined that a full impairment of HK\$17,086,000 was recognised.

Short-term deposits and bank balances

The Group's short-term deposits and bank balances are placed with banks of high credit ratings. The directors of the Company assessed the credit risk by reference to information relating to probability of default and loss given default of the respective external credit rating grades published by external credit rating agencies and concluded the risk of default by counterparties is low.

The credit risk on bank balances and short-term bank deposits is limited because the counterparties are banks with high credit rating ranging from Baa1 to Aa3 assigned by international credit-rating agencies. The Group performed an impairment assessment at 12m ECL by reference to information published by external credit rating agencies relating to probability of default and loss given default of the respective credit rating grades, and concluded that the risks of default of these counterparties are low. Accordingly, no impairment loss has been recognised as amount involved is insignificant.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative financial instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks which choose to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as management of the Group considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity tables

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2021								
Non-derivative financial liabilities								
Trade payables		581,592	-	-	-	-	581,592	581,592
Other payables		105,270	-	-	-	-	105,270	105,270
Amount due to an associate		583	-	-	-	-	583	583
Lease liabilities	4.5	964	5,455	5,121	7,654	627	19,821	18,410
Bank borrowings	1.5	538,546	83,658	134,910	966,802	-	1,723,916	1,677,079
		1,226,955	89,113	140,031	974,456	627	2,431,182	2,382,934
Derivative-net settlement								
Derivative financial instruments								
- Interest rate swap contract		-	-	(1,989)	-	-	(1,989)	(1,989)
- Forward exchange forward contracts		(1,663)	-	-	-	-	(1,663)	(1,663)
		(1,663)	-	(1,989)	-	-	(3,652)	(3,652)

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41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2020								
Non-derivative financial liabilities								
Trade payables		414,795	-	-	-	-	414,795	414,795
Other payables		96,086	-	-	-	-	96,086	96,086
Amount due to an associate		583	-	-	-	-	583	583
Lease liabilities	4.6	1,568	6,012	6,765	11,812	1,039	27,196	25,416
Bank borrowings	1.7	634,263	14,968	74,346	1,050,524	-	1,774,101	1,709,362
		1,147,295	20,980	81,111	1,062,336	1,039	2,312,761	2,246,242
Derivative-net settlement								
Derivative financial instruments								
- Interest rate swap contract		144	433	577	504	-	1,658	1,658
- Forward exchange forward contracts		(3,091)	-	-	-	-	(3,091)	(3,091)
		(2,947)	433	577	504	-	(1,433)	(1,433)

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41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

Bank loans with a repayment on demand clause are included in the “on demand or less than 3 months” time band in the above maturity analysis. As at 31 December 2021, the aggregate carrying amounts of these bank loans amounted to HK\$514,977,000 (2020: HK\$627,996,000). Taking into account the Group’s financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank loans will be repaid within 2 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 2 years HK\$'000	undiscounted cash flows HK\$'000	Total Carrying amount HK\$'000
31 December 2021	1.5	538,546	–	–	538,546	514,977
31 December 2020	1.7	629,115	–	–	629,115	627,996

The amounts included above for variable interest rate instruments of non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Interest rate benchmark reform

While the Hong Kong Dollar Overnight Index Average (“HONIA”) has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group’s counterparties are not successfully concluded, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Interest rate benchmark reform (Cont'd)

(i) Risks arising from the interest rate benchmark reform (Cont'd)

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts to be entered into by the Group will link to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group will ensure the relevant contracts including detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

As at 31 December 2021, the Group had an interest rate swap contract linked to HIBOR with an carrying amount of HK\$1,989,000. Under the interest rate swap contract, the Group swaps HIBOR interest rate for a fixed interest rate. As such, the Group considered that such impact on the Group has been partially mitigated.

Besides, as at 31 December 2021, the Group had bank borrowings of HK\$1,677,079,000 linked to HIBOR and is negotiating with banks to continue HIBOR to maturity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's structured deposits, investment component of a life insurance contract, equity instruments at FVTOCI, derivative financial instruments and other financial assets at FVTPL are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

For valuation technique using discounted cash flows, the discount rates used take into consideration the credit risk of the relevant counterparties of the contracts or the Group, as appropriate.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation(s) technique and key input(s)
	31 December 2021	31 December 2020		
Foreign exchange forward contracts	Assets – HK\$1,663,000	Assets – HK\$3,091,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward exchange rates, contracted exchange rates and discount rates.
Interest rate swap contract	Assets – HK\$1,989,000	Liabilities – HK\$1,658,000	Level 2	Valuation technique: Discounted cash flow and option pricing model. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, discount rate and HSBC Dynamic Term Premium Index 10 as published on Bloomberg Screen and its volatility.
Structured deposits	Assets – HK\$564,281,000	Assets – HK\$610,389,000	Level 2	Valuation techniques: Discounted cash flow Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, contracted exchange rates and volatility of exchange rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation(s) technique and key input(s)
	31 December 2021	31 December 2020		
Unlisted funds	Assets – HK\$95,969,000	–	Level 2	Valuation techniques: Discounted cash flow Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, contracted exchange rates and volatility of exchange rates.
Investment component of a life insurance contract (note i)	Assets – HK\$32,241,000	Assets – HK\$32,183,000	Level 3	Valuation technique: account value quoted by insurer.
Equity instruments at FVTOCI (note ii)	Assets – HK\$16,416,000	Assets – HK\$25,797,000	Level 3	Valuation technique: Market approach. Key inputs: Recent transaction price

Notes:

- (i) The return of the investment is at the discretion of the insurer and the surrender charge is for termination of both the insurance and investment components. Accordingly, the directors of the Company consider the account value quoted by insurer as at 31 December 2021 as an appropriate estimate of fair value. Fair value gain of HK\$58,000 (2020: gain of HK\$589,000) is recognised in profit or loss for the year ended 31 December 2021.
- (ii) As disclosed in note 19, the Group's investment in equity interest in a private entity located in BVI was classified as equity instruments at FVTOCI. The fair value of the investments is measured by reference to recent transaction for the years ended 31 December 2021 and 2020.

There is no transfer amongst level 1, 2 and 3 for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

41. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Reconciliation of Level 3 fair value measurements:

	Investment component of a life insurance contract HK\$'000	Equity instruments at FVTOCI HK\$'000	Total HK\$'000
At 1 January 2020	31,594	19,009	50,603
Total gains			
– profit or loss	589	–	589
– in other comprehensive income	–	27,895	27,895
Disposals			
– realised gain	–	(20,657)	(20,657)
– cost	–	(450)	(450)
At 31 December 2020	32,183	25,797	57,980
Total gains			
– profit or loss	58	–	58
Disposals			
– realised gain	–	(9,354)	(9,354)
– cost	–	(27)	(27)
At 31 December 2021	32,241	16,416	48,657

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Included in other comprehensive income for the year ended 31 December 2020 was an amount of HK\$15,342,000 gain relating to unlisted equity securities classified as equity instruments at FVTOCI held at 31 December 2020 and is reported as changes of FVTOCI reserve for that year then ended.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING ENFORCEABLE MASTER NETTING ARRANGEMENTS

The Group has entered into certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Netting Agreements (“ISDA Agreements”) signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

	Financial assets of the Group subject to ISDA Agreements by counterparty			Financial liabilities of the Group subject to ISDA Agreements by counterparty		
	Carrying amounts of financial assets presented under “Derivative financial instruments” in the consolidated statement of financial position HK\$’000	Related amounts not set off in the consolidated statement of financial position – financial liabilities HK\$’000	Net amount HK\$’000	Carrying amounts of financial liabilities presented under “Derivative financial instruments” in the consolidated statement of financial position HK\$’000	Related amounts not set off in the consolidated statement of financial position – financial assets HK\$’000	Net amount HK\$’000
At 31 December 2021						
Bank A	580	–	580	–	–	–
Bank B	2,655	–	2,655	–	–	–
Bank C	173	–	173	–	–	–
Bank D	44	–	44	–	–	–
Bank E	200	–	200	–	–	–
Total	3,652	–	3,652	–	–	–
At 31 December 2020						
Bank A	2,220	–	2,220	–	–	–
Bank B	871	(871)	–	(1,658)	871	(787)
Total	3,091	(871)	2,220	(1,658)	871	(787)

The gross amounts of the recognised financial assets and financial liabilities disclosed in the above tables, which are subject to enforceable master netting arrangements, are measured as follows:

- Derivatives financial instruments – fair value

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

43. OPERATING LEASING ARRANGEMENTS

The Group as lessor

The Group leases its investment properties under operating lease arrangements with average lease term of one to ten years.

Fixed lease payments receivable on leases are as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	87,389	43,483
In the second year	82,406	40,502
In the third year	64,469	34,194
In the fourth year	55,765	22,634
In the fifth year	27,967	19,521
After five years	29,001	45,805
	346,997	206,139

44. CAPITAL COMMITMENTS

	2021 HK\$'000	2020 HK\$'000
Capital expenditure in respect of the property, plant and equipment and investment properties contracted for but not provided for in the consolidated financial statements	181,918	164,469

45. RETIREMENT BENEFITS SCHEMES

The Group participates in the Mandatory Provident Fund Schemes (the "MPF Schemes") for all qualifying employees of the Group in Hong Kong. The Group follows the minimum contribution requirement of 5% of eligible employees' relevant aggregated income with a cap of HK\$1,500 per month. The assets of the MPF Schemes are held separately from those of the Group, in funds under the control of the trustees. The employees of the subsidiaries in the Mainland China are members of retirement benefits schemes operated by the Chinese government. The contributions are charged to the profit or loss as incurred. The relevant subsidiaries in the Mainland China are required to make contributions to the state retirement schemes in the Mainland China based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The Chinese government is responsible for the pension liability to these retired staff.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable	Bank borrowings	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	–	(1,394,723)	(20,421)	(1,415,144)
Net cash flows	9,168	(417,487)	9,156	(399,163)
Finance costs (<i>note 8</i>)	–	(37,517)	(830)	(38,347)
New lease/lease modified	–	–	(14,354)	(14,354)
Lease terminated	–	–	903	903
Dividends declared	(9,168)	–	–	(9,168)
Non-cash settlement of discounted bills with recourse	–	140,959	–	140,959
Exchange realignment	–	(594)	130	(464)
At 31 December 2020	–	(1,709,362)	(25,416)	(1,734,778)
Net cash flows	15,280	60,833	9,017	85,130
Finance costs (<i>note 8</i>)	–	(27,983)	(993)	(28,976)
Dividends declared	(15,280)	–	–	(15,280)
Exchange realignment	–	(567)	(1,018)	(1,585)
At 31 December 2021	–	(1,677,079)	(18,410)	(1,695,489)

47. MAJOR NON-CASH TRANSACTIONS

In 2020, the Group entered into new lease agreements for the use of leased properties for 2 to 5 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of HK\$14,354,000 and HK\$14,354,000, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

48. RELATED PARTY TRANSACTIONS

Apart from amounts due from joint ventures and amount due to an associate as set out in notes 26 and 33, respectively, the Group had the following transactions with related parties during the year:

Compensation of key management personnel

The remuneration of directors of the Company, which are the key management personnel during the year are set out in note 9, is determined by the remuneration committee having regard to the performance of individuals and market trends.

49. CONTINGENT LIABILITIES

In addition to the ongoing enquiry of customs duty as disclosed in note 21(b), the Group has the following contingent liabilities:

There were disputes amongst the Group, Transpac World Trade Services Holding Limited ("Transpac", previously called Tai Ding Century Limited), Ms. Leong, the beneficial owner of Transpac, and certain directors of the Company. Several legal proceedings are taking place in relation to court orders over bank accounts of Longford and the claim for damages for breaching the cooperation agreement. The aforesaid parties in the action have agreed to generally extend the deadlines of filing various documents with court. In the opinion of directors of the Company, the legal proceeding is still at an early stage and the amount of claim is not yet provided by the counterparty, it is not probable that a material outflow of resources will be required and no provision has been made accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
			2021 %	2020 %	
Advance Textile and Apparel Limited	Hong Kong	HK\$1	100	100	Garment trading
Angel Star Investment Limited	Hong Kong	HK\$2 Ordinary HK\$2 Non-voting deferred	65	65	Holding of trademarks
Bramead International Inc.	BVI/USA	US\$1	100	100	Holding of trademarks
Dayu Garments Company Limited	Hong Kong	HK\$2	100	100	Garment trading and retailing
Dongguan Dalisheng Fashion Co., Ltd. (note a)	Mainland China	HK\$28,000,000	80	80	Garment manufacturing
Dongguan Yihao Fashions Limited (note a)	Mainland China	HK\$20,500,000	100	100	Garment manufacturing
Eminent Garment (Cambodia) Limited	Cambodia	US\$12,000,000	100	100	Garment manufacturing
Eminent Garment Limited	Hong Kong	HK\$2	100	100	Garment trading
Hangzhou Fortune Property Co., Ltd. (note b)	Mainland China	US\$7,500,000	–	100	Property holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
			2021	2020	
			%	%	
杭州譽瑞資產管理有限公司 (note a)	Mainland China	RMB3,000,000	100	100	Property development
High Fashion Accessories and Gifts Limited	Hong Kong	HK\$2	100	100	Garment trading
High Fashion Apparel Limited	BVI/Hong Kong	US\$1,000	100	100	Investment holding
High Fashion (China) Co., Ltd. (note a)	Mainland China	US\$116,865,779	100	100	Dyeing, printing and sandwashing of fabrics and garment manufacturing
High Fashion Garments Company Limited	Hong Kong	HK\$2 ordinary HK\$10,000,000 Non-voting deferred	100	100	Garment trading and property leasing
High Fashion Garments, Inc.	USA	US\$5,000	100	100	Marketing and garment trading
High Fashion Garments Management Limited	Hong Kong	HK\$20 Ordinary HK\$20 Non-voting deferred	100	100	Provision of management services
High Fashion International (USA) Inc.	USA	US\$1,800	100	100	Investment holding
High Fashion Knit Company Limited	Hong Kong	HK\$2	100	100	Garment trading
High Fashion Garments International Company Limited	Hong Kong	HK\$2 Ordinary HK\$1,000,000 Non-voting deferred	100	100	Garment trading and provision of investment services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
			2021 %	2020 %	
High Fashion Knitwear Overseas Limited	Hong Kong	HK\$2 Ordinary HK\$10,000 Non-voting deferred	100	100	Garment trading and investment holding
High Fashion Silk (note a)	Mainland China	US\$50,000,000	100	100	Silk weaving
Navigation Limited	BVI	US\$1	100	100	Investment holding
上海達利發絲綢有限公司	Mainland China	RMB500,000	100	100	Sales of silk products
Shenzhen Daliyu Fashion Co. Ltd. (note a)	Mainland China	RMB10,000,000	100	100	Garment retailing
Super Topping Limited	Hong Kong	HK\$2	100	100	Provision of services to fellow subsidiaries
The King Garment Limited	Hong Kong	HK\$2	100	100	Garment trading
Theme Garments (Shenzhen) Company Limited (note a)	Mainland China	RMB60,000,000	100	100	Garment retailing
Theme International Holdings (B.V.I.) Limited	BVI	US\$10,001	100	100	Investment holding
新昌縣達利商業廣場有限公司	Mainland China	RMB5,000,000	100	100	Property development
新昌縣達利順文化創意有限公司	Mainland China	RMB6,000,000	100	100	Silk culture and tourism development
新昌達利置業有限公司 (note a)	Mainland China	RMB5,000,000	100	100	Property development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
			2021 %	2020 %	
Zhejiang High Fashion Culture Creativity Co., Ltd. <i>(note a)</i>	Mainland China	US\$20,000,000	100	100	Culture development

Note a: These companies are registered as a wholly-owned foreign enterprise.

Note b: This company is deregistered during the year.

High Fashion Apparel Limited is a directly held wholly owned subsidiary of the Company. Except for High Fashion Apparel Limited, all subsidiaries listed above are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities outstanding at the end of the year, or at any time during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 HK\$'000	2020 HK\$'000
Non-current asset		
Investment in a subsidiary	427,628	427,628
Current assets		
Prepayment	151	145
Amount due from a subsidiary	36,931	26,060
Bank balances and cash	142	142
	37,224	26,347
Current liabilities		
Other payables and accruals	148	117
Net current assets	37,076	26,230
	464,704	453,858
Capital and reserves		
Share capital	30,562	30,562
Reserves	434,142	423,296
Total equity	464,704	453,858

Movement in the Company's reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Contribution surplus HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2020	287,656	16,520	8,511	101,171	1,037	8,763	423,658
Profit for the year	-	-	-	-	-	7,929	7,929
Dividends declared and paid in cash	-	-	-	-	-	(9,168)	(9,168)
Recognition of equity settled share-based payments	-	-	-	-	877	-	877
At 31 December 2020	287,656	16,520	8,511	101,171	1,914	7,524	423,296
Profit for the year	-	-	-	-	-	26,126	26,126
Dividends declared and paid in cash	-	-	-	-	-	(15,280)	(15,280)
At 31 December 2021	287,656	16,520	8,511	101,171	1,914	18,370	434,142

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial periods, as extracted from the audited financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	2,887,860	2,157,101	2,913,710	3,074,745	2,732,974
Profit before taxation	185,854	161,667	46,028	29,748	88,601
Taxation	(38,240)	(36,503)	19,242	8,920	(45,926)
Profit for the year	147,614	125,164	65,270	38,668	42,675
Profit for the year attributable to:					
Owners of the Company	147,214	124,518	71,964	43,640	41,976
Non-controlling interests	400	646	(6,694)	(4,972)	699
	147,614	125,164	65,270	38,668	42,675

ASSETS AND LIABILITIES

	At 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	6,166,623	5,679,482	5,016,210	5,083,752	4,899,757
Total liabilities	(3,043,977)	(2,808,198)	(2,536,580)	(2,589,515)	(2,379,649)
	3,122,646	2,871,284	2,479,630	2,494,237	2,520,108

In 2018, the Group had applied HKFRS 9, HKFRS 15 and other amendments to HKFRSs. Accordingly, certain comparative information for the years ended 31 December 2017 may not be comparable to the years ended 31 December 2018 and 2019 as such comparative information was prepared under HKAS 18, HKAS 11 and HKAS 39.

In 2019, the Group has applied HKFRS 16 and other amendments to HKFRSs. The comparative information for the years ended 31 December 2018 and 2017 have not been restated on initial application of HKFRS 16.

Schedule of Principal Investment Properties

Particulars	Approximate Gross Floor Area (square meters)	Lease Term	Usage	Stage of Completion	Group's interest (%)
G/F-10/F, 13/F, partly 11/F and 12/F, High Fashion Centre, 1-11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong. High Fashion Centre <i>(note i)</i>	16,777	Medium term	Commercial/Office	Completed	100%
Shennan Road, Che Gong Miao, Fu Tian District, Shenzhen. Hanggang Fuchun Commercial Building 12units on L1 & L2.	3,667	Long term	Commercial/Office	Completed	100%
8, Qiannong Road (E), Xiaoshan Economic and Technological Development Zone, Hangzhou, Zhejiang Province. <i>(note ii)</i>	106,543	Medium term	Industrial	Completed	100%
109, Renmin East Road, Xinchang County, Shaoxing, Zhejiang Province. 達利廣場	33,252	Medium term	Commercial	Completed	100%
Jiangbin East Road, Xinchang County, Shaoxing, Zhejiang Province. 達利大廈	6,913	Long term	Commercial/Office	Completed	100%
Southeast intersection of Yingchun South Road and 320 National Road, Chengxin Zone, Tonglu County, Zhejiang Province. (land lot no. 1&2)	56,632	Medium term	Cultural and tourist attraction	Completed	100%
Qianjiang farm, Qianjiang road south, Bridge south, Xiaoshan, Hangzhou, Zhejiang Province.	84,001	Long term	Industrial	Under development	100%
Unit 1 Block 17, 618 Ding Yuan Lu Songjiang Qu, Shanghai, China	3,795	Medium term	Industrial	Completed	100%

Notes:

- (i) The lot number of the property is Lot No. 338. 11/F-12/F of High Fashion Centre serving as the Group's head office not included in the above.
- (ii) Areas currently occupied by the Group's manufacturing business not included in the above.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Foo Wah (*Chairman*)
 Mr. Lam Gee Yu, Will (*Managing Director*)
 Mr. Lam Din Yu, Well (*Managing Director (China)*)
 Ms. So Siu Hang, Patricia

Non-executive Director

Mr. Hung Ka Hai, Clement

Independent Non-executive Directors

Professor Yeung Kwok Wing
 Mr. Leung Hok Lim
 Mr. Chung Kwok Pan

AUDIT COMMITTEE

Mr. Leung Hok Lim (*Chairman*)
 Mr. Hung Ka Hai, Clement
 Professor Yeung Kwok Wing
 Mr. Chung Kwok Pan

REMUNERATION COMMITTEE

Mr. Chung Kwok Pan (*Chairman*)
 Mr. Lam Gee Yu, Will
 Professor Yeung Kwok Wing
 Mr. Leung Hok Lim

NOMINATION COMMITTEE

Mr. Lam Foo Wah (*Chairman*)
 Professor Yeung Kwok Wing
 Mr. Leung Hok Lim
 Mr. Chung Kwok Pan

RISK MANAGEMENT COMMITTEE

Mr. Lam Gee Yu, Will (*Chairman*)
 Professor Yeung Kwok Wing
 Mr. Leung Hok Lim
 Mr. Chung Kwok Pan

COMPANY SECRETARY

Ms. Yung Pik Man

AUDITOR

Deloitte Touche Tohmatsu
 Registered Public Interest Entity Auditors

LEGAL ADVISER IN HONG KONG

Wilkinson & Grist

LEGAL ADVISER ON BERMUDA LAW

Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House, 2 Church Street,
 Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11/F, High Fashion Centre,
 1-11 Kwai Hei Street, Kwai Chung,
 New Territories, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
 Clarendon House, 2 Church Street,
 Hamilton HM11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
 China Construction Bank (Asia) Corporation Limited
 DBS Bank (Hong Kong) Limited
 Hang Seng Bank Limited
 Industrial and Commercial Bank of China (Asia) Limited
 OCBC Wing Hang Bank Limited
 Standard Chartered Bank (Hong Kong) Limited
 The Bank of East Asia, Limited
 The Hongkong and Shanghai Banking Corporation Limited
 United Overseas Bank Limited, Hong Kong Branch

STOCK CODE

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COMPANY WEBSITE

www.highfashion.com.hk

Shareholders & Investor Relation Information

RESULTS ANNOUNCEMENT:

2021 Final	31 March 2022
2021 Interim	30 August 2021
2020 Final	30 March 2021
2020 Interim	31 August 2020

2022 ANNUAL GENERAL MEETING

14 June 2022

CLOSURE OF REGISTER OF MEMBERS

Events

Book close period

(both days inclusive)

For attendance to 2022 Annual General Meeting	10 June 2022 to 14 June 2022
For entitlement to the proposed final dividend	21 June 2022 to 22 June 2022

DIVIDENDS:

2021 Final	6 HK cents per share payable on 15 July 2022
2021 Interim	2 HK cents per share paid on 15 October 2021
2020 Final	3 HK cents per share paid on 30 June 2021
2020 Interim	No interim dividend declared

AUTHORISED SHARES

1,000,000,000 ordinary shares

ISSUED SHARES

305,615,420 ordinary shares (as at 31 December 2021)

BOARD LOT

2,000 shares

FINANCIAL YEAR END

December 31

STOCK CODE

608

COMPANY WEBSITE

www.highfashion.com.hk

LISTING DATE

4 August 1992