



GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability) Stock Code : 393



2022 ANNUAL REPORT



Our export business offers diversified products to customers

OUR CORE BUSINESS

- Financial investments
- Interior decoration and renovation
- Export of casual wear apparel
- Retail of casual wear apparel

OUR VISION

To be an outstanding financial investor in the region;

to be an outstanding services provider in interior decoration and renovation industry;

to be one of the best casual wear apparel suppliers; and

to become a market leader in casual wear apparel retailing.

OUR MISSION

- Focused on our customers, we endeavour to provide quality products and services with added value
- Focused on investing in high quality financial products to secure stable profits

We strive after:

- customer satisfaction;
- staff development;
- reasonable equity return; and
- growth with our business partners,

so as to benefit our community.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

Dr. Charles Yeung, GBS, JP (*Chairman*)
Mr. Yeung Chun Fan (*Vice-chairman*)
Mr. Hui Chung Shing, Herman, GBS, MH, JP
Ms. Cheung Wai Yee
Ms. Yeung Yin Chi, Jennifer

Independent Non-executive

Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chan Chung Bun, Bunny, GBM, GBS, JP
Mr. Ng Wing Ka, Jimmy, BBS, JP
Mr. Choi Tak Shing, Stanley, JP

BOARD COMMITTEES

Audit Committee

Mr. Lau Hon Chuen, Ambrose, GBS, JP (*Chairman*)
Mr. Ng Wing Ka, Jimmy, BBS, JP
Mr. Choi Tak Shing, Stanley, JP

Remuneration Committee

Dr. Chan Chung Bun, Bunny, GBM, GBS, JP (*Chairman*)
Mr. Hui Chung Shing, Herman, GBS, MH, JP
Mr. Choi Tak Shing, Stanley, JP

Nomination Committee

Dr. Charles Yeung, GBS, JP (*Chairman*)
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chan Chung Bun, Bunny, GBM, GBS, JP

Investment Committee

Dr. Charles Yeung, GBS, JP (*Chairman*)
Mr. Yeung Chun Fan
Ms. Yeung Yin Chi, Jennifer
Dr. Chan Chung Bun, Bunny, GBM, GBS, JP

COMPANY SECRETARY

Ms. Hoi Siu Ling

AUTHORISED REPRESENTATIVES

Mr. Hui Chung Shing, Herman, GBS, MH, JP
Ms. Yeung Yin Chi, Jennifer

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

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

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation
Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
UBS AG
Industrial and Commercial Bank of China (Asia) Limited

WEBSITE

<http://www.glorisun.com>

STOCK CODE

393

BOARD LOT

4,000 shares

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Glorious Sun Enterprises Limited (the “Company”) will be held at The Dynasty Club, 7th Floor, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 30 May 2023 at 3:00 p.m. for the following purposes:

- (1) To receive and consider the Financial Statements, the Report of the Directors and the Independent Auditor’s Report for the year ended 31 December 2022.
- (2) To declare the final dividend for the year ended 31 December 2022.
- (3)
 - (A)
 - (I) To elect Mr. Yeung Chun Fan as an executive director of the Company.
 - (II) To elect Mr. Hui Chung Shing, Herman as an executive director of the Company.
 - (III) To elect Ms. Yeung Yin Chi, Jennifer as an executive director of the Company.
 - (IV) To elect Mr. Lau Hon Chuen, Ambrose as an independent non-executive director of the Company.
 - (B) To authorise the Board of Directors to fix the Directors’ remuneration.
- (4) To appoint Auditor and to authorise the Board of Directors to fix the Auditor’s remuneration.
- (5) As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

- (A) **“THAT:**
 - (I) subject to sub-paragraph (III) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (II) the approval in sub-paragraph (I) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (III) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in sub-paragraph (I) of this resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined) or upon the exercise of rights of conversion or subscription under any securities which are convertible into shares of the Company or (b) the share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (c) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed the aggregate of: (aa) 20 per cent. of the aggregate number of issued shares of the Company on the date of this resolution and (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the number of shares of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate number of issued shares of the Company at the date of passing this resolution) and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(IV) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (c) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(B) **“THAT:**

- (I) subject to sub-paragraph (II) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase shares in the issued share capital of the Company be and is hereby generally and unconditionally approved;
- (II) the aggregate number of shares of the Company which the Company is authorised to purchase pursuant to the approval in sub-paragraph (I) of this resolution shall not exceed 10 per cent. of the aggregate number of issued shares of the Company on the date of this resolution and the said approval shall be limited accordingly; and
- (III) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (c) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

(C) **“THAT** the directors of the Company be and are hereby authorised to exercise the powers of the Company referred to in paragraph (I) of the resolution set out as resolution (5)(A) in the notice of the meeting of which this resolution forms a part in respect of the number of shares of the Company referred to in sub-paragraph (bb) of paragraph (III) of such resolution.”

NOTICE OF ANNUAL GENERAL MEETING

- (6) To consider and, if thought fit, pass the following resolution as Special Resolution:

SPECIAL RESOLUTION

“THAT the proposed amendments to the existing Bye-laws 71, 83, 86, 87, 88, 89, 90, 92, 94 and 96A of the Bye-laws of the Company, as set out in exhibit “A” which has been produced to this meeting and for identification purpose signed by the Chairman of the meeting, be and is hereby approved and adopted.”

Exhibit A

The following are the proposed amendments to the existing Bye-laws, with the deletions shown in strikethrough and the additions or revisions shown in underline. All capitalised terms in the proposed amendments contained in this exhibit are terms defined in the existing Bye-laws which shall have the corresponding meanings ascribed to them in the existing Bye-laws.

Bye-law	Proposed amendments to the existing Bye-laws
71.	<p>An annual general meeting and a meeting called for the passing of a special resolution shall be called by 21 days' notice in writing at the least, and a meeting of the Company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business, and shall be given, in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under these Bye-laws, entitled to receive such notices from the Company, provided that subject to the provisions of the Statutes, a meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in this Bye-law be deemed to have been duly called if it is so agreed:—</p> <p>(i) in the case of a meeting called as the annual general meeting, by all the members entitled to attend, <u>speak</u> and vote thereat; and</p> <p>(ii) in the case of any other meeting, by a majority in number of the members having a right to attend, <u>speak</u> and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.</p>
83.	<p>(A) Subject to the Companies Act, a resolution in writing signed by all the members for the time being entitled to receive notice of and to attend, <u>speak</u> and vote at general meetings shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held. A written notice of confirmation of such resolution in writing signed by or on behalf of a member shall be deemed to be his signature to such resolution in writing for the purposes of this Bye-law. Such resolution in writing may consist of several documents each signed by or on behalf of one or more members.</p>
86.	<p>Any person entitled under Bye-law 48 to be registered as the holder of any shares may <u>speak and</u> vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least 48 hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposes to vote, he shall satisfy the Board of his right to be registered as the holder of such shares or the Board shall have previously admitted his right to <u>speak and</u> vote at such meeting in respect thereof.</p>

NOTICE OF ANNUAL GENERAL MEETING

Bye-law	Proposed amendments to the existing Bye-laws
87.	Where there are joint registered holders of any share, any one of such persons may <u>speak and</u> vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to <u>speak and</u> vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for the purposes of this Bye-law be deemed joint holders thereof.
88.	A member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy may <u>speak and</u> vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis or other person in the nature of a committee, receiver or curator bonis appointed by that court, and any such committee, receiver, curator bonis or other person may on a poll vote by proxy. Evidence to the satisfaction of the Board of the authority of the person claiming to exercise the right to <u>speak and</u> vote shall be delivered to the registered office of the Company, or to such other place as is specified in accordance with these Bye-laws for the deposit of instruments or proxy, not later than the last time at which a valid instrument of proxy could be so delivered.
89.	<p>(A) Save as expressly provided in these Bye-laws, no person other than a member duly registered and who shall have paid everything for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or <u>to speak or</u> to vote (save as proxy for another member) either personally or by proxy, or to be reckoned in a quorum, at any general meeting.</p> <p>(B) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman, whose decision shall be final and conclusive.</p> <p>(C) <u>Members have the right to (i) speak at a general meeting and (ii) vote at a general meeting except where a member is, under the rules of the stock exchange in Hong Kong, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.</u> Where the Company has knowledge that any member is, under the rules of the stock exchange in Hong Kong, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.</p>
90.	(A) Any member of the Company entitled to attend, <u>speak and</u> vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company shall be entitled to appoint another person as his proxy to attend, <u>speak and</u> vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a meeting of the Company or a meeting of the holders of any class of shares in the Company. A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

NOTICE OF ANNUAL GENERAL MEETING

Bye-law	Proposed amendments to the existing Bye-laws
92.	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at such place or one of such places (if any) as may be specified for that purpose in the notice of meeting or in the instrument of proxy issued by the Company (or, if no place is so specified at the Registration Office) not less than forty-eight hours before the time for holding the meeting or adjourned meeting (as the case may be) at which the person named in such instrument proposes to <u>speak and</u> vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve months from such date. Delivery of an instrument appointing a proxy shall not preclude a member from attending, <u>speaking</u> and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
94.	The instrument appointing a proxy to vote at a general meeting shall: (i) be deemed to confer authority upon the proxy to <u>speak and</u> vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit provided that any form issued to a member for use by him for appointing a proxy to attend, <u>speak and</u> vote at a special general meeting or at an annual general meeting at which special business (determined as provided in Bye-law 73) is to be transacted shall be such as to enable the member, according to his intention, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such special business; and (ii) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.
96A.	If permitted by the Companies Act, a Clearing House (or its nominee) if a corporation being a member of the Company may appoint such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of members of the Company and the appointment shall specify the number and class of shares in respect of which each such representative is so appointed. A person so appointed under the provisions of this Bye-law shall be entitled to exercise the same powers on behalf of the Clearing House (or its nominee) which he represents as that Clearing House (or its nominee) could exercise as if it were an individual member attending any general meeting of the Company or at any meeting of any class of members of the Company in person including, without limitation to the generality of the foregoing, the right to <u>speak and</u> vote individually on a show of hands.

NOTICE OF ANNUAL GENERAL MEETING

(7) To transact any other ordinary business of the Company.

By Order of the Board

Glorious Sun Enterprises Limited

Hoi Siu Ling

Company Secretary

Hong Kong, 21 April 2023

Principal Place of Business:

38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.
2. A form of proxy for the meeting is enclosed. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the meeting or any adjournment thereof.
3. The register of members of the Company will be closed from Wednesday, 24 May 2023 to Tuesday, 30 May 2023, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 23 May 2023.
4. The register of members of the Company will also be closed from Monday, 5 June 2023 to Wednesday, 7 June 2023, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 2 June 2023.
5. In relation to agenda item No. (3)(A) in this Notice regarding election of directors, Mr. Yeung Chun Fan, Mr. Hui Chung Shing, Herman and Ms. Yeung Yin Chi, Jennifer will retire at the forthcoming annual general meeting of the Company pursuant to bye-law 110(A) of the Company's Bye-laws and, being eligible, offer themselves for re-election.

Mr. Lau Hon Chuen, Ambrose will also retire at the forthcoming annual general meeting of the Company at which his term of appointment will expire, and he is eligible for re-election.

To ensure that the Board has a balance of skills, knowledge, experience and diversity of perspectives appropriate to the Company's business needs and development, the Nomination Committee reviews the structure, size and composition of the Board annually and forms its recommendations to the Board on the proposals on re-election of the retiring Directors, with due regard to the board diversity policy of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Mr. Lau Hon Chuen, Ambrose has given an annual confirmation of his independence. The Nomination Committee has assessed the independence of Mr. Lau. The Board has considered that Mr. Lau has met the independence guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Other details of Mr. Lau are set out in paragraph 8.4 below. Based on the biographical details disclosed to the Company, Mr. Lau does not hold seven or more listed company directorships and he continues to demonstrate his commitment to his role with the Company.

The Nomination Committee also believes that Mr. Lau being a solicitor of the High Court of Hong Kong has extensive knowledge of legal matters and having the considerable experience in the public sector and boards of listed companies, would contribute continuous improvement on internal control and corporate governance matters of the Company. The Nomination Committee is of the view that he contributes to the diversity of the Board. Accordingly, the Board considers that the re-election of Mr. Lau as an independent non-executive director of the Company is in the interests of the Company notwithstanding that he has served in such capacity for more than nine years.

The Board, with the recommendation of the Nomination Committee, has nominated Mr. Lau Hon Chuen, Ambrose for re-election as an independent non-executive director of the Company at the forthcoming annual general meeting.

6. The biographical details and length of service with the Company of all the directors who stand for re-election at the forthcoming annual general meeting are set out in the “Directors’ and Senior Management’s Biographies” contained in this annual report.
 7. The amount of emoluments paid for the year ended 31 December 2022 to each of the directors who stand for re-election at the forthcoming annual general meeting is set out in note 8 to the financial statements in this annual report and the basis of determining such emoluments is set out in the “Emolument policy” section in the Report of the Directors contained in this annual report.
 8. Other biographical details of each of the directors who stand for re-election at the forthcoming annual general meeting are set out below to enable shareholders to make an informed decision on their re-elections. Save for the information set out in this paragraph 8 and in paragraphs 5 to 7 above, there is no information to be disclosed pursuant to any requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there other matters that need to be brought to the attention of shareholders in respect of the directors who stand for re-election at the forthcoming annual general meeting.
- 8.1 Mr. Yeung Chun Fan, aged 70, is an executive director of the Company, a brother of Mr. Charles Yeung, the spouse of Ms. Cheung Wai Yee and an uncle of Ms. Yeung Yin Chi, Jennifer. Mr. Yeung Chun Fan’s interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) are set out in the “Directors’ interests and short positions in securities” section in the Report of the Directors contained in this annual report and remain unchanged as at 12 April 2023, being the latest practicable date prior to the printing of this Notice (the “latest practicable date”).

Mr. Yeung was a director of the following companies:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reason for dissolution
Generra Sportswear Company, Inc.	USA	Sportswear	2 July 1992/ 1995	Reorganisation under Chapter 11	Cessation of business
Generra Sportswear (HK) Limited	Hong Kong	Sportswear	2 July 1992/ 13 September 2002	Striking off	Cessation of business
Generra Production Corporation	USA	Sportswear	2 July 1992/ 1994	Reorganisation under Chapter 11	Cessation of business

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Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reason for dissolution
Sino Lucky Management Limited	British Virgin Islands	Provision of management services	Not applicable/ 1 November 2017	Striking off	Cessation of business
Quiksilver Glorious Sun Fashion Garment Mfy. (Longmen) Limited (旭日極速製衣廠 (龍門) 有限公司) [®]	Mainland China	Manufacture of apparel	1 November 2017/ 27 April 2018	Dissolution by resolutions of the company	Cessation of business
Suzhou Industrial Park Famebish Apparels Limited (蘇州工業園區爵柏服飾有限公司) [®]	Mainland China	Apparel	28 October 2013/ 8 May 2018	Dissolution by resolutions of the company	Cessation of business
Crownfund Industries Limited	Hong Kong	Trading	Not applicable/ 14 December 2018	Deregistration	Cessation of business
Suzhou Industrial Park Fenfei Apparels Limited (蘇州工業園區芬菲服飾有限公司) [®]	Mainland China	Apparel	3 January 2019/ 31 January 2019	Dissolution by resolutions of the company	Cessation of business
Rihong Trading (Zhuhai) Limited (日宏貿易 (珠海) 有限公司) [®]	Mainland China	Not yet commenced business	3 January 2019/ 3 April 2019	Dissolution by resolutions of the company	Cancellation of a proposed business
Kind Fast Limited	Hong Kong	Investment	Not applicable/ 19 July 2019	Deregistration	Cessation of business
Advancetex Fashion Garment Mfy. (Longmen) Limited (大進製衣廠 (龍門) 有限公司) [®]	Mainland China	Manufacture of apparel	5 June 2019/ 26 July 2019	Dissolution by resolutions of the company	Cessation of business
Total Century Limited	Hong Kong	Investment	Not applicable/ 23 August 2019	Deregistration	Cessation of business
Shining Century Limited	Hong Kong	Investment	Not applicable/ 23 August 2019	Deregistration	Cessation of business
Genius Profit Limited	Hong Kong	Investment	Not applicable/ 23 August 2019	Deregistration	Cessation of business

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Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reason for dissolution
Taizhou Famebish Apparels Limited (泰州爵柏服飾有限公司) [®]	Mainland China	Apparel	–/ 30 September 2019	Dissolution by resolutions of the company	Cessation of business
Fast Region Limited	Hong Kong	Investment	Not applicable/ 11 October 2019	Deregistration	Cessation of business
Champion Step Limited	Hong Kong	Investment	Not applicable/ 11 October 2019	Deregistration	Cessation of business
Gain Champion Limited	Hong Kong	Investment	Not applicable/ 11 October 2019	Deregistration	Cessation of business
Rays The Glorious Investment (BVI) Limited	British Virgin Islands	Investment holding	Not applicable/ 1 November 2019	Striking off	Cessation of business
Silver Gain Limited	British Virgin Islands	Investment	Not applicable/ 1 November 2019	Striking off	Cessation of business
Happy Rich Group Limited	British Virgin Islands	Not yet commenced business	Not applicable/ 1 November 2019	Striking off	Cancellation of a proposed business
Anhui Jeanswest Apparels Limited (安徽真維斯服飾有限公司) [®]	Mainland China	Apparel	12 October 2019/ 19 December 2019	Dissolution by resolutions of the company	Cessation of business
Suzhou Industrial Park Mofeel Apparels Limited (蘇州工業園區菲爾服飾有限公司) [®]	Mainland China	Apparel	23 September 2019/ 21 January 2020	Dissolution by resolutions of the company	Cessation of business
Glorious Sun Sample Manufacturing Limited	Hong Kong	Manufacture of apparel	Not applicable/ 3 April 2020	Deregistration	Cessation of business
Stonewash (G. S.) Limited	Hong Kong	Washing and dyeing operations	Not applicable/ 3 April 2020	Deregistration	Cessation of business
GS Kenneth Fashion Design (Huizhou) Company Limited (旭日肯尼斯服裝設計(惠州)有限公司) [®]	Mainland China	Fashion design	30 August 2019/ 9 May 2020	Dissolution by resolutions of the company	Cessation of business

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Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reason for dissolution
Famebish Industrial and Trading (Huizhou) Limited (爵柏工貿(惠州)有限公司)®	Mainland China	Trading	25 May 2019/ 17 July 2020	Dissolution by resolutions of the company	Cessation of business
JWI (A) Pty Ltd	Australia	Investment holding	Not applicable/ 10 February 2021	Deregistration	Cessation of business
JW Wholesale Pty Ltd	Australia	Apparel	Not applicable/ 10 February 2021	Deregistration	Cessation of business
GS Australia Pty Ltd	Australia	Investment holding	Not applicable/ 10 February 2021	Deregistration	Cessation of business
GS Corp Services Pty Ltd	Australia	Provision of management services	Not applicable/ 10 February 2021	Deregistration	Cessation of business
G S Australasia Pty Ltd	Australia	Investment holding	Not applicable/ 24 February 2021	Deregistration	Cessation of business
Gennon International (Singapore) Pte Limited	Singapore	Investment holding	Not applicable/ 4 May 2021	Deregistration	Cessation of business
Wuhan Changhong Building Decoration and Engineering Co., Limited (武漢市常宏建築裝飾工程有限責任公司)®	Mainland China	Decoration	9 April 2021/ 12 May 2021	Dissolution by resolutions of the company	Cessation of business
Jiangsu Jeanswest Apparels Limited (江蘇真維斯服飾有限公司)®	Mainland China	Apparel	18 August 2021/ 6 December 2021	Dissolution by resolutions of the company	Cessation of business
Blooming Step Limited	Hong Kong	Investment	Not applicable/ 17 December 2021	Deregistration	Cessation of business
Fujian Jeanswest Apparels Limited (福建真維斯服飾有限公司)®	Mainland China	Apparel	1 December 2021/ 24 February 2022	Dissolution by resolutions of the company	Cessation of business
Shandong Jeanswest Apparels Limited (山東真維斯服飾有限公司)®	Mainland China	Apparel	23 July 2021/ 21 March 2022	Dissolution by resolutions of the company	Cessation of business
Goldpromise Limited	British Virgin Islands	Investment	Not applicable/ 1 May 2022	Striking off	Cessation of business

NOTICE OF ANNUAL GENERAL MEETING

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reason for dissolution
Mofeel Apparels (Huizhou) Limited (菲爾服飾(惠州)有限公司) [@]	Mainland China	Apparel	4 May 2022/ 21 June 2022	Dissolution by resolutions of the company	Cessation of business
Jeanswest Apparels (Guangdong) Limited (真維斯服飾(廣東)有限公司) [@]	Mainland China	Apparel	4 May 2022/ 21 June 2022	Dissolution by resolutions of the company	Cessation of business
GS Kenneth Fashion Design Company Limited	Hong Kong	Design service	Not applicable/ 24 June 2022	Deregistration	Cessation of business
Sunrise Fashion (Asia) Limited	Hong Kong	Investment	Not applicable/ 23 September 2022	Deregistration	Cessation of business
Shanghai Jeanswest Apparels Limited (上海真維斯服飾有限公司) [@]	Mainland China	Apparel	7 June 2022/ 30 September 2022	Dissolution by resolutions of the company	Cessation of business

[@] Official names of these companies are in Chinese. English names of the companies are included for identification purpose only.

Mr. Yeung was a non-executive director of (i) Generra Sportswear Company, Inc., a company incorporated in Washington, USA (a corporate structure inclusive of (ii) Generra Sportswear (HK) Limited, a company incorporated in Hong Kong and (iii) Generra Production Corporation, a corporation incorporated in Washington, USA). At all material times Mr. Yeung had no duty in the day-to-day operations of Generra Sportswear Company, Inc. On 2 July 1992, Chapter 11 proceedings were instituted and Generra Sportswear Company, Inc. was administratively dissolved in 1995, Generra Sportswear (HK) Limited was dissolved on 13 September 2002 and Generra Production Corporation was dissolved in 1994, respectively. So far, no allegation has been made against Mr. Yeung in Generra Sportswear Company, Inc. for fraud, negligence or any conduct of dishonesty.

- 8.2 Mr. Hui Chung Shing, Herman, GBS, MH, JP, aged 72, is an executive director of the Company and his interests in the shares of the Company within the meaning of Part XV of the SFO are set out in the "Directors' interests and short positions in securities" section in the Report of the Directors contained in this annual report and remain unchanged as at the latest practicable date.

NOTICE OF ANNUAL GENERAL MEETING

Mr. Hui was a director of the following companies:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reason for dissolution
Generra Sportswear Company, Inc.	USA	Sportswear	2 July 1992/ 1995	Reorganisation under Chapter 11	Cessation of business
Generra Sportswear (HK) Limited	Hong Kong	Sportswear	2 July 1992/ 13 September 2002	Striking off	Cessation of business
Generra Production Corporation	USA	Sportswear	2 July 1992/ 1994	Reorganisation under Chapter 11	Cessation of business
Sino Lucky Management Limited	British Virgin Islands	Provision of management services	Not applicable/ 1 November 2017	Striking off	Cessation of business
Quiksilver Glorious Sun Fashion Garment Mfy. (Longmen) Limited (旭日極速製衣廠 (龍門) 有限公司) [@]	Mainland China	Manufacture of apparel	1 November 2017/ 27 April 2018	Dissolution by resolutions of the company	Cessation of business
Rays The Glorious Investment (BVI) Limited	British Virgin Islands	Investment holding	Not applicable/ 1 November 2019	Striking off	Cessation of business

[@] The official name of this company is in Chinese. The English name of the company is included for identification purpose only.

Mr. Hui was a non-executive director of (i) Generra Sportswear Company, Inc. (a corporate structure inclusive of (ii) Generra Sportswear (HK) Limited and (iii) Generra Production Corporation). These three companies were dissolved as disclosed in paragraph 8.1 above. At all material times Mr. Hui had no duty in the day-to-day operations of Generra Sportswear Company, Inc. and so far, no allegation has been made against Mr. Hui in that company for fraud, negligence or any conduct of dishonesty.

- 8.3 Ms. Yeung Yin Chi, Jennifer, aged 43, is an executive director of the Company, a niece of Mr. Charles Yeung and Mr. Yeung Chun Fan. Ms. Yeung does not have any interest in the shares of the Company.

Ms. Yeung was a director of the following companies:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reason for dissolution
Rihong Trading (Zhuhai) Limited (日宏貿易 (珠海) 有限公司) [@]	Mainland China	Not yet commenced business	3 January 2019/ 3 April 2019	Dissolution by resolutions of the company	Cancellation of a proposed business
Sunrise Fashion (Asia) Limited	Hong Kong	Investment	Not applicable/ 23 September 2022	Deregistration	Cessation of business

[@] The official name of this company is in Chinese. The English name of the company is included for identification purpose only.

NOTICE OF ANNUAL GENERAL MEETING

- 8.4 Mr. Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 75, is an independent non-executive director of the Company. Mr. Lau is also a director of Yuexiu Property Company Limited, Yuexiu Transport Infrastructure Limited and Joy City Property Limited. In the past three years, Mr. Lau was a director of China Jinmao Holdings Group Limited. Mr. Lau's interests in the shares of the Company within the meaning of Part XV of the SFO are set out in the "Directors' interests and short positions in securities" section in the Report of the Directors contained in this annual report and remain unchanged as at the latest practicable date.
9. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at the meeting will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

CHAIRMAN'S STATEMENT



RESULTS

In 2022, global inflation was higher than expected and remained persistent, forcing central banks to raise interest rates rapidly to contain it. This caused the investment environment to become highly uncertain. As inflation in Europe and the United States hit the highest levels since September 1982, consumers and businesses were seriously affected. With the view to suppress inflation, central banks in Europe and in the United States implemented substantial interest rate hikes. In addition to the declining consumption momentum during the epidemic, the risk of recession also increased. The series of interest rate hikes and balance sheet reductions in Europe and in the United States showed that since the financial tsunami in 2008, the era of low-interest rates and high borrowing has gone. Global economy entered another norm of “economic new normal” of high interest rates and deleveraging. Economic growth was moving towards high-quality development. How to face this new business environment for global enterprises and investors would be a new challenge.

In recent years, due to the impacts of the Covid epidemic, property debt crisis, and China-US trade tension, Mainland's economic activities declined rapidly. At the beginning of November last year, the Central Government launched a series of policies to revitalise the economy. First, it issued the “Twenty Measures for Optimising Covid Control” to dynamically adjust the measures to prevent and control the Covid epidemic. Then it announced the “Sixteen Measures for Financial” to help those Chinese property companies with liquidity problems. These moves brought respite to the troubled real estate and related industries and marked the meaningful turning point for the Chinese economy.

Hong Kong's economy remained weak last year. Although the immigration policy was gradually relaxed in the second half of the year, due to the economic downturn in the Mainland, Hong Kong's economy did not see much improvement. The hotel, catering and tourism industries failed to return to the pre-epidemic levels. The vacancy rate of Grade A office buildings reached a record high of 12.1%. The overall business environment was tough. As the Central Government began to relax the anti-epidemic policy at the end of the year, the HKSAR Government also adjusted its measures accordingly. The day long waited for to reopen the Mainland border and to rekindle tourism finally came.

At the beginning of the year, the Group formulated the “implementing high-quality development” strategy and emphasised on market orientation and customer orientation. With innovation and persistency, we resolved to move forward in the direction of “specialisation, refinement, differentiation and innovation”, to enhance our competitiveness and competency. We will unswervingly pursue the principle of effectiveness and look for room for growth in response to market conditions.

CHAIRMAN'S STATEMENT

Under the unfavourable conditions of high inflation and amidst the anti-epidemic measures last year, the Group's annual sales were fortunately not significantly affected. The turnover at the HKD billion level was maintained, achieving an overall increase of 6.30%. Although Mainland's real estate market was still in a difficult situation, the Mainland real estate bonds invested by the Group needed to make appropriate provisions for impairment in accordance with accounting standards. Because the relevant provisions were deducted from non-cash items and did not affect our cash flow, the profit attributable to shareholders increased by 6.04% compared with the same period last year.

Hereunder are the highlights of our performance in the year under review:

	2022	2021	Change
<i>(Unit: HK\$'000)</i>			
Consolidated sales	1,060,681	997,841	↑6.30%
of which:			
A. Financial investments	42,570	55,059	↓22.68%
B. Interior decoration and renovation	701,643	698,844	↑0.40%
C. Export operations	268,191	193,693	↑38.46%
D. Hong Kong retailing and overseas franchising	48,259	50,223	↓3.91%
Profit attributable to ordinary equity holders of the Company	39,229	36,996	↑6.04%
<i>(Unit: HK cents)</i>			
Earnings per share (basic)	2.57	2.40	↑7.08%
Dividend per share			
– Final	4.00	4.00	–
– Total	6.00	6.00	–
	As at 31 December 2022	As at 31 December 2021	Change
<i>(Unit: HK\$'000)</i>			
Net cash and near cash in hand*	2,491,700	2,562,846	↓2.78%

* "Net cash and near cash in hand" consists of debt investments at amortised cost, listed equity investments designated at fair value through other comprehensive income, time deposit with original maturity of over three months when acquired, cash and cash equivalents, net of interest-bearing bank borrowings.

DIVIDEND

The Board of Directors has resolved to recommend the payment of a final dividend of HK4.00 cents (2021: HK4.00 cents) per share for the year ended 31 December 2022 at the forthcoming annual general meeting to be held on Tuesday, 30 May 2023. The final dividend amounting to HK\$61,119,000, if approved by the shareholders of the Company, will be paid on Wednesday, 21 June 2023, to those shareholders whose names appear on the register of members of the Company on Wednesday, 7 June 2023.

CHAIRMAN'S STATEMENT

REVIEW OF BUSINESSES

Financial Investments

During the year under review, central banks of various countries all tightened their monetary policies and the world entered an interest rate hike cycle. Various assets, such as stocks, bonds, metals, and major currencies, all fell. Hong Kong stock market also reached new lows. Our Management managed to keep the profits made and maintain the status quo to avoid this market correction. The Management foresaw these market reversals and was extremely cautious in investment. In September last year, seeing that the stock market had fallen to a comfortable level, the Group began to invest in high-quality income stocks for long-term investment purpose. We will continue to monitor and analyse changes in the investment market and wait patiently for prudent investment opportunities.

At the beginning of the year, the Group's listed investment portfolio was HK\$809,888,000. The portfolio redeemed approximate HK\$525,608,000 US Dollar bonds during the year. In addition, due to the relatively high base of financial investment income last year, for the year ended 31 December 2022, the total income of the financial investments business was HK\$42,570,000 (2021: HK\$55,059,000), showing a decrease of 22.68% from the previous year. As of 31 December 2022, the Group's listed investment portfolio had a net carrying value of HK\$373,476,000.

Interior Decoration and Renovation

During the year, in addition to improving the overall competitiveness of the business, we actively promoted business intelligence and production supply chain development. We paid close attention to changes in both the internal and external environment. We continued to expand the existing customer base to various industries to capture new business opportunities. Although the business faced various challenges such as the epidemic and the external environment, the annual turnover target was nonetheless met.

For the year ended 31 December 2022, the total turnover of the interior decoration and renovation operations was HK\$701,643,000 (2021: HK\$698,844,000), representing a slight increase of 0.40% compared with last year.



Changhong provided refurbishment service to Prada outlet in China World Mall, Beijing

CHAIRMAN'S STATEMENT

Export Operations

The export operations of the Group were composed of oversea agency trading and design centre targeting the US as our primary market. Although the overseas market might have already entered the path of recovery, overseas buyers remained cautious and conservative in their purchases due to the uncertain consumer market environment. The Group adjusted its brand strategy and operation structure while facing the new market competition. We were proud of our success to be a high-quality exporter who understood customers' business trends with effective deployments. The long-term business base was maintained with rooms for further expansion.

For the year ended 31 December 2022, the total turnover of the export operations was HK\$268,191,000 (2021: HK\$193,693,000), representing an increase of 38.46% from the previous year.



Our export business offers a total value-added package to serve customers' needs



Hong Kong Retailing and Overseas Franchising Operations

At the beginning of the year, due to the fifth wave of Covid epidemic outbreak in Hong Kong, the retail business was the first to bear the brunt. In addition to sales, the epidemic prevention, manpower, and supply chain in business operations were all under pressure. Despite the highly unfavourable external environment, our retail business in Hong Kong has continued to adjust its operating strategy by reducing its scale and adjusting its store mix. As Mainland and Hong Kong gradually opened up economic activities after eradicating various epidemic preventions, we expect the retail market to improve in due course.

For the year ended 31 December 2022, the total turnover of Jeanswest in Hong Kong and overseas was HK\$48,259,000 (2021: HK\$50,223,000), representing a slight decrease of 3.91% when compared with last year.

FINANCIAL POSITION

Liquidity and Financial Resources

During the year, the financial position of the Group was solid. As at 31 December 2022, the Group held net cash and near cash in hand of HK\$2,491,700,000 (31 December 2021: HK\$2,562,846,000), representing a slight decrease of 2.78% from the previous year.

Financial investments held

The Group held marketable debt instruments and equities which, as at 31 December 2022, amounted to HK\$373,476,000 (31 December 2021: HK\$809,888,000). The decrease of HK\$436,412,000 was mainly attributed to the redemption upon maturity and impairment loss of certain debt instruments. In addition, the Group purchased blue-chip high-yield stocks at a total purchase cost of HK\$93,319,000.

CHAIRMAN'S STATEMENT

HUMAN RESOURCES

As at 31 December 2022, the Group employed 490 employees (31 December 2021: 489). The Group granted bonuses to employees based on the Group's results and individual performance from time to time.

SOCIAL RESPONSIBILITY

It was the commitment of the Management that while maximising returns for shareholders, the Group had to take up its social responsibilities. Therefore, we demanded our suppliers strictly adhere to stringent environmental protection policies and regulations in their production process. We also supported and sponsored charitable activities. Under the prevalence of COVID-19, flexible working hours were also introduced to enable our staff to avoid peak traffic hours to minimise the chance of infection.

PROSPECTS

The US economy exceeded expectations in the final quarter of 2022 showing the kind of modest slowdown that the Fed deserved to keep inflation under control without suppressing growth. The high inflation in the past year has caused the market to be apprehensive about the future economy. As the US inflation data has gradually softened since the middle of last year, it signals that the US economy is moving towards the path of a "soft landing". Although US companies are relatively pessimistic about this year's earnings growth, the US economy is believed to survive at a healthy pace.

Mainland China has launched a series of policies since the end of last year. First, it relaxed the stringent anti-epidemic measures to stimulate economic activities which led to a rapid consumption recovery in the Mainland. In addition, it introduced several policies to support the real estate industry in various aspects to solve the liquidity problem of property developers. These policies also assist the upstream and downstream supply chain companies. Finally, additional policies have been announced to address the issue of housing demand. Since then, the real estate industry has improved significantly. As Mainland's short-term economic cycle is approaching its inflection point, the opportunity for the cycle to bottom out and recover, as well as the recovery of Mainland's capital market, is ready to go.

Since the outbreak of the Covid epidemic, under the influence of the complex and ever-changing political and economic environment in the world, Hong Kong's economy has inevitably experienced negative growth last year. As the Central Government began to relax the anti-epidemic policy at the end of last year, the HKSAR government has also introduced adjustment measures one after another. It is expected that various businesses in Hong Kong will benefit. Looking forward to 2023, opportunities and challenges coexist, and the long-awaited economic recovery has dawned. We expect Hong Kong's economy to resume positive growth this year and open a new chapter in the post-epidemic era.

The Group continues the goal of high-quality development from last year. Our 2023 strategy focuses on "continuing to implement high-quality development". We will aim at pursuing the principle of effectiveness resolutely, insisting on focusing on core business, doing what it can, and concentrating resources, time and energy on the most profitable and the most potential business, maintaining and enhancing its competitiveness at all times, and achieving sustainable, high-quality development.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our sincere appreciation to the shareholders for their support, and to the Management and staff for their dedicated efforts.

Dr. Charles Yeung, GBS, JP
Chairman

Hong Kong, 27 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the year of 2022, the global political and economic issues including the Russia-Ukraine war and other geopolitical tensions worldwide, existential supply chain disruptions and inflationary pressures have led to a gloomy macroeconomic environment and weak market sentiments. Although the global economic recovery is on track, it is uneven across nations as we are faced with unprecedented levels of inflation.

Under the aforesaid challenging business operating environment, the Group's consolidated revenue increased by 6.30% to HK\$1,060,681,000 (2021: HK\$997,841,000). The Group recorded a profit attributable to the shareholders of the Company amounting to HK\$39,229,000 (2021: HK\$36,996,000), representing an increase of 6.04%.

The segment result of financial investments segment improved significantly by HK\$53,133,000 than that of prior year, was mainly due to the combined effect of decrease of expected credit loss of debt investments at amortised costs by HK\$65,577,000 and distribution from equity investments designated at fair value through other comprehensive income by HK\$11,518,000, and increase of consent fees income from debt restructure on debt investments at amortised costs and consulting service income. Segment results from the other three business segments in aggregate decreased by HK\$1,264,000 as compared with those of prior year, which were mainly due to costs increment as result of inflation. However, the profit before tax of the Group decreased by HK\$5,009,000 as compared with that of prior year was mainly attributable to the fact that the increment of segment results was offset by the decrease of release of exchange reserve upon loss of control of a subsidiary.

DIVIDENDS

The Board has recommended a final dividend of HK4.00 cents (2021: HK4.00 cents) per share for the year ended 31 December 2022. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting, the total dividend amount for 2022 will be HK\$91,679,000 (2021: HK\$91,922,000) which is 233.70% of the profit attributable to the shareholders of the Company for the year. Management is confident that there are sufficient funds in the business for the investments.

LIQUIDITY AND FINANCIAL RESOURCES

The Group held cash and cash equivalents, time deposit with original maturity of over three months when acquired, current portion of debt investments at amortised cost and current portion of equity investments designated at fair value through other comprehensive income HK\$2,166,979,000 (31 December 2021: HK\$2,360,121,000) as at 31 December 2022.

As at 31 December 2022, the net carrying amount of the Group's land and buildings was HK\$4,583,000 (31 December 2021: HK\$5,382,000). These assets were neither charged nor pledged to any bank borrowings as at 31 December 2022 and 31 December 2021.

The Group had bank loans of HK\$48,755,000 (31 December 2021: HK\$19,400,000) by corporate guarantees as at 31 December 2022.

The Group's total assets less current liabilities were HK\$2,444,789,000 (31 December 2021: HK\$2,513,016,000) as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The current ratio increased from 3.85 times as at 31 December 2021 to 4.01 times as at 31 December 2022. As at 31 December 2022, the gearing ratio, total interest-bearing bank borrowings divided by the total shareholders' equity plus total interest-bearing bank borrowings was 2% (31 December 2021: 1%).

The Group had neither material capital commitment nor material contingent liabilities as at 31 December 2022.

The Group strengthens and improves its financial risk control on a continual basis and has consistently adopted a prudent approach in financial management. Financial resources are under close monitor to ensure the Group's efficient and effective operation, as well as flexibility to respond to opportunities and uncertainties. Management is of the opinion that the Group's existing financial structure is healthy and related resources are sufficient to cater for the Group's operation needs in the foreseeable future.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURES

The Group has transactional currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the unit's functional currencies, mostly in United States dollars and Renminbi. In addition, the Group has currency exposure from debt investments at amortised cost and bank deposits, which are also in United States dollars and Renminbi. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement if necessary. During the year ended 31 December 2022, the Group had entered into foreign currency forward contracts to hedge its exposures to foreign currency risk.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and interest-bearing bank borrowings with floating interest rates. The Group manages its interest cost using a mix of fixed and variable rate debts.

SIGNIFICANT INVESTMENTS HELD

The Group held financial assets being classified as debt investments at amortised cost and equity investments designated at fair value through other comprehensive income as at 31 December 2022.

Debt investments at amortised cost

The debt investments at amortised cost of the Group were listed debt investments with maturity and subject to impairment testing. As at 31 December 2022, the net carrying amount of debt investments at amortised cost was HK\$277,336,000 (31 December 2021: HK\$482,746,000), representing 8.89% (31 December 2021: 14.64%) of the Group's total assets. These debt investments at amortised cost were further classified as non-current portion in the amount of HK\$277,336,000 (31 December 2021: non-current portion in the amount of HK\$222,125,000 and current portion in the amount of HK\$260,621,000). The significant decrease in net carrying amount of the debt investments was mainly due to the combined effect of increase of expected credit loss amounting to HK\$34,032,000 (2021: HK\$99,609,000) and redemption of debt investments with nominal value of US\$23,121,000 (equivalent to approximately HK\$181,088,000) upon maturity with cash considerations during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group slimmed down the portfolio size in the debt investments. Management will continue to monitor the performance of the debt investment portfolio. Details of the debt instruments held were as follows:

Bond issuer and term of instrument	As at 31 December 2022					As at 31 December 2021	For the year ended 31 December 2022				
	Nominal value held US\$'000	Percentage to the Group's total assets %	Investment cost HK\$'000	Fair value HK\$'000	Net carrying amount HK\$'000	Net carrying amount HK\$'000	Interest income HK\$'000	Loss from derecognition HK\$'000	Impairment reversal/(loss) HK\$'000	Exchange gain/(loss) HK\$'000	Consent fee income HK\$'000
Easy Tactic Limited*											
5.75%, due 2022	-	-	-	-	-	116,002	3,606	(4,697)	32,819	1,508	740
5.875%, due 2023	-	-	-	-	-	222,125	9,183	-	73,309	2,866	1,492
6.50%, due 2025 [#]	15,508	2.67%	121,735	31,000	83,368	-	4,259	-	(37,623)	(744)	-
6.50%, due 2027 [#]	38,335	6.22%	300,929	63,022	193,968	-	10,528	-	(105,215)	(1,746)	-
Subtotal	53,843	8.89%	422,664	94,022	277,336	338,127	27,576	(4,697)	(36,710)	1,884	2,232
Agile Group Holdings Limited											
5.125%, due 2022	-	-	-	-	-	144,619	4,688	-	2,678	1,866	-
Total	53,843	8.89%	422,664	94,022	277,336	482,746	32,264	(4,697)	(34,032)	3,750	2,232

* Easy Tactic Limited is one of the wholly-owned subsidiaries of Guangzhou R&F Properties Co., Ltd. whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 02777.HK). The principal activities of Guangzhou R&F Properties Co., Ltd. and its subsidiaries ("R&F Group") are the development of quality residential and commercial properties for sale mainly in China.

[#] R&F Group has an option to pay payment-in-kind interest at 7.50% per annum (the "PIK Interest Rate") instead of cash interest at 6.50% per annum during the first 18 months commencing on 12 July 2022. The Group received interest income at the PIK Interest Rate on 11 January 2023. Therefore, the principal amount of the 6.50% senior notes due 2025 increased from US\$15,507,705 (equivalent to approximately HK\$121,735,000) to US\$16,089,244 (equivalent to approximately HK\$126,271,000), and the 6.50% senior notes due 2027 increased from US\$38,334,875 (equivalent to approximately HK\$300,929,000) to US\$39,772,433 (equivalent to approximately HK\$312,142,000), respectively.

Equity investments designated at fair value through other comprehensive income

The equity investments designated at fair value through other comprehensive income are not held for trading, instead are held for long-term strategic purposes. As at 31 December 2022, the fair value of equity investments designated at fair value through other comprehensive income consisted of listed and non-listed investments with amount of HK\$103,405,000 (31 December 2021: HK\$334,960,000), representing 3.32% (31 December 2021: 10.16%) of the Group's total assets. The decrease in equity investments designated at fair value through other comprehensive income was mainly due to the combined effect of redemption of listed perpetual securities of Shui On Development (Holding) Limited amounting to US\$44,000,000 (equivalent to approximately HK\$344,520,000) and acquisitions of Hong Kong blue-chip high-yield stocks with total investment costs of HK\$93,319,000. The Group recorded other comprehensive income on fair value change of the equity investments of HK\$20,218,000 (2021: other comprehensive loss of HK\$14,344,000). Distribution from the equity investments during the year of 2022 was HK\$10,306,000 (2021: HK\$21,824,000).

Save as disclosed above, none of investments in each investee company represented 5% or more of the Group's total assets as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF LISTED SECURITIES

Exchange notes of Easy Tactic Limited

On 11 July 2022, R&F Group extended the maturity date of 10 series of US dollar-denominated senior notes due between 2022 and 2024 into three tranches of amortising notes to 2025, 2027 and 2028 respectively and amended the interest rate to 6.50% per annum as coupon rate (the “Cash Interest Rate”) for all these notes with an option by R&F Group to pay payment-in-kind interest at 7.50% per annum instead of Cash Interest Rate during the first 18 months commencing on 12 July 2022.

The senior notes of Easy Tactic Limited held by the Group were mandatorily exchanged for new senior notes with no cash consideration. Detail of the notes exchange are summarised as follows:

- (i) The 5.75% senior notes due 2022 were exchanged to 6.50% senior notes due on 11 July 2025 (the “2025 Notes”) at par value in the same principal amount, with interest rate subject to R&F Group’s right to elect to pay PIK Interest Rate. Accrued and unpaid interest of the notes due 2022 up to but excluding 11 July 2022 amounting to US\$428,705 (equivalent to approximately HK\$3,365,000) was received by the 2025 Notes in the same amount at par value. Therefore, the principal amount of the 2025 Notes increased from US\$15,079,000 (equivalent to approximately HK\$118,370,000) to US\$15,507,705 (equivalent to approximately HK\$121,735,000). A consent fee in cash of US\$75,395 (equivalent to approximately HK\$592,000) was received for the notes due 2022.
- (ii) The 5.875% senior notes due 2023 were exchanged to 6.50% senior notes due on 11 July 2027 (the “2027 Notes”) at par value in the same principal amount, with interest rate subject to R&F Group’s right to elect to pay PIK Interest Rate. Accrued and unpaid interest of the notes due 2023 up to but excluding 11 July 2022 amounting to US\$334,875 (equivalent to approximately HK\$2,629,000) was received by the 2027 Notes in the same amount at par value. Therefore, the principal amount of the 2027 Notes increased from US\$38,000,000 (equivalent to approximately HK\$298,300,000) to US\$38,334,875 (equivalent to approximately HK\$300,929,000). A consent fee in cash of US\$190,000 (equivalent to approximately HK\$1,492,000) was received for the notes due 2023.

Material acquisitions of listed shares

On 5 September 2022, the Group acquired 8,000,000 shares of China Construction Bank Corporation (stock code: 00939.HK) at an average purchase price of approximately HK\$4.7625 per share and 13,000,000 shares of Bank of China Limited (stock code: 03988.HK) at an average purchase price of approximately HK\$2.7262 per share through the open market at considerations (excluding stamp duty and related expenses) of approximately HK\$38,100,000 and HK\$35,440,000, respectively.

Details of the transactions are set out in the Company’s announcements dated 5 September 2022 and 16 September 2022.

OUTLOOK

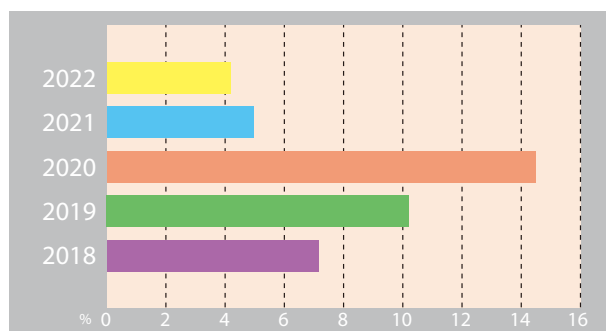
The Group will adhere to its prudent approach and adopt appropriate strategies to mitigate downside risk while seizing opportunities. With emphasis on the market driven and result oriented strategies on operations, Management will endeavour to maintain steady businesses development and continue to bring reasonable returns to its shareholders.

FINANCIAL HIGHLIGHTS

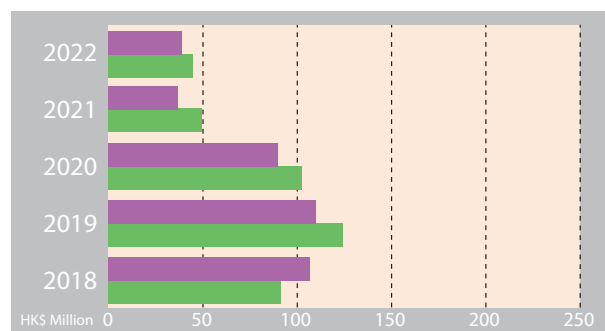
	2022	2021	2020	2019	2018
Revenue (HK\$'000)	1,060,681	997,841	707,548	1,212,288	1,271,001
Increase/(decrease) in revenue in percentage (%)	6.30%	41.03%	(41.64%)	(4.62%)	6.47%
Revenue analysis:					
1. Financial investments (HK\$'000)	42,570	55,059	65,973	118,505	126,501
2. Interior decoration and renovation (HK\$'000)	701,643	698,844	468,685	705,194	503,151
3. Export operations (HK\$'000)	268,191	193,693	137,533	335,934	560,761
4. Hong Kong retailing and overseas franchising (HK\$'000)	48,259	50,223	35,349	49,553	66,612
5. Other (HK\$'000)	18	22	8	3,102	13,976
Operating margin (%)	4.20%	4.97%	14.52%	10.27%	7.18%
Profit attributable to ordinary equity holders of the Company (HK\$'000)	39,229	36,996	90,018	110,383	107,430
Increase/(decrease) in profit attributable to ordinary equity holders of the Company (%)	6.04%	(58.90%)	(18.45%)	2.75%	21.16%
Equity attributable to ordinary equity holders of the Company (HK\$'000)	2,428,821	2,466,827	2,578,352	2,515,126	2,448,254
Working capital (HK\$'000)	2,022,583	2,233,100	1,646,325	1,341,643	573,685
Current ratio (times)	4.01	3.85	4.18	3.99	1.65
Gearing ratio (times)	0.02	0.01	0.01	0.01	0.16
Return on total assets (%)	1.26%	1.12%	2.86%	3.66%	3.21%
Return on equity (%)	1.62%	1.50%	3.49%	4.39%	4.39%
Return on revenue (%)	3.70%	3.71%	12.72%	9.11%	8.45%
Earnings per share (HK cents)					
Basic	2.57	2.40	5.89	7.22	7.00
Diluted	2.57	2.40	5.89	7.22	7.00
Dividend per share (HK cents)	6.00	6.00	6.00	6.00	5.86

FINANCIAL HIGHLIGHTS

OPERATING MARGIN OPERATIONS (AFTER FINANCE COSTS)

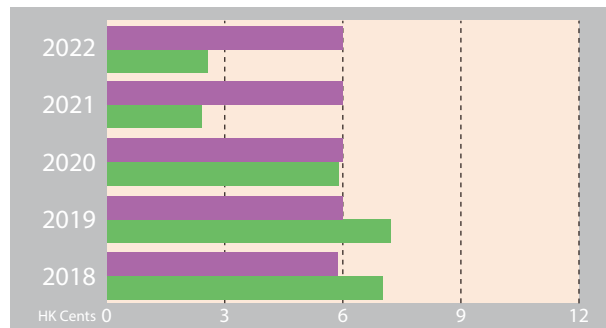


OPERATING PROFIT AND PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY



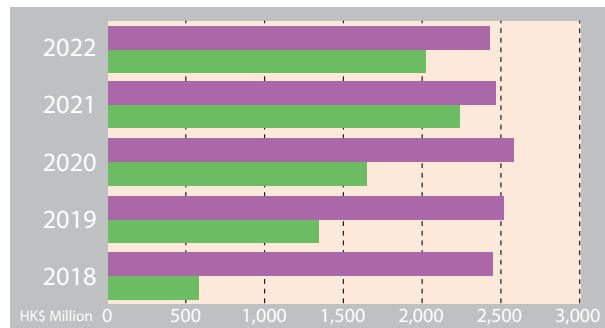
■ Profit attributable to ordinary equity holders of the Company
■ Operating profit (after finance costs)

BASIC EARNINGS PER SHARE AND DIVIDEND PER SHARE



■ Dividend per share
■ Basic earnings per share

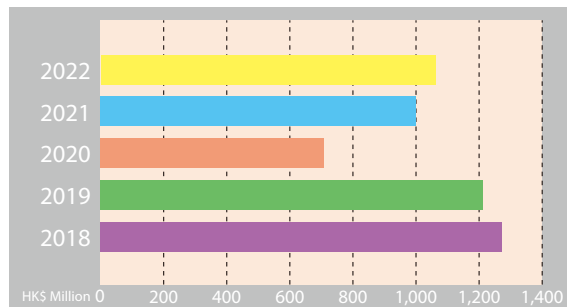
WORKING CAPITAL AND EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY



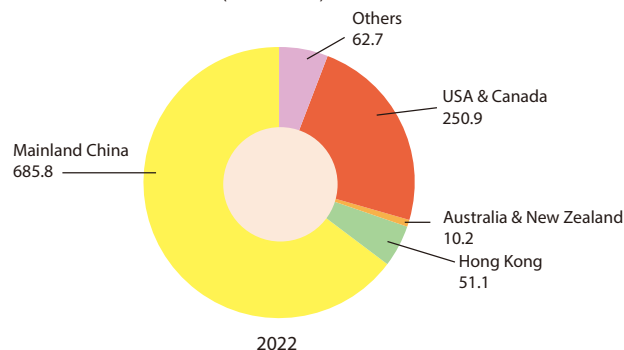
■ Equity attributable to ordinary equity holders of the Company
■ Working capital

FINANCIAL HIGHLIGHTS

REVENUE
(HK\$Million)



REVENUE BY GEOGRAPHICAL LOCATIONS
(HK\$Million)



TURNOVER BY ACTIVITIES (HK\$Million)



DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS/SENIOR MANAGEMENT

Dr. YEUNG Chun Kam, GBS, JP, alias Charles YEUNG, aged 76, is the founder and Chairman of the Group. He is responsible for the Group's business strategies. Mr. Yeung has over 50 years of experience in the garment industry. He was an awardee of the "Young Industrialist Award of Hong Kong" in 1991 and was conferred an honorary doctorate degree by the China Textile University in 1993 and an honorary fellow by The Professional Validation Council of Hong Kong Industries in 2002. Mr. Yeung served as a Member of the 9th, 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference and is a Life Honorary Chairman of The Chinese General Chamber of Commerce. Mr. Yeung is a director and shareholder of Glorious Sun Holdings (BVI) Limited and Advantetex Holdings (BVI) Limited which are substantial shareholders of the Company (as disclosed in the "Substantial shareholders" section in the Report of the Directors contained in this annual report).

Mr. YEUNG Chun Fan, aged 70, is the Vice-chairman and General Manager of the Group which he joined in 1975. He has over 45 years of experience in the garment industry. Mr. Yeung is an Honorary Fellow Member of the Hong Kong Institution of Textile and Apparel, an Honorary President of The Federation of Hong Kong Garment Manufacturers, an advisory professor of the Nanjiang University, the Donghua University and the Qingdao University. Mr. Yeung served as a Member of the 13th National Committee of the Chinese People's Political Consultative Conference and is a Vice-chairman of the China Association of Enterprises with Foreign Investment and a Vice-president of the China National Textile and Apparel Council. Mr. Yeung is responsible for the overall business operations and business development of the Group. He is a brother of Mr. Charles Yeung. Mr. Yeung is a director and shareholder of Glorious Sun Holdings (BVI) Limited and Advantetex Holdings (BVI) Limited which are substantial shareholders of the Company (as disclosed in the "Substantial shareholders" section in the Report of the Directors contained in this annual report).

Mr. HUI Chung Shing, Herman, GBS, MH, JP, aged 72, is responsible for the strategic planning, legal matters and administrative functions of the Group. Mr. Hui graduated from the University of Hong Kong with a bachelor's degree in Laws. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has also been admitted as a solicitor of the Supreme Court of England and Wales and as a solicitor and barrister of the Supreme Court of Victoria, Australia. Before joining the Group in 1995, Mr. Hui was the Group's external legal advisor. In 2010, he was conferred Honorary Fellow of the Vocational Training Council.

Ms. CHEUNG Wai Yee, aged 71, joined the Group in 1975 and is responsible for the Group's apparel sales and exports to third party customers. Ms. Cheung is the wife of Mr. Yeung Chun Fan.

Ms. YEUNG Yin Chi, Jennifer, aged 43, joined the Group in 2011 and has been an Executive Director of the Company since November 2016. Ms. Yeung has many years of experience in the financial investment industry. She is responsible for the Group's financial investment business. Ms. Yeung graduated from the Hong Kong Baptist University with a bachelor's degree in Business Administration. Ms. Yeung is a niece of Mr. Charles Yeung and Mr. Yeung Chun Fan.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Hon Chuen, GBS, JP, alias Ambrose LAU, aged 75, has been an Independent Non-executive Director of the Company since March 1997. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr. Lau served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. Mr. Lau is currently the senior partner of Messrs. Chu & Lau, Solicitors & Notaries, an Independent Non-executive Director of Yuexiu Property Company Limited, Yuexiu Transport Infrastructure Limited and Joy City Property Limited. He is also a Director of OCBC Wing Hang Bank Limited (Banco OCBC Weng Hang, SA), Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Cinda Financial Holdings Co., Limited, Sun Hon Investment And Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Nominee & Secretarial Services Limited, Helicoin Limited, Wyman Investments Limited and Porex Limited. Mr. Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992–1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Dr. CHAN Chung Bun, Bunny, GBM, GBS, JP, aged 65, has been an Independent Non-executive Director of the Company since June 2019. Mr. Chan was conferred Doctor of Business Administration, honoris causa, by the Open University of Hong Kong in December 2013. He is the Chairman of Prospective Holdings Limited, and has more than 30 years of experience in business and in the garment industry. Mr. Chan is an independent non-executive director of Li Ning Company Limited, Great Harvest Maeta Holdings Limited and MTR Corporation Limited. Mr. Chan was a member of the Council for Sustainable Development from 1 March 2015 to 28 February 2021. Mr. Chan was appointed as Justice of the Peace in 2002 and was awarded the Bronze Bauhinia Star in 2004, the Silver Bauhinia Star in 2009, the Gold Bauhinia Star in 2014 and Grand Bauhinia Medal in 2021 by the Government of the Hong Kong Special Administrative Region.

Mr. NG Wing Ka, BBS, JP, alias Jimmy NG, aged 53, has been an Independent Non-executive Director of the Company since June 2019. Mr. Ng holds a Bachelor of Laws degree and a Post-graduate Certificate in Laws from The University of Hong Kong. He is a solicitor admitted to practise in Hong Kong and currently is a partner of Messrs. Tung, Ng, Tse & Lam, Solicitors. He has been appointed as Justice of the Peace in 2015. He is a Legislative Council member representing the Industrial (Second) Functional Constituency. Mr. Ng is an independent non-executive director of Yanchang Petroleum International Limited and MTR Corporation Limited. He is the chairman of HKSAR Passports Appeal Board and Hong Kong – Taiwan Business Cooperation Committee, a Vice-chairman of Independent Police Complaints Council, a director of Hong Kong Science and Technology Parks Corporation, and a non-executive director of The Hong Kong Mortgage Corporation Limited. He is also a member of the Council of The Hong Kong Polytechnic University, the Competition Commission, the Court and the Council of The University of Hong Kong, HKSAR Election Committee, the National People's Congress of the People's Republic of China and the Chinese People's Political Consultative Conference of Shaanxi Province, the People's Republic of China.

Mr. Choi Tak Shing, Stanley, JP, aged 46, has been an Independent Non-executive Director of the Company since June 2021. Mr. Choi graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree. He also obtained a Bachelor of Laws degree from the University of London, and a Master of Business Administration degree from the Hong Kong University of Science & Technology. Mr. Choi is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He is a director and chief investment officer of Pacific Capital Planning Limited and has 25 years of experience in accounting, finance and investment. Mr. Choi currently serves as the Chairman of the Committee on the Promotion of Civic Education of The Government of the Hong Kong Special Administrative Region.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining a high standard of corporate governance and has applied throughout the year ended 31 December 2022 (the “year under review”) the principles set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

Throughout the year under review, the Company has complied with the code provisions set out in the CG Code except for the deviation from code provision F.2.2 of the CG Code.

Under code provision F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting. Due to COVID-19 pandemic control measures, Mr. Charles Yeung (Chairman of the Board) was not present at the Company’s annual general meeting for the year 2022, Mr. Yeung Chun Fan (Vice-chairman of the Board) took the chair at the meeting and addressed questions raised by shareholders.

The Board continues to monitor and review the Company’s corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

The Board is committed to making decisions in the best interests of both the Company and its shareholders (the “Shareholders”). The Board’s primary responsibilities are to formulate the Company’s long-term corporate strategy, to oversee the overall management of the Group’s business and affairs, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board.

In addition, the Board has also established Board Committees and has delegated to these Board Committees various responsibilities set out in their terms of reference respectively.

In the year under review and up to the date of this annual report, the Board comprises the following members:

Executive Directors

Dr. Charles Yeung, GBS, JP	(Chairman)
Mr. Yeung Chun Fan	(Vice-chairman)
Mr. Hui Chung Shing, Herman, GBS, MH, JP	
Ms. Cheung Wai Yee	
Ms. Yeung Yin Chi, Jennifer	

Independent Non-executive Directors

Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chan Chung Bun, Bunny, GBM, GBS, JP
Mr. Ng Wing Ka, Jimmy, BBS, JP
Mr. Choi Tak Shing, Stanley, JP

The biographical details of and the relationship among the members of the Board are set out in the “Directors’ and senior management’s biographies” contained in this annual report.

The roles of the Chairman and the Chief Executive Officer are separate and are performed by Mr. Charles Yeung and the General Manager of the Group, Mr. Yeung Chun Fan, respectively. Their respective responsibilities are clearly defined and are set out in writing. Mr. Yeung Chun Fan is also the Vice-chairman of the Board.

CORPORATE GOVERNANCE REPORT

The Chairman takes the lead in formulating and setting the Group's strategies and policies in conjunction with the Board; oversees the function of the Board and encourages and facilitates constructive relations between Executive Directors and Independent Non-executive Directors.

The General Manager, supported by other Board members and senior executives, is responsible for overseeing the Group's business operation, implementing the strategies laid down by the Board and managing day-to-day operation.

The Nomination Committee, which was established by the Board in March 2012, is responsible for reviewing the size, structure and composition (including the skills, knowledge and experience) of the Board to ensure that the Board has a balance of expertise, skills, knowledge and experience appropriate for the business of the Company. During the year 2022, no new Director was selected or recommended for directorship.

The Nomination Committee has also reviewed and made recommendation to the Board on the appointments of the Directors standing for re-election at the forthcoming annual general meeting of the Company which is to be held on 30 May 2023. The Board has accepted such recommendation.

All the Independent Non-executive Directors are appointed for a specific term of two years and are required to retire and eligible for re-election at the annual general meeting of the Company in the year of expiry of the term.

The Board adopted a policy concerning the diversity of Board members in August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on personal virtue and meritocracy for constituting a high quality directorate team. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee monitors the implementation of the policy and reviews, as appropriate, the policy to ensure the effectiveness of the policy. For the year under review, both the Nomination Committee and the Board reviewed the policy and considered that the Company maintained an effective Board comprising members of different genders, professional background and industry experience. The policy was effectively implemented.

The Board comprises a total of nine members with five Executive Directors and four Independent Non-executive Directors. Two Executive Directors are female.

The gender ratio in the Group's workforce (including senior management) as at 31 December 2022 is set out in the section headed "Employment and Labour Practices" in the Environmental, Social and Governance Report for 2022.

The Board shall continue to maintain the gender diversity among the Board members and at all levels of the Group.

The Company recognises that Board independence is important to good corporate governance and Board effectiveness. The Company has established mechanisms to ensure independent views and input are available to the Board, and such mechanisms are reviewed annually by the Board, so as to ensure their effectiveness. Under the mechanisms:

- Four out of the nine Directors are Independent Non-executive Directors. The Company has met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive directors, one of whom has appropriate professional qualifications or accounting or related financial management expertise. The Company has also complied with Rule 3.10A of the Listing Rules which requires the number of independent non-executive directors representing at least one-third of the board.

CORPORATE GOVERNANCE REPORT

- Each Independent Non-executive Director has given the Company an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has assessed the independence of the Independent Non-executive Directors. The Board considers all the Independent Non-executive Directors to be independent.
- A Director (including Independent Non-executive Director) who has a material interest in a contract or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.
- No equity-based remuneration with performance-related elements will be granted to Independent Non-executive Directors.
- The Chairman of the Board meets with the Independent Non-executive Directors annually without the presence of Executive Directors.

MEETINGS AND ATTENDANCE

The Board met on five occasions during the year under review. The attendance of each Directors at the Board meetings, the meetings of the Board Committees (the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee) and the annual general meeting for the year 2022 is set out in the table below:

Director	Board	Meeting Attended/Held				Annual General Meeting
		Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee	
<i>Executive</i>						
Dr. Charles Yeung, GBS, JP	4/5*			1/1	1/1	0/1
Mr. Yeung Chun Fan	4/5*				1/1	1/1
Mr. Hui Chung Shing, Herman, GBS, MH, JP	5/5		1/1			0/1
Ms. Cheung Wai Yee	4/5#					1/1
Ms. Yeung Yin Chi, Jennifer	5/5				1/1	1/1
<i>Independent Non-executive</i>						
Mr. Lau Hon Chuen, Ambrose, GBS, JP	5/5	2/2		1/1		1/1
Dr. Chan Chung Bun, Bunny, GBM, GBS, JP	5/5		1/1	1/1	1/1	1/1
Mr. Ng Wing Ka, Jimmy, BBS, JP	5/5	2/2				1/1
Mr. Choi Tak Shing, Stanley, JP	5/5	2/2	1/1			1/1

* these Directors had material interest in a connected transaction discussed at a Board meeting and hence they abstained from attending the meeting.

this Director abstained from attending a Board meeting due to her relationship with those Directors who had material interest in a transaction discussed at the meeting.

During the year under review, the Chairman of the Board had a meeting with the Independent Non-executive Directors without the presence of Executive Directors.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee in accordance with the CG Code to oversee particular aspects of the Company's affairs. All or a majority of the members of those Committees are Independent Non-executive Directors. The Board Committees have clear written terms of reference and have to report to the Board on their decisions and recommendations.

On 10 December 2015, the Investment Committee was established by the Board with specific written terms of reference. Further details of the Investment Committee are set out in the latter part of this report.

The Audit Committee

The Audit Committee has been established since 1998. Currently, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose (Committee Chairman), Mr. Ng Wing Ka, Jimmy and Mr. Choi Tak Shing, Stanley. Mr. Choi is a professional accountant with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

While recognising the Audit Committee plays an important role in corporate governance, the Board has delegated the corporate governance functions to the Audit Committee. The terms of reference of the Audit Committee are available on the Company's website and the Stock Exchange's website.

Apart from corporate governance functions, the main responsibilities of the Audit Committee are to review the accounting principles and practices adopted by the Group and to review the effectiveness of the financial reporting system, risk management and internal control systems of the Group.

The Audit Committee held two meetings during the year under review.

The work of the Audit Committee in 2022 included the following:

- review of the final results announcement, the financial statements, the report of the Directors and the corporate governance report for the year 2021
- review of the interim results announcement and the interim report for the six months ended 30 June 2022
- review of the internal audit reports and the risks assessment report, all prepared by the Internal Audit Department of the Company
- review of continuing connected transactions for the year 2021
- approval of the terms of engagement and the remuneration of the external auditor
- assessment of the independence of the external auditor
- review of a report prepared by the external auditor on any issues arising from their audits
- review of an audit plan for the year 2022 prepared by the external auditor

CORPORATE GOVERNANCE REPORT

On the day which the Audit Committee meeting was held in March 2022, members of the Audit Committee also met with the external auditor of the Company, and on the day which the Audit Committee meeting was held in August 2022, members of the Audit Committee also met with the head of the Internal Audit Department of the Company; both in the absence of the Management.

In addition, the Audit Committee has also performed the corporate governance duties as delegated to it by the Board.

The Remuneration Committee

The Remuneration Committee has been established since 2005. Currently, the Remuneration Committee comprises a total of three members, being two Independent Non-executive Directors, namely Mr. Chan Chung Bun, Bunny (Committee Chairman) and Mr. Choi Tak Shing, Stanley; and an Executive Director, Mr. Hui Chung Shing, Herman.

The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Directors and senior management. The terms of reference of the Remuneration Committee are available on the Company's website and the Stock Exchange's website.

The main responsibilities of the Remuneration Committee are to review and endorse the remuneration policy of the Directors and senior management and to make recommendations to the Board for the remuneration of the Directors and senior management. The Remuneration Committee ensures that no Director is involved in deciding his/her own remuneration.

The Remuneration Committee held one meeting during the year under review. The work of the Remuneration Committee in 2022 included the following:

- approval of and recommendation to the Board on 2022 salary adjustment and 2021 year-end bonus for the Executive Directors
- approval of and recommendation to the Board on the director's fee of the Independent Non-executive Directors

Details of the remuneration of the Directors are set out in note 8 to the financial statements of this annual report.

The Nomination Committee

The Nomination Committee has been established since 2012. Currently, the Nomination Committee comprises a total of three members, being the Chairman of the Board, Mr. Charles Yeung (Committee Chairman) and two Independent Non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose and Mr. Chan Chung Bun, Bunny. The terms of reference of the Nomination Committee are available on the Company's website and the Stock Exchange's website.

The Nomination Committee is responsible for making recommendations to the Board on nominations and appointments of Directors, reviewing the size, structure and composition of the Board, and assessing the independence of Independent Non-executive Directors.

CORPORATE GOVERNANCE REPORT

The Company has established a nomination policy of director setting out the approach and procedures adopted for the nomination and selection of Directors. The policy sets out the principles for assessing the suitability and potential contribution to the Board of a proposed candidate, including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; diversity of the Board; requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules.

The Nomination Committee held one meeting during the year under review. The work of the Nomination Committee in 2022 included the following:

- review of the structure, size and composition (including the skills, knowledge and experience) of the Board
- assessment of the independence of all Independent Non-executive Directors
- recommendation to the Board on the re-election of Directors
- review of the Board diversity policy

The Investment Committee

The Board set up the Investment Committee on 10 December 2015 with specific written terms of reference. Currently, the Investment Committee comprises three Executive Directors, namely Mr. Charles Yeung (Committee Chairman), Mr. Yeung Chun Fan and Ms. Yeung Yin Chi, Jennifer; an Independent Non-executive Director, Mr. Chan Chung Bun, Bunny; and two senior staff.

The Investment Committee is responsible for setting up and reviewing investment policy of the Company and to monitor the performance of investment portfolio of the Company.

The Investment Committee held one meeting during the year under review. The work of the Investment Committee in 2022 included the following:

- monitoring of the performance of financial investment portfolio and review of the associated risk levels
- recommendation on strategic plan of financial investment activities

DIRECTORS' TRAINING

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. All Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, Directors are from time to time updated with the changes and development to the Group's business and to the political and economic environment in which the Group operates. During the year under review, updates on changes to the Listing Rules and other relevant legal and regulatory requirements were provided to the Directors.

CORPORATE GOVERNANCE REPORT

According to the records kept by the Company, the Directors received the following training in the year under review:

Directors

Executive

Dr. Charles Yeung, GBS, JP	A, B, C
Mr. Yeung Chun Fan	A, B, C
Mr. Hui Chung Shing, Herman, GBS, MH, JP	A, C
Ms. Cheung Wai Yee	A, C
Ms. Yeung Yin Chi, Jennifer	A, C

Independent Non-executive

Mr. Lau Hon Chuen, Ambrose, GBS, JP	A, C
Dr. Chan Chung Bun, Bunny, GBM, GBS, JP	A, C
Mr. Ng Wing Ka, Jimmy, BBS, JP	A, C
Mr. Choi Tak Shing, Stanley, JP	A, C

- A: attending seminars and/or conferences and/or forums
B: giving talks at seminars and/or conferences and/or forums
C: reading materials, journals and updates relating to the economy, the business of the Group, or director's duties and responsibilities

LIABILITY INSURANCE FOR THE DIRECTORS

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities against possibility of legal action to be taken against the Directors and senior management. In 2022, no claims under the insurance policy were made.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transaction as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules (the "Model Code").

The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards set out in the Model Code throughout the year under review.

EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted dealing rules based on the Model Code (the "Dealing Rules") governing the Company's securities transactions by the employees of the Group who are likely to be in possession of unpublished inside information in relation to the Group. These employees have been individually notified and provided with a copy of the Dealing Rules.

INSIDE INFORMATION POLICY

The Board approved and adopted the Inside Information Policy in 2013. The policy contains the guidelines to the Directors, officers and all relevant employees who are likely to be in possession of unpublished inside information of the Group to ensure that the inside information of the Group is to be disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare consolidated financial statements for each financial year which give a true and fair view in accordance with Hong Kong Financial Reporting Standards and are in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. The Board is not aware of any material uncertainties relating to the events or condition that might cast doubt upon the Company's ability to continue as a going concern. Accordingly, the Board has prepared the consolidated financial statements of the Group on a going concern basis.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports and other financial disclosures required under the Listing Rules, and reports to the regulators and information disclosed under statutory requirements.

The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report contained in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining the Group's risk management and internal control systems and for reviewing their effectiveness. The risk management and internal control systems are designed to:

- manage rather than eliminate the risk of failure to achieve business objectives;
- safeguard the assets of the Group;
- comply with relevant rules, policies, regulations and laws;
- maintain reliable accounting records in accordance with relevant accounting standards and regulatory reporting requirements; and
- identify and manage significant risk that may potentially impact the Group's operation.

The systems provide reasonable but not absolute assurance against material misstatement or loss. The review of the systems, which cover material control areas including financial, operational and compliance, has been carried out from time to time and at least annually.

Main features of the risk management and internal control systems

The systems are featured with defined organisational and management structure with authorities properly delegated to qualified personnel from different management levels within the Group, as well as established policies and procedures.

The Board

The Board determines the business objectives and strategies of the Group, and evaluates and determines the nature and extent of significant risks (including the environmental, social and governance risks) it is willing to take in achieving the Group's strategic objectives; and thus bears the ultimate accountability for the effectiveness of the risk management and internal control systems. In addition, the Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

The Management

The Management comprises different levels and departments (including their heads) with appropriate segregation of duties. The Management is responsible for the design, implementation and maintenance of appropriate and effective risk management and internal control systems. In addition, it monitors risks and takes measures to mitigate risks in day-to-day operations and follows up the findings on risk management and internal control materials raised out by internal or external auditors. Also, the Management provides confirmation to the Board on the effectiveness of the internal control systems.

Internal audit

The Group has established an independent Internal Audit Department for years. The Internal Audit Department plays an important role in helping the review and evaluation of the effectiveness of the risk management and internal control systems.

Internal audit work has been carried out based on the recognised control framework outlined by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Internal Audit Department formulates annually its internal audit plan on a risk-based approach and in accordance with the Group's strategic goals and risk assessment results; the annual internal audit plan is endorsed by the Audit Committee. Key audit findings and risk factors are reported to the Management and the Audit Committee.

The Internal Audit Department, with the support and supervision by the Audit Committee, is responsible for reviewing the effectiveness of the risk management and internal control systems in respect of all material controls of the Group, including financial, operational and compliance controls. In addition, it coordinates the risk assessment exercises and procedures, communicates with the Management on the identified risks and impacts to facilitate the implementation of risk mitigation measures, and follows up the results of such measures through its audit work; and reports the overall results to the Management and the Audit Committee on a regular basis.

For the year under review, no significant deficiency in the risk management and internal control systems was discovered.

The Board considers that the Group's internal control system is adequate and effective and the Company has complied with the relevant code provisions of the CG Code for the year ended 31 December 2022.

WHISTLEBLOWING POLICY

In compliance with code provision D.2.6 of the CG Code, the Board has adopted a whistleblowing policy. The policy provides formal channel and procedures to facilitate the raising of matters of concern by employees of the Group (the "Employees") and those parties who deal with the Group (e.g. customers and suppliers) (the "Third-parties", each a "Whistleblower"), in confidence and anonymity. The procedures enable the Whistleblower to report the possible improprieties in any matter related to the Group directly addressed to relevant personnel.

ANTI-CORRUPTION POLICY

In compliance with code provision D.2.7 of the CG Code, the Board has adopted an anti-corruption policy. The policy sets out the guidelines on anti-corruption and anti-bribery and the responsibilities of the Employees.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary has taken no less than 15 hours of relevant professional training during the year 2022.

AUDITOR'S REMUNERATION

The fees in respect of audit and non-audit services provided to the Group by the external auditor of the Company, Ernst & Young, for the year ended 31 December 2022 amounted to HK\$1,720,000 and approximately HK\$106,000 respectively. The non-audit services included tax and other services.

DIVIDEND POLICY

The Board has adopted a dividend policy. According to the dividend policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into the account the following factors:

- the Group's actual and expected financial results
- the Group's working capital requirements, capital expenditure requirements and future expansion/investment plans
- the Group's liquidity position
- retained earnings and distributable reserves of the Company and each of the members of the Group
- the general economic and political conditions and other external factors that may have an impact on the future business and financial performance of the Group
- the expectation of shareholders and investors
- any other factors that the Board considers relevant

COMMUNICATIONS WITH SHAREHOLDERS

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communications between its Shareholders and the Board. At the Company's 2022 annual general meeting, the Vice-chairman of the Board (also a member of the Investment Committee representing the Chairman thereof), the Chairman of the Audit Committee (also a member of the Nomination Committee representing the Chairman thereof), the Chairman of the Remuneration Committee, as well as the external auditor were present to answer Shareholders' questions.

The Company also maintains a website at www.glorisun.com which enables the Shareholders, investors and the general public to have access to the information of the Company.

A shareholder communication policy reflecting the current practices of the Company for communication with its Shareholders is available on the Company's website. During the year under review, the Board reviewed the implementation and effectiveness of the policy including steps taken at general meetings, the handling of enquiries received from the Shareholders, the dissemination of information in relation to the Group, and the channels of communications between the Company and the Shareholders. The Board considered that the policy was properly implemented and effective.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's Bye-laws in 2022. The Company's Bye-laws are available on the Company's website and the Stock Exchange's website.

SHAREHOLDERS' RIGHTS

The Company has only one class of shares. All shares have the same voting rights and are entitled to the dividend declared. The rights of the Shareholders are set out in, amongst other things, the Bye-laws of the Company and the Companies Act 1981 of Bermuda (as amended) (the "Companies Act").

Procedures for Shareholders to convene a special general meeting

Shareholders holding at the date of 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 have the right, by written requisition to the Board or the secretary of the Company or at the registered office of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition pursuant to Section 74 of the Companies Act. 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 provision of Section 74(3) of the Companies Act.

The written requisition requiring a special general meeting to be called can be sent to the principal place of business of the Company as set out in the "Corporate Information" contained in this annual report for the attention of the Company Secretary.

Procedures for putting forward proposals at a general meeting

Shareholders may by written requisition request for including a resolution relating to matters in a general meeting by following the requirements and procedures as set out in Sections 79 and 80 of the Companies Act.

Subject to the provisions of the above-mentioned sections of the Companies Act, on the written requisition of members representing not less than one-twentieth of the total voting rights or 100 members, at the expense of the requisitionists unless the Company otherwise resolves, the Company shall give shareholders of the Company notice of any resolution which may properly be moved and is intended to be moved at that meeting and a relevant statement.

CORPORATE GOVERNANCE REPORT

Procedures for Shareholders to propose a person for election as a Director

As regards the procedures for Shareholders to propose a person for election as a Director, please refer to the procedures available on the Company's website and the Stock Exchange's website.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Glorious Sun Enterprises Limited
38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay, Hong Kong

Telephone: (852) 2263 3000
Fax: (852) 2995 3060
Email: enquiry@glorisun.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Company’s subsidiaries are engaged in financial investments, interior decoration and renovation, and export and retailing of casual wear.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group’s business, can be found in the Chairman’s Statement and the Management Discussion and Analysis set out on pages 16 to 24 of this annual report. That discussion forms part of this Report of the Directors.

The Company’s Environmental, Social and Governance Report prepared in accordance with Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) has been published on the websites of the Company and the Stock Exchange at the same time as the publication of this annual report.

RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 December 2022 and the Group’s financial position at that date are set out in the financial statements on pages 56 to 140 of this annual report.

An interim dividend of HK2.00 cents per ordinary share was paid on 29 September 2022. The Directors recommended the payment of a final dividend of HK4.00 cents per ordinary share in respect of the year, to shareholders on the register of members on 7 June 2023.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on pages 141 and 142 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company’s authorised or issued share capital and share options during the year are set out in notes 27 and 28 to the financial statements.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company’s reserves available for distribution, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK\$959,031,000, of which HK\$61,119,000 has been proposed as a final dividend for the year. In addition, as at 31 December 2022, the Company’s share premium account, in the amount of HK\$738,818,000, may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 57.04% of the total sales for the year and sales to the largest customer included therein amounted to 16.16%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

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

Executive

Dr. Charles Yeung, GBS, JP	(Chairman)
Mr. Yeung Chun Fan	(Vice-chairman)
Mr. Hui Chung Shing, Herman, GBS, MH, JP	
Ms. Cheung Wai Yee	
Ms. Yeung Yin Chi, Jennifer	

Independent Non-executive

Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chan Chung Bun, Bunny, GBM, GBS, JP
Mr. Ng Wing Ka, Jimmy, BBS, JP
Mr. Choi Tak Shing, Stanley, JP

In accordance with bye-law 110(A) of the Company's Bye-laws, Mr. Yeung Chun Fan, Mr. Hui Chung Shing, Herman and Ms. Yeung Yin Chi, Jennifer will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Lau Hon Chuen, Ambrose will also retire at the forthcoming annual general meeting at which his term of appointment will expire, and he is eligible for re-election.

The Company has received annual confirmation from each of the Independent Non-executive Directors as regards their independence to the Company and considers that each of the Independent Non-executive Directors is independent of the Company. Details are set out in the Corporate Governance Report on pages 30 to 41 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director 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.

PERMITTED INDEMNITY PROVISION

The Bye-laws of the Company provides that the directors and officers for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty. The Company has also arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transaction" below and in note 34 to the financial statements, no Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2022, the interests or short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise 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:

Long positions in shares of the Company

Name of Director	Capacity	Number of shares held
Dr. Charles Yeung, GBS, JP ⁽¹⁾	– interest held through Glorious Sun Holdings (BVI) Limited (51.934% of the share capital was held by Mr. Charles Yeung)	622,263,000
	– interest held through Advancetex Holdings (BVI) Limited (51.934% of the share capital was held by Mr. Charles Yeung)	207,810,000
Mr. Yeung Chun Fan ⁽²⁾	– interest held through Glorious Sun Holdings (BVI) Limited (48.066% of the share capital was held by Mr. Yeung Chun Fan)	622,263,000
	– interest held through Advancetex Holdings (BVI) Limited (48.066% of the share capital was held by Mr. Yeung Chun Fan)	207,810,000
Dr. Charles Yeung, GBS, JP ⁽¹⁾ and Mr. Yeung Chun Fan ⁽²⁾	– beneficial owner (50% of the interest was held by each of Mr. Charles Yeung and Mr. Yeung Chun Fan)	138,285,499
Mr. Yeung Chun Fan ⁽²⁾	– beneficial owner	75,000,000
Ms. Cheung Wai Yee ⁽³⁾	– beneficial owner	10,095,000
Mr. Hui Chung Shing, Herman, GBS, MH, JP ⁽⁴⁾	– beneficial owner	6,250,000
Mr. Lau Hon Chuen, Ambrose, GBS, JP ⁽⁵⁾	– beneficial owner	1,492,402

Notes:

Calculations of the interests in shares disclosed pursuant to the SFO were as follows:

- (1) The total interests held were 968,358,499 shares which represented 63.375% of the Company's issued share capital as of 31 December 2022.
- (2) Interest of spouse (Ms. Cheung Wai Yee) of 10,095,000 shares has to be included. Therefore, according to the calculation of interests under the SFO, the total interests held by Mr. Yeung Chun Fan were 1,053,453,499 shares which represented 68.944% of the Company's issued share capital as of 31 December 2022.
- (3) Interest of spouse (Mr. Yeung Chun Fan) of 1,043,358,499 shares has to be included. Therefore, according to the calculation of interests under the SFO, the total interests held by Ms. Cheung Wai Yee were 1,053,453,499 shares which represented 68.944% of the Company's issued share capital as of 31 December 2022.
- (4) The total interests held were 6,250,000 shares which represented 0.409% of the Company's issued share capital as of 31 December 2022.
- (5) The total interests held were 1,492,402 shares which represented 0.098% of the Company's issued share capital as of 31 December 2022.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2022, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 28 to the financial statements.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, the register required to be kept by the Company pursuant to Section 336 of the SFO showed that the following shareholders had disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held
Glorious Sun Holdings (BVI) Limited ⁽¹⁾ (51.934% of the share capital was held by Mr. Charles Yeung and 48.066% of the share capital was held by Mr. Yeung Chun Fan)	– beneficial owner	622,263,000
Advancetex Holdings (BVI) Limited ⁽²⁾ (51.934% of the share capital was held by Mr. Charles Yeung and 48.066% of the share capital was held by Mr. Yeung Chun Fan)	– beneficial owner	207,810,000
Dr. Charles Yeung, GBS, JP ⁽³⁾	– 50% of the interest was held by each of Mr. Charles Yeung and Mr. Yeung Chun Fan	138,285,499
Mr. Yeung Chun Fan ⁽⁴⁾	– 50% of the interest was held by each of Mr. Charles Yeung and Mr. Yeung Chun Fan – beneficial owner	138,285,499 75,000,000
Ms. Cheung Wai Yee ⁽⁵⁾	– beneficial owner	10,095,000

Notes:

Calculations of the interests in shares disclosed pursuant to the SFO were as follows:

- (1) The total interests held were 622,263,000 shares which represented 40.724% of the Company's issued share capital as of 31 December 2022.
- (2) The total interests held were 207,810,000 shares which represented 13.600% of the Company's issued share capital as of 31 December 2022.
- (3) Interests of controlled corporations (Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited) of 830,073,000 shares have to be included. Therefore, according to the calculation of interests under the SFO, the total interests held by Mr. Charles Yeung were 968,358,499 shares which represented 63.375% of the Company's issued share capital as of 31 December 2022.
- (4) Interests of controlled corporations (Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited) of 830,073,000 shares and interest of spouse (Ms. Cheung Wai Yee) of 10,095,000 shares have to be included. Therefore, according to the calculation of interests under the SFO, the total interests held by Mr. Yeung Chun Fan were 1,053,453,499 shares which represented 68.944% of the Company's issued share capital as of 31 December 2022.
- (5) Interest of spouse (Mr. Yeung Chun Fan) of 1,043,358,499 shares has to be included. Therefore, according to the calculation of interests under the SFO, the total interests held by Ms. Cheung Wai Yee were 1,053,453,499 shares which represented 68.944% of the Company's issued share capital as of 31 December 2022.

REPORT OF THE DIRECTORS

Save as disclosed above, no other parties disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2022.

CONNECTED TRANSACTION

During the year, the Group had the following connected transaction. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

On 20 September 2022, Smart Empire Asset Management Limited (“Smart Empire”) (as consulting service provider), a wholly-owned subsidiary of the Company, entered into the consulting service agreement (the “Agreement”) with Glory Star Investments Limited (“Glory Star”) (as client), a company held as to 51% by Mr. Charles Yeung and 34% by Mr. Yeung Chun Fan, both are directors and substantial shareholders of the Company. Pursuant to the Agreement, Smart Empire agreed to provide certain consulting services to Glory Star in relation to financial investments at a consideration of HK\$6,000,000. Details of the transaction are set out in the Company’s announcement dated 20 September 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company’s total number of issued shares were held by the public as at the date of this report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company’s business were entered into or existed during the year.

EQUITY-LINKED AGREEMENTS

Save as those disclosed in the section headed “Share Option Scheme” in this Report of the Directors, no other equity-linked agreements were entered into by the Group, or existed during the year.

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

During the year, the Company repurchased a total of 52,000 shares of the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company. Details of the repurchases are as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate price HK\$
		Highest HK\$	Lowest HK\$	
January	52,000	0.82	0.81	51,000

The repurchase of the Company’s shares during the year was effected by the Directors, pursuant to the mandate from shareholders received at the annual general meeting of the Company for the year 2021, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

The remuneration committee reviews the emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules throughout the year ended 31 December 2022, except for the deviation from code provision F.2.2 of the CG Code. Details are set out in the Corporate Governance Report on pages 30 to 41 of this annual report.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Chan Chung Bun, Bunny resigned as a director of Speedy Global Holdings Limited (a public listed company in Hong Kong).

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by Ernst & Young who will retire and being eligible offer themselves for re-appointment at the forthcoming annual general meeting and the Board will be authorised to fix their remuneration.

There has been no change of the auditor of the Company in the preceding three years.

ON BEHALF OF THE BOARD

Dr. Charles Yeung, GBS, JP
Chairman

Hong Kong, 27 March 2023



INDEPENDENT AUDITOR'S REPORT



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話 : +852 2846 9888
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To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Glorious Sun Enterprises Limited (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 140, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited

(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Provision for expected credit losses on debt investments at amortised cost

The carrying value (before impairment allowance) of the Group's debt investments at amortised cost as at 31 December 2022 amounted to approximately HK\$418.9 million. The provision for expected credit losses ("ECLs") for debt investments at amortised cost carried as at 31 December 2022 was approximately HK\$141.6 million.

Management uses the general approach to calculate ECLs for debt investments at amortised cost.

Management has engaged an independent specialist to determine the calculation of ECLs.

The Group considers the available information which includes information about past events, current conditions and forecasts of future economic and industry specific conditions to estimate the ECLs and it involves significant judgements and estimates. The Group also assessed whether the credit risk on the debt investments at amortised cost has increased significantly and whether the credit risk of a financial asset increases to the point that it is considered credit-impaired.

The accounting policies and disclosures in relation to the provision for expected credit losses on debt investments at amortised cost are included in notes 2.4, 3 and 15 to the financial statements.

We reviewed the ECL calculation that was established by management and assisted by the external specialist engaged by the Group, and we have involved our internal valuation specialists to perform procedures to evaluate the Group's methodology and parameters of the ECLs model, including:

- checking to the respective credit rating of the debt investments at amortised cost;
- assessing the reasonableness of related parameters for the calculation of ECLs, including the probability of default, loss given default, exposure at default and the significant increases in credit risk, in response to macroeconomic changes;
- assessing the forward-looking information used by management to determine ECLs, including the forecasts of macroeconomic variables, and the assumptions and different weights of multiple macroeconomic scenarios; and
- assessing the reasonableness of management's judgements on whether the credit risk has increased significantly since initial recognition and whether the investments are credit-impaired.

We assessed the competence, objectivity and independence of the external specialist engaged by the Group.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited

(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Provision for expected credit losses on trade receivables and contract assets

The carrying values (before impairment allowance) of the Group's trade receivables and contract assets as at 31 December 2022 amounted to approximately HK\$259.5 million and HK\$54.6 million, respectively. The amounts of provision for ECLs for trade receivables and contract assets carried as at 31 December 2022 were approximately HK\$17.1 million and HK\$1.1 million, respectively.

Management uses the simplified approach to calculate ECLs for trade receivables and contract assets.

Management has engaged an independent specialist to determine the calculation of ECLs.

The Group considers the available information which includes information about past events, current conditions and forecasts of future economic conditions to estimate the ECLs and it involves significant judgements and estimates.

The accounting policies and disclosures in relation to the provision for expected credit losses on trade receivables and contract assets are included in notes 2.4, 3, 18, and 20 to the financial statements.

We obtained and reviewed the ECL calculation established by management which was based on the Group's historical credit loss experience and adjusted for forward-looking factors specific to the economic environment.

We reviewed the ECL calculation that was prepared by management assisted by the external specialist engaged by the Group, and involved our internal valuation specialists to assist us in evaluating the Group's estimation methodology of ECLs and check the parameters to external available data sources.

We assessed the competence, objectivity and independence of the external specialist engaged by the Group.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited

(Incorporated in Bermuda with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 HKSA's 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 shareholders of Glorious Sun Enterprises Limited

(Incorporated in Bermuda with limited liability)

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited

(Incorporated in Bermuda with limited liability)

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

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

The engagement partner on the audit resulting in this independent auditor's report is CHIU, Caroline Su Yuen.

Ernst & Young

Certified Public Accountants

Hong Kong

27 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
REVENUE			
Revenue from contracts with customers		1,018,111	942,782
Revenue from other sources:			
Interest income from debt investments at amortised cost		32,264	33,235
Others		10,306	21,824
	5	1,060,681	997,841
Cost of sales		(898,006)	(831,594)
Gross profit		162,675	166,247
Other income and gains	5	55,765	103,391
Selling and distribution expenses		(17,452)	(18,906)
Administrative expenses		(92,778)	(82,285)
Other expenses		(14,076)	(4,982)
Loss on derecognition of a debt investment at amortised cost		(4,697)	–
Impairment loss on debt investments at amortised cost, net		(34,032)	(99,609)
Impairment loss on other financial and contract assets, net		(7,505)	(11,790)
Finance costs	6	(3,335)	(2,492)
PROFIT BEFORE TAX	7	44,565	49,574
Income tax credit/(expenses)	10	929	(6,413)
PROFIT FOR THE YEAR		45,494	43,161
Attributable to:			
Ordinary equity holders of the Company		39,229	36,996
Non-controlling interests		6,265	6,165
		45,494	43,161
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12	HK cents	HK cents
Basic and diluted			
For profit for the year		2.57	2.40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
PROFIT FOR THE YEAR	45,494	43,161
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	(7,461)	444
Release of exchange reserve upon loss of control of a subsidiary	–	(46,500)
	(7,461)	(46,056)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(7,461)	(46,056)
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Equity investments designated at fair value through other comprehensive income:		
Change in fair value	20,218	(14,344)
Income tax effect	(3)	(2)
	20,215	(14,346)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	20,215	(14,346)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	12,754	(60,402)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	58,248	(17,241)
Attributable to:		
Ordinary equity holders of the Company	53,724	(23,399)
Non-controlling interests	4,524	6,158
	58,248	(17,241)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	14,439	15,753
Right-of-use assets	14(a)	16,035	23,627
Debt investments at amortised cost	15	277,336	222,125
Equity investments designated at fair value through other comprehensive income	16	103,405	7,818
Rental deposits	19	1,813	605
Deferred tax assets	26	9,178	9,988
Total non-current assets		422,206	279,916
CURRENT ASSETS			
Inventories	17	159,757	166,756
Debt investments at amortised cost	15	–	260,621
Equity investments designated at fair value through other comprehensive income	16	–	327,142
Trade receivables	18	242,361	251,382
Prepayments, deposits and other receivables	19	66,101	78,657
Contract assets	20	53,548	154,939
Due from related companies	21	6,577	5,381
Time deposit with original maturity of over three months when acquired	22	236	–
Cash and cash equivalents	22	2,166,743	1,772,358
Total current assets		2,695,323	3,017,236
CURRENT LIABILITIES			
Trade payables	23	137,948	228,651
Contract liabilities	24	198,894	250,167
Other payables and accruals	24	277,163	262,640
Deferred income	24	1,041	1,822
Interest-bearing bank borrowings	25	48,755	19,400
Lease liabilities	14(b)	5,698	8,483
Tax payable		3,241	12,973
Total current liabilities		672,740	784,136
NET CURRENT ASSETS		2,022,583	2,233,100
TOTAL ASSETS LESS CURRENT LIABILITIES		2,444,789	2,513,016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	14,302	21,485
Deferred tax liabilities	26	874	1,269
Total non-current liabilities		15,176	22,754
Net assets		2,429,613	2,490,262
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	27	152,798	153,003
Reserves	29	2,276,023	2,313,824
		2,428,821	2,466,827
Non-controlling interests		792	23,435
Total equity		2,429,613	2,490,262

Charles Yeung, GBS, JP
Director

Yeung Chun Fan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

Attributable to ordinary equity holders of the Company											
Notes	Issued capital HK\$'000 (note 27)	Share premium account HK\$'000	Treasury shares HK\$'000 (note 29(iii))	Contributed surplus HK\$'000 (note 29(i))	Fair value reserve of financial assets at fair value through other comprehensive income HK\$'000	Exchange fluctuation reserve HK\$'000	Other reserves HK\$'000 (note 29(iii))	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2022	153,003	740,325	(1,661)	377,567	(17,094)	11,904	10,435	1,192,348	2,466,827	23,435	2,490,262
Profit for the year	-	-	-	-	-	-	-	39,229	39,229	6,265	45,494
Other comprehensive income for the year:											
Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	20,208	-	-	-	20,208	7	20,215
Exchange differences on translation of foreign operations	-	-	-	-	-	(5,713)	-	-	(5,713)	(1,748)	(7,461)
Total comprehensive income for the year	-	-	-	-	20,208	(5,713)	-	39,229	53,724	4,524	58,248
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(7,350)	(7,350)
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	10,076	10,076
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	(29,893)	(29,893)
Shares repurchased 29(ii)	-	-	(51)	-	-	-	-	-	(51)	-	(51)
Cancellation of shares repurchased 29(ii)	(205)	(1,507)	1,712	-	-	-	-	-	-	-	-
Transfer to retained profits upon disposal of equity investments at fair value through other comprehensive income	-	-	-	-	(2,521)	-	-	2,521	-	-	-
Final 2021 dividend 11	-	-	-	-	-	-	-	(61,119)	(61,119)	-	(61,119)
Interim 2022 dividend 11	-	-	-	-	-	-	-	(30,560)	(30,560)	-	(30,560)
Transfer within reserves	-	-	-	-	-	-	1,258	(1,258)	-	-	-
At 31 December 2022	152,798	738,818*	-*	377,567*	593*	6,191*	11,693*	1,141,161*	2,428,821	792	2,429,613

* These reserve accounts comprise the consolidated reserves of HK\$2,276,023,000 (2021: HK\$2,313,824,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

Attributable to ordinary equity holders of the Company											
Notes	Issued capital HK\$'000 (note 27)	Share premium account HK\$'000	Treasury shares HK\$'000 (note 29(ii))	Contributed surplus HK\$'000 (note 29(i))	Fair value reserve of financial assets at fair value through other comprehensive income HK\$'000	Exchange fluctuation reserve HK\$'000	Other reserves HK\$'000 (note 29(iii))	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2021	152,834	733,815	-	377,567	(2,736)	57,941	11,011	1,247,920	2,578,352	22,457	2,600,809
Profit for the year	-	-	-	-	-	-	-	36,996	36,996	6,165	43,161
Other comprehensive loss for the year:											
Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	(14,358)	-	-	-	(14,358)	12	(14,346)
Exchange differences on translation of foreign operations	-	-	-	-	-	463	-	-	463	(19)	444
Release of exchange reserve upon loss of control of a subsidiary	-	-	-	-	-	(46,500)	-	-	(46,500)	-	(46,500)
Total comprehensive loss for the year	-	-	-	-	(14,358)	(46,037)	-	36,996	(23,399)	6,158	(17,241)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(13,592)	(13,592)
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	3,467	3,467
Issue of shares	27	1,500	16,500	-	-	-	-	-	18,000	-	18,000
Share issue expenses	27	-	(404)	-	-	-	-	-	(404)	-	(404)
Shares repurchased	29(ii)	-	-	(12,578)	-	-	-	-	(12,578)	-	(12,578)
Cancellation of shares repurchased	29(ii)	(1,331)	(9,586)	10,917	-	-	-	-	-	-	-
Final 2020 dividend	11	-	-	-	-	-	-	(64,820)	(64,820)	-	(64,820)
Interim 2021 dividend	11	-	-	-	-	-	-	(30,803)	(30,803)	-	(30,803)
Deemed disposal of partial interest in a subsidiary	33	-	-	-	-	-	2,479	-	2,479	4,945	7,424
Transfer within reserves	-	-	-	-	-	-	(3,055)	3,055	-	-	-
At 31 December 2021	153,003	740,325*	(1,661)*	377,567*	(17,094)*	11,904*	10,435*	1,192,348*	2,466,827	23,435	2,490,262

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		44,565	49,574
Adjustments for:			
Finance costs		3,335	2,492
Bank interest income	5	(31,111)	(21,540)
Fair value gain on financial assets at fair value through profit or loss	5	–	(2,370)
Depreciation of property, plant and equipment	13	3,021	2,499
Depreciation of right-of-use assets	14(c)	6,287	6,550
Gain on termination of a tenancy agreement	5	(19)	(51)
COVID-19-related rent concessions from lessors	14(c)	(1,167)	(1,989)
Loss on disposal of items of property, plant and equipment, net		93	4
Provision/(reversal of provision) for inventories, net		323	(2,553)
Loss on derecognition of a debt investment at amortised cost		4,697	–
Impairment loss on debt investments at amortised cost, net		34,032	99,609
Impairment loss on trade receivables, net		3,529	9,976
(Reversal of impairment)/impairment loss on contract assets, net		(2,049)	2,424
Impairment/(reversal of impairment) loss on financial assets included in prepayments, deposits and other receivables, net		6,111	(342)
Reversal of impairment loss on amounts due from related companies, net		(86)	(268)
Gain on deconsolidation of a subsidiary upon loss of control		–	(46,500)
Effect of foreign exchange rate changes, net		9,776	(6,747)
		81,337	90,768
Increase in inventories		(5,099)	(93,346)
Decrease/(increase) in contract assets		92,297	(109,010)
Increase in trade receivables		(9,833)	(121,829)
Increase in prepayments, deposits and other receivables		(4,937)	(30,272)
Decrease in debt investments at amortised cost		34	621
(Increase)/decrease in amounts due from related companies		(1,105)	760
(Decrease)/increase in trade payables		(76,793)	135,688
(Decrease)/increase in contract liabilities		(33,019)	72,545
(Decrease)/increase in other payables and accruals		(8,747)	48,266
(Decrease)/increase in deferred income		(781)	1,822
Cash generated/(used in) from operations		33,354	(3,987)
Interest paid		(3,335)	(2,492)
Hong Kong profits tax paid		(5,108)	(12,326)
Taxes paid outside Hong Kong		(3,399)	(3,307)
Net cash flows from/(used in) operating activities		21,512	(22,112)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		31,111	21,540
Purchases of property, plant and equipment	13	(2,794)	(5,121)
Changes in financial assets at fair value through profit or loss		–	90,249
Proceeds from disposal and redemption of debt investments at amortised cost		176,391	40,189
Purchases of equity investments designated at fair value through other comprehensive income		(93,319)	–
Proceeds from redemption of equity investments designated at fair value through other comprehensive income		344,520	–
Proceeds from disposal of items of property, plant and equipment		9	154
Decrease in pledged bank deposits		–	18,582
Increase in time deposit with original maturity of over three months when acquired		(236)	–
Net cash flows from investing activities		455,682	165,593
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from issuance of shares		–	18,000
Share issue expenses		–	(404)
Shares repurchased	29(ii)	(51)	(12,578)
New bank loans		120,576	51,562
Repayment of bank loans		(89,804)	(50,184)
Principal portion of lease payments		(7,159)	(8,205)
Capital contributions from non-controlling shareholders of a subsidiary		10,076	–
Proceeds from deemed disposal of partial interest in a subsidiary		–	7,424
Dividends paid		(89,210)	(92,804)
Dividends paid to non-controlling shareholders		(15,519)	(5,783)
Net cash flows used in financing activities		(71,091)	(92,972)
NET INCREASE IN CASH AND CASH EQUIVALENTS		406,103	50,509
Cash and cash equivalents at beginning of year		1,772,358	1,712,218
Effect of foreign exchange rate changes, net		(11,718)	9,631
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,166,743	1,772,358
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	203,933	337,528
Non-pledged time deposits	22	1,963,046	1,434,830
		2,166,979	1,772,358
Less: Non-pledged time deposit with original maturity of over three months when acquired	22	(236)	–
Cash and cash equivalents as stated in the consolidated statement of financial position		2,166,743	1,772,358

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION

Glorious Sun Enterprises Limited (the “Company”) is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is located at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong.

During the year, the Group was involved in financial investments, interior decoration and renovation, and export and retailing of casual wear.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Glorious Sun Enterprises (BVI) Limited	British Virgin Islands/ Hong Kong	US\$200	100	–	Investment holding and financial investments
Pacific Potential Trading Company Limited	Hong Kong	HK\$200,000	–	100	Provision of agency services and trading of apparel
Rand Design Limited	Hong Kong	HK\$1	–	100	Garment design and trading of apparel
Hebei Changhong Group Technology Company Limited (“Hebei Changhong”) (河北常宏集團科技有限公司)*®	Mainland China	RMB19,916,184	–	58.5	Investment holding
Shijiazhuang Changhong Building Decoration Engineering Company Limited (“Shijiazhuang Changhong”) (石家莊常宏建築裝飾工程有限公司)®	Mainland China/ Hong Kong	RMB50,000,000	–	58.5	Provision of interior decoration and renovation services
G.S. Ventures (H.K.) Limited	Hong Kong	HK\$1	–	100	Retailing of casual wear and franchise business
Smart Empire Asset Management Limited (“Smart Empire”)	Hong Kong	HK\$5,000,000	–	100	Asset management and provision of consulting services

* Registered as a Sino-foreign equity joint venture under PRC law

® The official names of these entities are in Chinese. The English translations of the names are for identification purpose only.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain investments which have been measured at fair value.

These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the ordinary equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3
Amendments to HKAS 16
Amendments to HKAS 37
*Annual Improvements to
HKFRSs 2018–2020*

Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before Intended Use
Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, Illustrative Examples
accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable are described below:

Amendments to HKFRS 3

Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

NOTES TO FINANCIAL STATEMENTS

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Amendments to HKAS 16

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 37

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

Details of the amendment that is applicable to the Group are as follows:

HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

NOTES TO FINANCIAL STATEMENTS

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

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

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. 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. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (*continued*)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments at fair value through other comprehensive income and financial assets at fair value through profit or loss at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	1.67% – 5% or over the lease terms, whichever is shorter
Leasehold improvements	20% – 25% or over the lease terms, whichever is shorter
Plant and machinery	10% – 25%
Furniture, fixtures and office equipment	10% – 33%
Motor vehicles	20% – 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	more than 1 year – 15 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are separately disclosed in the consolidated statement of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases 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 are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets *(continued)*

Initial recognition and measurement *(continued)*

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. The distributions from equity investment were recorded under revenue in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes wealth management products.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from the asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- | | | |
|---------|---|--|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets *(continued)*

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables as appropriate.

These financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables, amounts due to related companies and interest-bearing bank borrowings.

Subsequent measurement

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Interior decoration and renovation services

Revenue from the provision of interior decoration and renovation services is recognised over time, using an input method to measure progress towards complete satisfaction of the contacts, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the interior decoration and renovation contacts.

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Distribution from equity investments at fair value through other comprehensive income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the distribution will flow to the Group and the amount of the distribution can be measured reliably.

Other income

Royalty income is recognised on an accrual basis in accordance with the terms of the relevant licensing agreements.

Service income is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for most of the Group’s Hong Kong employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme becoming effective, the Group operates defined contribution retirement benefit schemes for certain employees, the assets of which are held separately from those of the Group in independently administered funds. Contributions were made based on a percentage of the eligible employees’ salaries and were charged to the statement of profit or loss as they became payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group’s employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amounts of forfeited contributions. These schemes are still operating at the end of the reporting period and up to the date of this report.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

The functional currencies of certain subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries with functional currencies other than Hong Kong dollar are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Write-down of inventories to net realisable value

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes provision for inventory items identified that are no longer suitable for sale. The assessment of the provision amount required involves management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and provision charge/write-back in the period in which estimate has been changed. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether provision needs to be made in respect of any obsolete inventories identified. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period. The information about the Group's inventories is included in note 17 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and credit rating).

The provision matrix is initially based on the historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, such as risks of default and losses given default, changes in which can result in different levels of allowances.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is included in note 18 and note 20 to the financial statements, respectively.

Provision for expected credit losses on debt investments at amortised cost

The Group's expected credit loss calculations on debt investments at amortised cost are based on assumptions about risks of default and losses given default. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on credit risks of the instruments, information about past events, current condition and forecasts of future economic and industry specific conditions at the end of each reporting period. The Group reviews its models in the context of actual loss experience regularly and adjusts when necessary.

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, such as risks of default and losses given default, changes in which can result in different levels of allowances.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The information about the ECLs on the Group's debt investments at amortised cost, and the key assumptions and inputs used for impairment calculations are given in note 15 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the “financial investments” segment engages in treasury management and consulting services;
- (b) the “interior decoration and renovation” segment engages in the interior decoration and renovation, and the sale of furniture business;
- (c) the “export operations” segment engages in exports of apparel; and
- (d) the “retail, franchise and others” segment mainly includes retail operation in Hong Kong and franchise sales under the “Jeanswest” brand in overseas markets within the casual wear and apparel domain.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that interest income, non-leased-related finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information regarding the Group's reportable segments, together with their related comparative information, is presented below:

By business

	Year ended 31 December 2022				
	Financial investments HK\$'000	Interior decoration and renovation HK\$'000	Export operations HK\$'000	Retail, franchise and others HK\$'000	Total HK\$'000
Segment revenue (note 5)					
Revenue from external parties	42,570	701,643	268,191	48,277	1,060,681
Other income and gains	8,376	3,363	4,840	5,898	22,477
Total	50,946	705,006	273,031	54,175	1,083,158
Segment results					
	8,332	13,968	10,535	8,049	40,884
Interest income					31,111
Unallocated income					2,177
Corporate and other unallocated expenses					(27,475)
Finance costs (other than interest on lease liabilities)					(2,132)
Profit before tax					44,565
Other segment information:					
Depreciation	5	7,797	55	84	7,941
Corporate and other unallocated depreciation	-	-	-	-	1,367
Impairment loss/(reversal of impairment loss) on financial assets and contract assets, net	39,084	2,375	(222)	175	41,412
Corporate and other unallocated impairment loss on financial assets, net	-	-	-	-	125
Provision/(reversal of provision) for inventories	-	482	286	(445)	323
Loss on derecognition of a debt investment at amortised cost	4,697	-	-	-	4,697
Other non-cash income	-	74	-	-	74
Capital expenditure*	7	2,855	251	20	3,133

NOTES TO FINANCIAL STATEMENTS

31 December 2022

4. OPERATING SEGMENT INFORMATION (CONTINUED)

By business (continued)

	Year ended 31 December 2021				
	Financial investments HK\$'000	Interior decoration and renovation HK\$'000	Export operations HK\$'000	Retail, franchise and others HK\$'000	Total HK\$'000
Segment revenue (note 5)					
Revenue from external parties	55,059	698,844	193,693	50,245	997,841
Other income and gains	4,800	5,383	8,003	4,938	23,124
Total	59,859	704,227	201,696	55,183	1,020,965
Segment results					
	(44,801)	11,663	14,209	7,944	(10,985)
Interest income					21,540
Unallocated income					58,727
Corporate and other unallocated expenses					(18,774)
Finance costs (other than interest on lease liabilities)					(934)
Profit before tax					49,574
Other segment information:					
Depreciation	6	7,334	37	305	7,682
Corporate and other unallocated depreciation	–	–	–	–	1,367
Impairment loss on financial assets and contract assets, net	99,607	11,811	292	211	111,921
Corporate and other unallocated impairment loss on financial assets, net	–	–	–	–	(522)
Write-back of provision for inventories	–	(87)	–	(2,466)	(2,553)
Other non-cash income	–	(47)	–	–	(47)
Capital expenditure*	6	8,630	–	–	8,636

* Capital expenditure consists of additions to right-of-use assets and property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

4. OPERATING SEGMENT INFORMATION (CONTINUED)

By region

	Mainland China HK\$'000	Hong Kong HK\$'000	Australia and New Zealand HK\$'000	United States of America and Canada HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2022						
Revenue from external parties	685,769	51,133	10,248	250,856	62,675	1,060,681
Non-current assets	28,850	1,624	–	–	–	30,474
Year ended 31 December 2021						
Revenue from external parties	678,766	68,590	13,216	169,082	68,187	997,841
Non-current assets	36,297	3,083	–	–	–	39,380

The revenue information above is based on the locations of the customers. The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2022 HK\$'000	2021 HK\$'000
Interior decoration and renovation segment:		
Customer A	171,420	197,865
Customer B	131,253	126,839
Export operations segment:		
Customer C	123,084	N/A*

* Less than 10% of the Group's revenue

NOTES TO FINANCIAL STATEMENTS

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5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2022 HK\$'000	2021 HK\$'000
<i>Revenue from contracts with customers</i>		
Interior decoration and renovation	701,643	698,844
Export operations	268,191	193,693
Retail, franchise and others	48,277	50,245
	1,018,111	942,782
<i>Revenue from other sources</i>		
Interest income from debt investments at amortised cost	32,264	33,235
Distribution from equity investments at fair value through other comprehensive income	10,306	21,824
	42,570	55,059
	1,060,681	997,841

NOTES TO FINANCIAL STATEMENTS

31 December 2022

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2022

Segments	Interior decoration and renovation HK\$'000	Export operations HK\$'000	Retail, franchise and others HK\$'000	Total HK\$'000
Geographical markets				
Mainland China	685,766	–	3	685,769
Hong Kong	–	–	8,563	8,563
Australia and New Zealand	727	9,521	–	10,248
United States of America and Canada	–	250,856	–	250,856
Others	15,150	7,814	39,711	62,675
Total revenue from contracts with customers	701,643	268,191	48,277	1,018,111
Timing of revenue recognition				
Goods transferred at a point in time	289,366	268,191	48,277	605,834
Services transferred over time	412,277	–	–	412,277
Total revenue from contracts with customers	701,643	268,191	48,277	1,018,111

NOTES TO FINANCIAL STATEMENTS

31 December 2022

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2021

Segments	Interior decoration and renovation HK\$'000	Export operations HK\$'000	Retail, franchise and others HK\$'000	Total HK\$'000
Geographical markets				
Mainland China	678,754	–	12	678,766
Hong Kong	–	–	13,531	13,531
Australia and New Zealand	–	13,216	–	13,216
United States of America and Canada	–	169,082	–	169,082
Others	20,090	11,395	36,702	68,187
Total revenue from contracts with customers	698,844	193,693	50,245	942,782
Timing of revenue recognition				
Goods transferred at a point in time	388,733	193,693	50,245	632,671
Services transferred over time	310,111	–	–	310,111
Total revenue from contracts with customers	698,844	193,693	50,245	942,782

Since there have been no intersegment sales between the reportable segments for the years ended 31 December 2022 and 2021, a reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information would not provide additional useful information.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Interior decoration and renovation	250,167	173,550

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Retail sales

The performance obligation is satisfied upon delivery of goods and payment is generally due immediately.

Sales of goods other than retail sales

The performance obligation is satisfied when the control of the goods is transferred, generally upon delivery of goods, and payment is generally due within 90 days from delivery.

Interior decoration and renovation services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The Group applies the practical expedient on the exemption to disclose the information on the remaining performance obligations that have original expected durations of one year or less.

Franchise royalty income

The performance obligation is satisfied and payment is due as stipulated in the terms of the relevant licensing agreements.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of the Group's other income and gains is as follows:

	2022 HK\$'000	2021 HK\$'000
Other income		
Bank interest income	31,111	21,540
Service fee income	6,184	5,006
Other sales income	380	222
Commission and management fee income	4,680	5,604
Royalty income	4,909	4,359
COVID-19-related rent concessions (note (i))	1,167	1,989
Government subsidies (note (ii))	3,085	1,620
Others	4,230	6,411
	55,746	46,751
Gains		
Fair value gain on financial assets at fair value through profit or loss	–	2,370
Gain on termination of a tenancy agreement	19	51
Gain on deconsolidation of a subsidiary upon loss of control	–	46,500
Foreign exchange differences, net	–	7,719
	19	56,640
	55,765	103,391

Notes:

- (i) COVID-19-related rent concession of HK\$693,000 (2021: HK\$1,380,000) was granted by a company controlled by certain directors of the Company with the amount mutually agreed by the parties
- (ii) Government subsidies mainly represented subsidies from the local governments in Hong Kong for wages subsidies to employees and in the PRC for the development of certain innovation and technological projects, payments of wages, social and medical insurance, and other expenses. The subsidies have been received and there were no unfulfilled conditions or contingencies relating to these subsidies as at 31 December 2022.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 HK\$'000	2021 HK\$'000
Interest on bank loans	2,132	934
Interest on lease liabilities	1,203	1,558
	3,335	2,492

NOTES TO FINANCIAL STATEMENTS

31 December 2022

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2022 HK\$'000	2021 HK\$'000
Employee benefit expenses (including directors' remuneration (note 8)):			
Wages and salaries		190,276	149,192
Pension scheme contributions*		5,025	4,073
Other employee benefits		1,810	–
Total employee benefit expenses		197,111	153,265
Cost of inventories sold		897,683	834,147
Depreciation of property, plant and equipment	13	3,021	2,499
Depreciation of right-of-use assets	14(a)	6,287	6,550
Lease payments not included in the measurement of lease liabilities		2,455	2,339
Auditor's remuneration		1,720	1,632
Foreign exchange differences, net [#]		9,130	(7,719)
Loss on disposal of items of property, plant and equipment, net [#]		93	4
Provision/(reversal of provision) for inventories**		323	(2,553)
Loss on derecognition of a debt investment at amortised cost		4,697	–
Impairment of financial and contract assets, net:	37		
Impairment of debt investments at amortised cost		34,032	99,609
Impairment of trade receivables		3,529	9,976
(Reversal of impairment)/impairment of contract assets		(2,049)	2,424
Impairment/(reversal of impairment) of financial assets included in prepayments, deposits and other receivables		6,111	(342)
Reversal of impairment of amounts due from related companies		(86)	(268)

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** Provision for inventories of HK\$323,000 (2021: reversal of provision for inventories of HK\$2,553,000) for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

[#] These items are included in "Other income and gains" or "Other expenses" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

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8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 HK\$'000	2021 HK\$'000
Fees	872	890
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	2,005	2,322
Discretionary bonuses	355	345
Pension scheme contributions	101	110
	2,461	2,777
	3,333	3,667

(a) Independent non-executive directors

The fees paid and payable to independent non-executive directors during the year were as follows:

	2022 HK\$'000	2021 HK\$'000
Mr. Lau Hon Chuen, Ambrose, GBS, JP	218	218
Dr. Chung Shui Ming, Timpson, GBS, JP	–	109
Dr. Chan Chung Bun, Bunny, GBM, GBS, JP	218	218
Mr. Ng Wing Ka, Jimmy, BBS, JP	218	218
Mr. Choi Tak Shing, Stanley, JP	218	127
	872	890

- (i) Dr. Chung Shui Ming, Timpson resigned as an independent non-executive director on 2 June 2021.
- (ii) Mr. Choi Tak Shing, Stanley was appointed as an independent non-executive director of the Company on 2 June 2021.
- (iii) There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2022

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2022					
Executive directors:					
Dr. Charles Yeung, GBS, JP	–	–	–	–	–
Mr. Yeung Chun Fan	–	591	63	30	684
Mr. Hui Chung Shing, Herman, GBS, MH, JP	–	600	224	30	854
Ms. Cheung Wai Yee	–	625	52	31	708
Ms. Yeung Yin Chi, Jennifer	–	189	16	10	215
	–	2,005	355	101	2,461

2021

Executive directors:					
Dr. Charles Yeung, GBS, JP	–	–	–	–	–
Mr. Yeung Chun Fan	–	591	53	30	674
Mr. Pau Sze Kee, Jackson	–	317	–	9	326
Mr. Hui Chung Shing, Herman, SBS, MH, JP	–	600	224	30	854
Ms. Cheung Wai Yee	–	625	52	31	708
Mr. Chan Wing Kan, Archie	–	–	–	–	–
Ms. Yeung Yin Chi, Jennifer	–	189	16	10	215
	–	2,322	345	110	2,777

- (i) Mr. Chan Wing Kan, Archie and Mr. Pau Sze Kee, Jackson resigned as an executive director of the Company on 1 January 2021 and 1 March 2021, respectively.
- (ii) There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021: Nil).

NOTES TO FINANCIAL STATEMENTS

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include any director (2021: did not include any director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the five (2021: five) non-director, highest paid employees are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries, allowances and benefits in kind	5,998	5,890
Discretionary bonuses	3,585	849
Pension scheme contributions	87	93
	9,670	6,832

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HK\$1,000,001 – HK\$1,500,000	4	5
HK\$4,000,001 – HK\$4,500,000	1	–
	5	5

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

Except for the following companies which are recognised as high and new technology enterprise, the subsidiaries of the Company established in Mainland China are subject to corporate income tax ("CIT") at a rate of 25% on the taxable income during the year ended 31 December 2022 and 2021.

	2022	2021
Shijiazhuang Changhong	15%	15%
Shijiazhuang Changhong Intelligent Technology Company Limited ("石家莊常宏智能科技有限公司")*	15%	15%
Hebei Purui Commercial Furniture Technology Company Limited ("河北普瑞商業家具科技有限公司")*	15%	15%

* The official names of these entities are in Chinese. The English translations of the names are for identification purpose only.

NOTES TO FINANCIAL STATEMENTS

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10. INCOME TAX (CONTINUED)

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022 HK\$'000	2021 HK\$'000
Current – Hong Kong		
Charge for the year	4,259	4,438
(Overprovision)/underprovision in prior years	(9)	289
Current – Elsewhere		
Charge for the year	5,244	4,943
Overprovision in prior years	(10,470)	(2,699)
Deferred	47	(558)
Total tax (credit)/charge for the year	(929)	6,413

The tax on the Group's profit before tax differs from theoretical amounts that would arise using the weighted average rate applicable to profit on the consolidated entities as follows:

	2022 HK\$'000	2021 HK\$'000
Profit before tax	44,565	49,574
Tax calculated at domestic tax rates applicable to profits and losses in the respective jurisdictions	7,242	7,958
Lower tax rate at 8.25% for assessable profits up to HK\$2 million in Hong Kong	(165)	(165)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	862	1,255
Effect of withholding tax at 10% on the deemed disposal gain of the Group's PRC subsidiaries	927	–
Adjustments in respect of current tax of previous periods	(10,479)	(2,410)
Income not subject to tax	(5,690)	(16,066)
Expenses not deductible for tax	6,562	16,286
Tax losses utilised from previous periods	(246)	(527)
Tax losses not recognised	58	82
Tax (credit)/charge at the Group's effective rate	(929)	6,413

For the year ended 31 December 2022, the weighted average applicable tax rate was 16.3% (2021: 16.1%). The change in the weighted average applicable tax rate was caused by a change in the profitability of the Group's subsidiaries in the respective jurisdictions.

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11. DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Interim – HK2.00 cents (2021: HK2.00 cents) per ordinary share	30,560	30,867
Proposed final – HK4.00 cents (2021: HK4.00 cents) per ordinary share	61,119	61,201
Adjustment on interim dividend	–	(64)
Adjustment on final dividend	–	(82)
	91,679	91,922

The proposed final dividend for the year ended 31 December 2022 calculated by reference to the 1,527,984,000 shares in issue on 27 March 2023 has not been recognised as a liability at the end of the reporting period and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$39,229,000 (2021: HK\$36,996,000) and the weighted average number of ordinary shares of 1,527,985,000 (2021: 1,538,761,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2022							
At 1 January 2022:							
Cost		15,530	6,124	17,854	15,629	2,019	57,156
Accumulated depreciation and impairment		(10,148)	(5,271)	(13,374)	(11,384)	(1,226)	(41,403)
Net carrying amount		5,382	853	4,480	4,245	793	15,753
At 1 January 2022, net of accumulated depreciation and impairment		5,382	853	4,480	4,245	793	15,753
Additions		–	1,212	570	761	251	2,794
Disposals/write-off		–	–	(24)	(78)	–	(102)
Depreciation	7	(480)	(353)	(990)	(979)	(219)	(3,021)
Exchange realignment		(319)	(50)	(293)	(272)	(51)	(985)
At 31 December 2022, net of accumulated depreciation and impairment		4,583	1,662	3,743	3,677	774	14,439
At 31 December 2022:							
Cost		14,495	6,966	16,924	14,628	2,123	55,136
Accumulated depreciation and impairment		(9,912)	(5,304)	(13,181)	(10,951)	(1,349)	(40,697)
Net carrying amount		4,583	1,662	3,743	3,677	774	14,439

NOTES TO FINANCIAL STATEMENTS

31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2021							
At 1 January 2021:							
Cost		15,178	7,466	15,789	14,336	1,969	54,738
Accumulated depreciation and impairment		(9,422)	(7,421)	(12,347)	(11,551)	(1,000)	(41,741)
Net carrying amount		5,756	45	3,442	2,785	969	12,997
At 1 January 2021, net of accumulated depreciation and impairment		5,756	45	3,442	2,785	969	12,997
Additions		–	923	1,831	2,367	–	5,121
Disposals/write-off		–	–	(13)	(145)	–	(158)
Depreciation	7	(497)	(115)	(861)	(826)	(200)	(2,499)
Exchange realignment		123	–	81	64	24	292
At 31 December 2021, net of accumulated depreciation and impairment		5,382	853	4,480	4,245	793	15,753
At 31 December 2021:							
Cost		15,530	6,124	17,854	15,629	2,019	57,156
Accumulated depreciation and impairment		(10,148)	(5,271)	(13,374)	(11,384)	(1,226)	(41,403)
Net carrying amount		5,382	853	4,480	4,245	793	15,753

NOTES TO FINANCIAL STATEMENTS

31 December 2022

14. LEASES

The Group as lessee

The Group has lease contracts for various items of properties used in its operation. Leases of properties generally have lease terms between 1 year to 15 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Properties	
	2022 HK\$'000	2021 HK\$'000
As at 1 January	23,627	27,221
Additions	339	3,515
Disposals as a result of lease termination	(241)	(1,139)
Depreciation charge	(6,287)	(6,550)
Exchange realignment	(1,403)	580
As at 31 December	16,035	23,627

NOTES TO FINANCIAL STATEMENTS

31 December 2022

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 HK\$'000	2021 HK\$'000
Carrying amount at 1 January	29,968	37,153
New leases	336	3,494
Accretion of interest recognised during the year	1,203	1,558
COVID-19-related rent concessions from lessors	(1,167)	(1,989)
Disposals as a result of lease termination	(250)	(1,186)
Payments	(8,362)	(9,763)
Exchange realignment	(1,728)	701
Carrying amount at 31 December	20,000	29,968
Analysed into:		
Current portion	5,698	8,483
Non-current portion	14,302	21,485

The maturity analysis of lease liabilities is set out in note 37 to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain properties during the year.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 HK\$'000	2021 HK\$'000
Interest on lease liabilities	1,203	1,558
Depreciation charge of right-of-use assets	6,287	6,550
Expense relating to short-term leases	2,243	2,200
Gain on termination of a tenancy agreement	(19)	(51)
Variable lease payments not included in the measurement of lease liabilities	212	139
COVID-19-related rent concessions from lessors	(1,167)	(1,989)
Total amount recognised in profit or loss	8,759	8,407

NOTES TO FINANCIAL STATEMENTS

31 December 2022

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(d) Variable lease payments

The Group leased a number of the retail stores and units in shopping malls which contain variable lease payment terms that are based on the Group's turnover generated from the retail stores and the units in the shopping malls. There are also minimum annual base rental arrangements for these leases. The amounts of the fixed and variable lease payments recognised in profit or loss for the current year for these leases are HK\$10,605,000 (2021: HK\$11,963,000) and HK\$212,000 (2021: HK\$139,000), respectively.

2022

	Fixed payments HK\$'000	Variable payments HK\$'000	Total HK\$'000
Fixed rent	9,158	–	9,158
Variable rent with minimum payment	1,447	212	1,659
	10,605	212	10,817

2021

	Fixed payments HK\$'000	Variable payments HK\$'000	Total HK\$'000
Fixed rent	8,693	–	8,693
Variable rent with minimum payment	3,270	139	3,409
	11,963	139	12,102

NOTES TO FINANCIAL STATEMENTS

31 December 2022

15. DEBT INVESTMENTS AT AMORTISED COST

	2022 HK\$'000	2021 HK\$'000
Financial assets measured at amortised cost		
Listed debt investments	418,895	590,584
Impairment allowance	(141,559)	(107,838)
	277,336	482,746
Less: current portion	–	(260,621)
Non-current portion	277,336	222,125

As at 31 December 2022, the effective interest rates of the debt investments is 6.5% (2021: ranged from 5.11% to 5.88%) per annum and these investments will mature in years from 2025 to 2027 (2021: from 2022 to 2023).

An impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. The Group applies the general approach and measures impairment allowance for listed debt investments at an amount equal to lifetime expected credit losses. The listed debt investments are categorised in Stage 2 as at 31 December 2022 as the credit risk has increased significantly since initial recognition but not considered credit-impaired. As at 31 December 2022, they were of non-investment grades on the credit rating of Moody's and listed on a recognised stock exchange. The probability of default applied ranged from 55.0% to 67.1% (2021: 2.9% to 39.4%) and the loss given default was estimated to be 61.7% (2021: 45.0% to 62.9%). Expected credit loss allowance of HK\$141,559,000 (2021: HK\$107,838,000) was recognised for the listed debt investments as at 31 December 2022.

The fair value of listed debt investments at amortised cost was HK\$94,022,000 (2021: HK\$308,576,000) as at 31 December 2022 and HK\$112,701,000 as at the date of approval of these financial statements, which was determined by reference to published prices in an active market.

NOTES TO FINANCIAL STATEMENTS

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16. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current:			
Unlisted equity investment, at fair value			
Hebei Jialian Industrial Group Co., Ltd.*	(i)	7,265	7,818
Hong Kong listed equity investments, at fair value	(ii)		
Bank of China Limited ("BOC")		36,920	–
China Construction Bank Corporation ("CCB")		39,120	–
Industrial and Commercial Bank of China Limited ("ICBC")		20,100	–
		103,405	7,818
Current:			
Listed perpetual security, at fair value			
Shui On Development (Holding) Limited ("Shui On")	(iii)	–	327,142
		103,405	334,960

The above equity investments were irrevocably designated at fair value through other comprehensive income ("FVOCI") as the Group considers these investments to be strategic in nature.

Notes:

- (i) During the year ended 31 December 2022, the gross gain in respect of the Group's unlisted equity investment in Hebei Jialian Industrial Group Co., Ltd (河北省嘉聯實業集團有限公司) recognised in other comprehensive income amounted to HK\$19,000 (2021: HK\$12,000).
 - (ii) During the year ended 31 December 2022, the gross gain in respect of the Group's listed equity investments in other comprehensive income amounted to HK\$2,821,000 (2021: Nil).
 - (iii) During the year ended 31 December 2022, the gross gain in respect of the Group's listed perpetual security in Shui On recognised in other comprehensive income amounted to HK\$17,378,000 (2021: other comprehensive loss of HK\$14,356,000). During the year ended 31 December 2022, the Group received distribution in the amount of HK\$10,306,000 (2021: HK\$21,824,000). As at 31 December 2022, the listed perpetual security in Shui On was redeemed in full and HK\$2,521,000 was released to retained profits.
- * The official name of this entity is in Chinese. The English translation of the name is for identification purpose only.

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17. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Raw materials	1,547	1,480
Work in progress	141,229	152,737
Finished goods	16,981	12,539
	159,757	166,756

18. TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	259,503	266,115
Impairment allowance	(17,142)	(14,733)
	242,361	251,382

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 15 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 HK\$'000	2021 HK\$'000
Less than 4 months	203,739	213,153
4 to 6 months	33,622	29,285
7 to 12 months	4,731	8,183
Over 1 year	269	761
	242,361	251,382

Included in the trade receivable balance as at 31 December 2022 are receivables from a related party amounting to HK\$3,840,000 (2021: HK\$3,120,000). The amount is unsecured, non-interest-bearing and has a repayment term of 30 days, which is the term similar to those offered to other major customers of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

18. TRADE RECEIVABLES (CONTINUED)

The movements in the loss allowance for trade receivables are as follows:

	2022 HK\$'000	2021 HK\$'000
At beginning of year	14,733	4,591
Impairment losses	3,529	9,976
Exchange realignment	(1,120)	166
At end of year	17,142	14,733

The increase (2021: increase) in the loss allowance was due to the changes in the expected credit loss rate with reference to the change in the general economic environment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and credit rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Current	Past due				Total
		Less than 4 months	4 to 6 months	7 to 12 months	Over 1 year	
Expected credit loss rate	2.4%	7.9%	9.2%	23.4%	94.5%	6.6%
Gross carrying amount (HK\$'000)	199,884	8,776	31,389	13,494	5,960	259,503
Expected credit loss (HK\$'000)	4,779	693	2,887	3,153	5,630	17,142

As at 31 December 2021

	Current	Past due				Total
		Less than 4 months	4 to 6 months	7 to 12 months	Over 1 year	
Expected credit loss rate	2.1%	6.5%	8.0%	13.5%	71.3%	5.5%
Gross carrying amount (HK\$'000)	196,069	13,691	38,001	11,046	7,308	266,115
Expected credit loss (HK\$'000)	4,110	892	3,034	1,489	5,208	14,733

NOTES TO FINANCIAL STATEMENTS

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19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Prepayments	13,732	30,391
Deposits and other receivables	60,855	49,510
	74,587	79,901
Impairment allowance	(6,673)	(639)
Total	67,914	79,262
Portion classified as non-current portion	(1,813)	(605)
Current portion	66,101	78,657

The movements in the loss allowance for prepayments, deposits and other receivables are as follows:

	2022 HK\$'000	2021 HK\$'000
At beginning of year	639	970
Impairment/(reversal of impairment losses), net	6,111	(342)
Exchange realignment	(77)	11
At end of year	6,673	639

Deposits and other receivables mainly represent advances to staff and bond interest receivables. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2022, the probability of default applied ranged from 0.1% to 67.1% (2021: 0.1% to 12.9%) and the loss given default was estimated to be ranged from 59.4% to 64.9% (2021: 59.4% to 64.9%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

As at 31 December 2022, included in deposits and other receivables are bond interest receivables amounted to HK\$9,765,000 which is categorised in Stage 2 due to the significant increase in credit risk since initial recognition. Except for the above, all other financial assets included in deposits and other receivables are categorised in Stage 1.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

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20. CONTRACT ASSETS

	31 December 2022 HK\$'000	31 December 2021 HK\$'000	1 January 2021 HK\$'000
Contract assets arising from interior decoration and renovation services	54,640	158,253	48,021
Impairment allowance	(1,092)	(3,314)	(853)
	53,548	154,939	47,168

Contract assets are initially recognised for revenue earned from the provision of interior decoration and renovation services as the receipt of consideration is conditional on successful completion of the decoration and renovation. Included in contract assets for interior decoration and renovation services are retention receivables. Upon completion of decoration or renovation and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The decrease (2021: increase) in contract assets in 2022 was due to the decrease (2021: increase) in ongoing interior decoration and renovation services at the end of the year.

As at 31 December 2022, HK\$1,092,000 (2021: HK\$3,314,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms with customers are set out in note 18 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	53,548	154,939

The movements in the loss allowance for impairment of contract assets are as follows:

	2022 HK\$'000	2021 HK\$'000
At beginning of year	3,314	853
(Reversal of impairment losses)/impairment losses, net	(2,049)	2,424
Exchange realignment	(173)	37
At end of year	1,092	3,314

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer base. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and credit rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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20. CONTRACT ASSETS (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2022	2021
Expected credit loss rate	2.0%	2.1%
Gross carrying amount (HK\$'000)	54,640	158,253
Expected credit losses (HK\$'000)	1,092	3,314

21. DUE FROM RELATED COMPANIES

Particulars of the amounts due from related companies, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	Balance at 31 December 2022 HK\$'000	Maximum amount outstanding during the year HK\$'000	Balance at 31 December 2021 and 1 January 2022 HK\$'000	Maximum amount outstanding during the prior year HK\$'000	Balance at 1 January 2021 HK\$'000
Gantin Limited	6,707	6,906	5,602	7,516	6,359
Glory Star Investments Limited	31	113	96	96	71
Champion Glory Limited	65	118	–	–	–
Golden Sunshine Enterprises Limited	–	–	–	18	18
Grand Wealth Development Limited	–	–	–	10	10
	6,803		5,698		6,458
Impairment allowance	(226)		(317)		(584)
	6,577		5,381		5,874

All of the above related companies are controlled by Mr. Charles Yeung and/or Mr. Yeung Chun Fan, both of them are directors of the Company.

The amounts are unsecured, interest-free and have no fixed terms of repayment.

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22. CASH AND CASH EQUIVALENTS AND TIME DEPOSIT WITH ORIGINAL MATURITY OF OVER THREE MONTHS WHEN ACQUIRED

	2022 HK\$'000	2021 HK\$'000
Cash and bank balances	203,933	337,528
Time deposits	1,963,046	1,434,830
	2,166,979	1,772,358
Less: Time deposit with original maturity of over three months when acquired	(236)	–
	2,166,743	1,772,358

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK\$115,535,000 (2021: HK\$111,924,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 HK\$'000	2021 HK\$'000
Less than 4 months	136,008	226,919
4 to 6 months	944	800
Over 6 months	996	932
	137,948	228,651

The trade payables are non-interest-bearing and are normally settled on 90-day (2021: 105-day) terms.

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24. OTHER PAYABLES AND ACCRUALS, CONTRACT LIABILITIES AND DEFERRED INCOME

	Notes	2022 HK\$'000	2021 HK\$'000
Accruals		203,959	202,612
Other payables	(a)	43,118	53,291
Amounts due to non-controlling shareholders of a subsidiary	(b)	29,893	–
Amounts due to other related companies	(b)	193	6,737
		277,163	262,640
Contract liabilities	(c)	198,894	250,167
Deferred income	(d)	1,041	1,822

Notes:

- (a) Other payables are non-interest-bearing and have an average credit term of three months.
- (b) Amounts due to related companies and non-controlling shareholders of a subsidiary are unsecured, interest-free and do not have a fixed term of repayment.
- (c) Details of contract liabilities are as follows:

	31 December 2022 HK\$'000	31 December 2021 HK\$'000	1 January 2021 HK\$'000
Interior decoration and renovation services	198,894	249,934	160,206
Export of apparel products	–	233	13,344
	198,894	250,167	173,550

Contract liabilities include short-term advances received to deliver apparel products and furniture and render interior decoration and renovation services. The decrease in the contract liabilities in 2022 was mainly due to less advance payments from major customers with regard to interior decoration and renovation and sales of fixtures and furniture. The increase in the contract liabilities in 2021 was mainly due to the increase in advance payments from major customers with regard to interior decoration and renovation and sales of fixtures and furniture.

- (d) Deferred income include government grants received in relation to certain innovation and technological projects. The grants received will be released to profit or loss upon completion of the projects or the recognition criteria has been fulfilled.

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25. INTEREST-BEARING BANK BORROWINGS

	31 December 2022			31 December 2021		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank loans – unsecured	3.85–3.90	2023	48,755	4.60	2022	19,400
				2022		2021
				HK\$'000		HK\$'000
Analysed into:						
Bank loans repayable:						
Within one year or on demand				48,755		19,400

Notes:

- (a) As at 31 December 2022, the Group's bank loans were secured by corporate guarantees provided by the Shijiazhuang Changhong and shareholders of Shijiazhuang Changhong. As at 31 December 2021, the Group's bank loans were secured by corporate guarantees provided by the shareholders of Shijiazhuang Changhong.
- (b) As at 31 December 2022 and 2021, all of the Group's bank borrowings were denominated in RMB.
- (c) As at 31 December 2022 and 2021, all bank loans of the Group bear interest at fixed interest rates.

26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation		Withholding taxes		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
At 1 January	27	25	1,242	1,025	1,269	1,050
Deferred tax (credited)/ charged to the statement of profit or loss during the year	22	2	(421)	188	(399)	190
Exchange realignment	–	–	4	29	4	29
Gross deferred tax liabilities at 31 December	49	27	825	1,242	874	1,269

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26. DEFERRED TAX (CONTINUED)

Deferred tax assets

	Fair value loss on equity investment at FVOCI		Right-of-use assets		Impairment and provisions		Losses available for offsetting taxable profits		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	645	625	771	1,573	7,741	6,271	831	745	9,988	9,214
Deferred tax (charged)/ credited to the statement of profit or loss during the year	-	-	(74)	(803)	204	1,465	(576)	86	(446)	748
Deferred tax charged to other comprehensive income during the year	(3)	(2)	-	-	-	-	-	-	(3)	(2)
Exchange realignment	(46)	22	(50)	1	(265)	5	-	-	(361)	28
Gross deferred tax assets at 31 December	596	645	647	771	7,680	7,741	255	831	9,178	9,988

The Group has tax losses arising in Hong Kong of HK\$1,545,000 (2021: HK\$5,039,000), subject to agreement by the Hong Kong Inland Revenue Department (the "IRD"), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, deferred tax of HK\$825,000 has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of one of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that the other subsidiaries established in Mainland China will distribute the unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$28,131,000 at 31 December 2022 (2021: HK\$27,812,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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27. SHARE CAPITAL

Shares

	Number of ordinary shares		2022	2021
	2022 '000	2021 '000	HK\$'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	6,000,000	6,000,000	600,000	600,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	1,527,984	1,530,028	152,798	153,003

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue of HK\$0.10 each '000	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2021	1,528,336	152,834	733,815	886,649
Issue of shares (note)	15,000	1,500	16,500	18,000
Cancellation of shares repurchased (note 29(ii))	(13,308)	(1,331)	(9,586)	(10,917)
Share issue expenses	–	–	(404)	(404)
At 31 December 2021	1,530,028	153,003	740,325	893,328
Cancellation of shares repurchased (note 29(ii))	(2,044)	(205)	(1,507)	(1,712)
At 31 December 2022	1,527,984	152,798	738,818	891,616

Note: On 27 January 2021, a total of 15,000,000 ordinary shares at the subscription price of HK\$1.20 per subscription share were allotted and issued by the Company to iFree Group (HK) Limited, an independent third party. These shares rank pari passu in all respects with the then existing shares in issue.

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28. SHARE OPTION SCHEME

A share option scheme (the “Scheme”) was adopted by the Company on 2 June 2015, unless otherwise terminated or amended, the Scheme will remain in force for 10 years from the date of adoption.

The purpose of the Scheme is to attract and retain the best quality personnel for the development of the Group’s businesses; to provide additional incentives to employees, officers and directors of the Group; and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders.

Pursuant to the Scheme, the maximum number of shares in respect of which options may be granted must not in aggregate exceed 10% of the shares in issue at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme in any 12-month period is limited to 1% of the ordinary shares of the Company in issue.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

The subscription price of the share options is determinable by the board of directors, but shall not be less than whichever is the highest of (i) the closing price of the ordinary shares of the Company as stated in the Stock Exchange’s daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the ordinary shares of the Company as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share of the Company.

No share options were granted under the Scheme for the years ended 31 December 2022 and 2021. 103,871,400 shares are issuable under the Scheme, representing approximately 6.80% (2021: 6.79%) of the total number of issued shares of the Company at the reporting date.

At the end of the reporting period, the Company did not have any share options outstanding under the Scheme (2021: Nil).

At the date of approval of these financial statements, the Company did not have any share options outstanding under the Scheme.

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29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Contributed surplus

The Group's contributed surplus represents the excess of the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in 1996.

(ii) Treasury shares

During the year ended 31 December 2022, the Company repurchased 52,000 of its own ordinary shares on the Stock Exchange at an aggregate consideration of approximately HK\$51,000. Subsequent to the repurchase of ordinary shares, as at 31 December 2022, all treasury shares have been cancelled. Upon the cancellation of the 1,992,000 treasury shares repurchased during the year ended 31 December 2021 and 52,000 shares repurchased during the year ended 31 December 2022, the issued share capital of the Company was reduced by the par value of HK\$205,000 and the premium paid on the repurchase of these cancelled shares of HK\$1,507,000, including transaction costs, was deducted from share premium of the Company.

During the year ended 31 December 2021, the Company repurchased 15,300,000 of its own ordinary shares on the Stock Exchange at an aggregate consideration of approximately HK\$12,578,000. 13,308,000 repurchased of ordinary shares were cancelled by the Company in 2021. Upon the cancellation of the 13,308,000 shares repurchased, the issued share capital of the Company was reduced by the par value of HK\$1,331,000 and the premium paid on the repurchase of these cancelled shares of HK\$9,586,000, including transaction costs, was deducted from share premium of the Company. As at 31 December 2021, 1,992,000 ordinary shares were repurchased but not yet cancelled by the Company and were included in "Treasury Shares" in the Company's reserves at the purchase consideration (including transaction costs) of HK\$1,661,000. These treasury shares are not yet cancelled as at 31 December 2021.

(iii) Other reserves

Other reserves comprise:

- (1) pursuant to the relevant laws and regulations, a portion of the profits of the Group's subsidiaries in Mainland China has been transferred to other reserves, which are restricted as to use; and
- (2) the difference between the amounts of consideration and the carrying amounts of non-controlling interests acquired.

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30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

During the year, the 58.5% shareholdings over Shijiazhuang Changhong held by Glorious Sun Trading (HK) Limited, a wholly-owned subsidiary of the Group, has been transferred to Hebei Changhong due to re-organisation of the Group's subsidiaries in the interior decoration and renovation business. Shijiazhuang Changhong is consolidated under Hebei Changhong after the re-organisation.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

2022

	Hebei Changhong and its subsidiaries
Country of incorporation and principal place of business	Mainland China
Percentage of equity interest held by non-controlling interests	41.5%
	HK\$'000
Profit attributable to non-controlling interests	6,396
Dividends payable/paid to non-controlling interests	–
Accumulated non-controlling interests	1,168

The following tables illustrate the summarised financial information of Hebei Changhong. The amounts disclosed are before any inter-company eliminations:

	HK\$'000
Revenue	701,643
Total expenses	685,435
Profit for the year	16,208
Total comprehensive income for the year	12,920
Current assets	548,459
Non-current assets	41,872
Current liabilities	(575,150)
Non-current liabilities	(14,303)
Net cash flows used in operating activities	(5,740)
Net cash flows used in investing activities	(1,952)
Net cash flows from financing activities	17,273
Net increase in cash and cash equivalents	9,581

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30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

2021

	Shijiazhuang Changhong
Country of incorporation and principal place of business	Mainland China
Percentage of equity interest held by non-controlling interests	41.5%
	HK\$'000
Profit attributable to non-controlling interests	6,092
Dividends payable/paid to non-controlling interests	13,592
Accumulated non-controlling interests	23,096

The following tables illustrate the summarised financial information of Shijiazhuang Changhong. The amounts disclosed are before any inter-company eliminations:

	HK\$'000
Revenue	694,637
Total expenses	680,025
Profit for the year	14,612
Total comprehensive income for the year	14,622
Current assets	676,690
Non-current assets	49,239
Current liabilities	(652,154)
Non-current liabilities	(20,557)
Net cash flows used in operating activities	(82,656)
Net cash flows from investing activities	17,840
Net cash flows used in financing activities	(6,854)
Net decrease in cash and cash equivalents	(71,670)

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31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$339,000 (2021: HK\$3,515,000) and HK\$336,000 (2021: HK\$3,494,000), respectively, in respect of lease arrangements for properties.

(b) Changes in liabilities arising from financing activities

2022

	Interest-bearing bank borrowings HK\$'000	Leases liabilities HK\$'000
At 1 January 2022	19,400	29,968
New bank borrowings made during the year	120,576	–
New leases	–	336
COVID-19-related rent concessions from lessors	–	(1,167)
Repayment during the year	(89,804)	(8,362)
Interest expenses	–	1,203
Disposals	–	(250)
Exchange realignment	(1,417)	(1,728)
At 31 December 2022	48,755	20,000

2021

	Interest-bearing bank borrowings HK\$'000	Leases liabilities HK\$'000
At 1 January 2021	17,720	37,153
New bank borrowings made during the year	51,562	–
New leases	–	3,494
COVID-19-related rent concessions from lessors	–	(1,989)
Repayment during the year	(50,184)	(9,763)
Interest expenses	–	1,558
Disposals	–	(1,186)
Exchange realignment	302	701
At 31 December 2021	19,400	29,968

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

(c) Total cash outflow for leases

	2022 HK\$'000	2021 HK\$'000
Within operating activities	3,658	3,897
Within financing activities	7,159	8,205
	10,817	12,102

32. COMMITMENTS

At the end of the reporting period, the Group did not have any significant capital commitment.

33. DEEMED DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

Pursuant to a capital increase agreement dated 9 July 2021, a director and general manager of Shijiazhuang Changhong, an indirect non-wholly owned subsidiary of the Company, agreed to make a capital contribution for 10% of the enlarged share capital of Shijiazhuang Changhong, at a cash consideration of RMB6,125,000 (equivalent to approximately HK\$7,424,000). After the completion of this transaction on 13 July 2021, the Group's shareholding in Shijiazhuang Changhong was diluted from 65% to 58.5%.

- (i) Net assets at the date of deemed disposal of partial interest in Shijiazhuang Changhong and its subsidiaries were as follows:

	13 July 2021 HK\$'000
Non-current assets	45,246
Current assets (other than cash and cash equivalents)	389,566
Cash and cash equivalents	47,316
Current liabilities	(424,514)
Non-current liabilities	(20,796)
Non-controlling interests	(710)
Net assets after subscription	36,108

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33. DEEMED DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY (CONTINUED)

- (ii) Gain recognised in the consolidated statement of changes in equity:

	2021 HK\$'000
Consideration of subscription	7,424
Net assets shared by non-controlling interests	(4,945)
Gain recognised in other reserve	2,479

34. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2022 HK\$'000	2021 HK\$'000
Rental payments paid to companies controlled by certain directors of the Company	(i)	28	39
Management fees paid to companies controlled by certain directors of the Company	(ii)	293	293
Interior decoration and renovation service income received from companies controlled by certain directors of the Company	(iii)	1,334	1,396
Sales of furniture to companies controlled by certain directors of the Company	(iv)	1,734	1,939
IT technical service fees paid to companies controlled by certain directors of the Company	(v)	177	294
Consulting service fee income	(vi)	6,000	4,800

Notes:

- (i) The rental payments were charged according to the rental agreements which were based on the prevailing open market rentals. COVID-19 related rent concession of HK\$693,000 (2021: HK\$1,380,000) was granted by a company controlled by certain directors of the Company with the amount mutually agreed by the parties.
- (ii) The management fees were charged according to the management service agreements signed between the parties and by reference to the cost of services provided.
- (iii) The interior decoration and renovation service fees were charged according to the prices mutually agreed by the parties and were either at market rates or at rates no less favourable to the Company than such rates offered to any other independent third party.
- (iv) The sales of furniture were charged according to the prices mutually agreed by the parties.
- (v) The IT technical service fees were charged according to the costs mutually agreed by the parties on based on the prevailing market conditions for comparable IT services.
- (vi) The consulting service fees were charged according to the consulting service agreement signed between the parties based on the prevailing market conditions for comparable consulting services.

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34. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) Outstanding balances with related parties:

The Group had outstanding receivables from and payable to related companies of HK\$10,643,000 (2021: HK\$8,818,000) and HK\$30,086,000 (2021: HK\$6,737,000), respectively, as at the end of the reporting period. The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

- (c) Compensation of key management personnel of the Group:

	2022 HK\$'000	2021 HK\$'000
Short term employee benefits	2,360	2,667
Post-employment benefits	101	110
Total compensation paid to key management personnel	2,461	2,777

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a)(i), (a)(ii), (a)(iii), (a)(iv), (a)(v) and (a)(vi) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	Debt investments at amortised cost HK\$'000	Financial assets at amortised cost HK\$'000	Equity investments designated at fair value through other comprehensive income HK\$'000	Total HK\$'000
Debt investments at amortised cost	277,336	–	–	277,336
Equity investments designated at fair value through other comprehensive income	–	–	103,405	103,405
Trade receivables	–	242,361	–	242,361
Financial assets included in prepayments, deposits and other receivables	–	52,369	–	52,369
Due from related companies	–	6,577	–	6,577
Time deposit with original maturity of over three months when acquired	–	236	–	236
Cash and cash equivalents	–	2,166,743	–	2,166,743
	277,336	2,468,286	103,405	2,849,027

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade payables	137,948
Financial liabilities included in other payables and accruals	230,509
Interest-bearing bank borrowings	48,755
Lease liabilities	20,000
	437,212

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35. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2021

Financial assets

	Debt investments at amortised cost HK\$'000	Financial assets at amortised cost HK\$'000	Equity investments designated at fair value through other comprehensive income HK\$'000	Total HK\$'000
Debt investments at amortised cost	482,746	–	–	482,746
Equity investments designated at fair value through other comprehensive income	–	–	334,960	334,960
Trade receivables	–	251,382	–	251,382
Financial assets included in prepayments, deposits and other receivables	–	48,266	–	48,266
Due from related companies	–	5,381	–	5,381
Cash and cash equivalents	–	1,772,358	–	1,772,358
	482,746	2,077,387	334,960	2,895,093

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade payables	228,651
Financial liabilities included in other payables and accruals	221,096
Interest-bearing bank borrowings	19,400
Lease liabilities	29,968
	499,115

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Debt investments at amortised cost	277,336	482,746	94,022	308,576

Management has assessed that the fair values of cash and cash equivalents, time deposit with original maturity of over three months when acquired, trade receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related companies, and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2022 and 2021 was assessed to be insignificant. The fair values of the interest-bearing bank borrowings approximate to their carrying amounts as at 31 December 2022 and 2021.

The fair values of listed equity investments are based on quoted market prices. The fair value of unlisted equity investment designated at fair value through other comprehensive income has been estimated using a market-based valuation technique discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the Directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to invested capital ("EV/Invested Capital") multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by invested capital. The multiple is then discounted for considerations such as illiquidity between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding invested capital of the unlisted equity investment to measure the fair value. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investment at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of the significant unobservable input to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021:

	Valuation technique	Significant unobservable input	Value of input	Sensitivity of fair value to the input
Unlisted equity investment	Market approach	Median EV/ Invested Capital	2022: 1.1 (2021: 1.0)	0.1 (2021: 0.1) increase/decrease in multiple would result in increase/decrease in fair value by HK\$12,000 (2021: HK\$25,000)
		Discount for lack of marketability	2022: 15.8% (2021: 15.8%)	1.0% (2021: 1.0%) increase/decrease in multiple would result in decrease/increase in fair value by HK\$86,000 (2021: HK\$75,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments	96,140	–	–	96,140
Unlisted equity investment	–	–	7,265	7,265
	96,140	–	7,265	103,405

As at 31 December 2021

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Equity investments designated at fair value through other comprehensive income:				
Listed equity investment	327,142	–	–	327,142
Unlisted equity investment	–	–	7,818	7,818
	327,142	–	7,818	334,960

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 for both financial assets and financial liabilities, and no transfers into or out of Level 3 for financial assets (2021: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2022

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2022 HK\$'000	2021 HK\$'000
Equity investment designated at fair value through other comprehensive income		
At 1 January	7,818	7,612
Gain recognised in other comprehensive income	19	12
Exchange realignment	(572)	194
At 31 December	7,265	7,818

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 and 2021.

Assets for which fair values are disclosed:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
Debt investments at amortised cost	94,022	–	–	94,022

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
Debt investments at amortised cost	308,576	–	–	308,576

NOTES TO FINANCIAL STATEMENTS

31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at amortised cost, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, bank borrowings, time deposit with original maturity of over three months when acquired and cash and cash equivalents. The main purpose of these financial instruments is to earn investment income and raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents.

Cash at banks earns interest at floating rates based on daily bank deposit rates. A 50-basis point increase/decrease in interest rates at 31 December 2022 and 2021 would have increased the Group's profit before tax by HK\$1,017,000 and HK\$1,686,000, respectively. The sensitivity to the interest rate used is considered reasonable, with all other variables held constant.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the units' functional currencies, mostly in United States dollars ("USD") and RMB. In addition, the Group has currency exposures from its debt investments at amortised cost, equity investments designated at fair value through other comprehensive income and bank deposits, mostly in USD and RMB.

As the Hong Kong dollar is pegged to the United States dollar, the Group does not anticipate significant movements in the exchange rate. The Group monitors the foreign exchange rate risk on an ongoing basis.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of unlisted equity investment).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2022			
If the Hong Kong dollar weakens against the RMB	1.0	38	73
If the Hong Kong dollar strengthens against the RMB	(1.0)	(38)	(73)
2021			
If the Hong Kong dollar weakens against the RMB	1.0	59	78
If the Hong Kong dollar strengthens against the RMB	(1.0)	(59)	(78)

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are net carrying amounts for financial assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	Total HK\$'000
Debt investments at amortised cost					
– C	–	277,336	–	–	277,336
Contract assets*	–	–	–	53,548	53,548
Trade receivables*	–	–	–	242,361	242,361
Financial assets included in prepayments, deposits and other receivables					
– Normal**	42,604	–	–	–	42,604
– Doubtful**	–	9,765	–	–	9,765
Due from related companies	6,577	–	–	–	6,577
Time deposit with original maturity of over three months when acquired	236	–	–	–	236
Cash and cash equivalents					
– Not yet past due	2,166,743	–	–	–	2,166,743
	2,216,160	287,101	–	295,909	2,799,170

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	Total HK\$'000
Debt investments at amortised cost					
– B+	–	144,619	–	–	144,619
– CC	–	338,127	–	–	338,127
Contract assets*	–	–	–	154,939	154,939
Trade receivables*	–	–	–	251,382	251,382
Financial assets included in prepayments, deposits and other receivables					
– Normal**	48,266	–	–	–	48,266
Due from related companies	5,381	–	–	–	5,381
Cash and cash equivalents					
– Not yet past due	1,772,358	–	–	–	1,772,358
	1,826,005	482,746	–	406,321	2,715,072

NOTES TO FINANCIAL STATEMENTS

31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 and note 20 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

The closing loss allowances for debt investments at amortised cost, trade receivables, contract assets, financial assets included in prepayments, deposits and other receivables, and due from related companies as at 31 December are reconciled to the opening loss allowances as follows:

	Debt investments at amortised cost HK\$'000	Trade receivables HK\$'000	Contract assets HK\$'000	Financial assets included in prepayments, deposits and other receivables HK\$'000	Due from related companies HK\$'000
At 1 January 2021	8,229	4,591	853	970	584
Impairment loss/(reversal of impairment loss), net	99,609	9,976	2,424	(342)	(268)
Exchange realignment	–	166	37	11	1
At 31 December 2021 and 1 January 2022	107,838	14,733	3,314	639	317
Impairment loss/(reversal of impairment loss), net	34,032	3,529	(2,049)	6,111	(86)
Exchange realignment	(311)	(1,120)	(173)	(77)	(5)
At 31 December 2022	141,559	17,142	1,092	6,673	226

NOTES TO FINANCIAL STATEMENTS

31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and interest-bearing borrowings. The Group's policy is to match the maturity of borrowings with expected cash inflows from the relevant assets acquired to ensure proper funding.

The maturity profile of the Group's financial liabilities as at end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2022			Total HK\$'000
	On demand or within 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade payables	137,948	–	–	137,948
Financial liabilities included in other payables and accruals	230,509	–	–	230,509
Lease liabilities	6,562	15,347	–	21,909
Interest-bearing bank borrowings	49,334	–	–	49,334
	424,353	15,347	–	439,700
	2021			Total HK\$'000
	On demand or within 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Trade payables	228,651	–	–	228,651
Financial liabilities included in other payables and accruals	221,096	–	–	221,096
Lease liabilities	9,728	23,566	–	33,294
Interest-bearing bank borrowings	19,635	–	–	19,635
	479,110	23,566	–	502,676

NOTES TO FINANCIAL STATEMENTS

31 December 2022

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments at fair value through other comprehensive income (note 16) as at 31 December 2022 (2021: Individual equity investments at fair value through other comprehensive income and a listed perpetual security). The Group's listed equity investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices as at 31 December 2022, while the Group's listed perpetual security was listed on the Singapore Exchange and was valued at quoted market prices as at 31 December 2021.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, raise and repay debts or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors capital using a gearing ratio, which is total bank borrowings divided by the total shareholders' equity plus total borrowings. Total borrowings include interest-bearing bank borrowings. Total shareholders' equity comprises all components of equity attributable to ordinary equity holders of the Company. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at the end of the reporting periods were as follows:

	2022 HK\$'000	2021 HK\$'000
Interest-bearing bank borrowings	48,755	19,400
Total shareholders' equity	2,428,821	2,466,827
Borrowings and total shareholders' equity	2,477,576	2,486,227
Gearing ratio	2%	1%

NOTES TO FINANCIAL STATEMENTS

31 December 2022

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSET		
Investment in a subsidiary	377,717	377,717
CURRENT ASSETS		
Amount due from a subsidiary	–	156,925
Other receivables	1,562	113
Cash and cash equivalents	1,728,522	1,391,091
Total current assets	1,730,084	1,548,129
CURRENT LIABILITIES		
Other payables	5,289	2,819
Amount due to a subsidiary	251,865	–
Total current liabilities	257,154	2,819
NET CURRENT ASSETS	1,472,930	1,545,310
Net assets	1,850,647	1,923,027
EQUITY		
Issued capital	152,798	153,003
Reserves (note)	1,697,849	1,770,024
Total equity	1,850,647	1,923,027

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK\$'000	Treasury shares HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2021	733,815	–	377,567	727,190	1,838,572
Total comprehensive income for the year	–	–	–	22,226	22,226
Issue of shares	16,500	–	–	–	16,500
Share issue expenses	(404)	–	–	–	(404)
Shares repurchased	–	(12,578)	–	–	(12,578)
Cancellation of shares repurchased	(9,586)	10,917	–	–	1,331
Final 2020 dividend	–	–	–	(64,820)	(64,820)
Interim 2021 dividend	–	–	–	(30,803)	(30,803)
At 31 December 2021 and 1 January 2022	740,325	(1,661)	377,567	653,793	1,770,024
Total comprehensive income for the year	–	–	–	19,350	19,350
Shares repurchased	–	(51)	–	–	(51)
Cancellation of shares repurchased	(1,507)	1,712	–	–	205
Final 2021 dividend	–	–	–	(61,119)	(61,119)
Interim 2022 dividend	–	–	–	(30,560)	(30,560)
At 31 December 2022	738,818	–	377,567	581,464	1,697,849

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2023.

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	2022	Year ended 31 December			
	HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
CONTINUING OPERATIONS					
REVENUE	1,060,681	997,841	707,548	1,212,288	1,271,001
Profit before tax	44,565	49,574	102,715	124,456	91,315
Income tax credit/(expenses)	929	(6,413)	(4,598)	(11,718)	(8,169)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	45,494	43,161	98,117	112,738	83,146
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	–	–	–	–	26,433
Profit for the year	45,494	43,161	98,117	112,738	109,579
Attributable to:					
Ordinary equity holders of the Company	39,229	36,996	90,018	110,383	107,430
Non-controlling interests	6,265	6,165	8,099	2,355	2,149
	45,494	43,161	98,117	112,738	109,579

FINANCIAL SUMMARY

A summary of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

		As at 31 December			
	2022	2021	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	3,117,529	3,297,152	3,147,002	3,011,947	3,347,905
TOTAL LIABILITIES	(687,916)	(806,890)	(546,193)	(479,471)	(878,619)
NON-CONTROLLING INTERESTS	(792)	(23,435)	(22,457)	(17,350)	(21,032)
	2,428,821	2,466,827	2,578,352	2,515,126	2,448,254



常宏為哈爾濱 Miu Miu 店面提供整體升級改造服務
Changhong offered upgrade and refurbishment
service to Miu Miu outlet in Harbin