Win Hanverky Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3322)

2022

ANNUAL REPORT

Win Hanverky Holdings Limited and its subsidiaries are an integrated manufacturer and retailer for international sports, fashion and outdoor brands. We have two broad lines of business, namely Manufacturing Business and High-end Fashion Retailing Business, with geographical markets spanning over Europe, the United States, Mainland China and Hong Kong.

The Shares of the Company have been listed on the Main Board of the Stock Exchange since 6 September 2006.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LI Kwok Tung Roy *(Chairman)*
Mr. LAI Ching Ping *(Deputy Chairman)*
Mr. LEE Kwok Leung *(Chief Executive Officer)*
Mr. WONG Chi Keung *(Chief Financial Officer)*

Independent Non-Executive Directors

Mr. KWAN Kai Cheong
Mr. MA Ka Chun
Ms. CHAN Kit Fun Fanny *(appointed on 25 July 2022)*
Dr. CHAN Kwong Fai *(resigned on 20 January 2022)*
Mr. CHAN Ka Kui *(ceased on 7 October 2022)*

COMPANY SECRETARY

Ms. LAM Choi Ha

AUTHORISED REPRESENTATIVES

Mr. LI Kwok Tung Roy
Mr. WONG Chi Keung

BOARD COMMITTEES

Audit Committee

Mr. KWAN Kai Cheong *(Chairman)*
Mr. MA Ka Chun
Ms. CHAN Kit Fun Fanny *(appointed on 25 July 2022)*
Dr. CHAN Kwong Fai *(resigned on 20 January 2022)*
Mr. CHAN Ka Kui *(ceased on 7 October 2022)*

Remuneration Committee

Ms. CHAN Kit Fun Fanny *(Chairman)*
(appointed on 25 July 2022)
Mr. LI Kwok Tung Roy
Mr. KWAN Kai Cheong
Dr. CHAN Kwong Fai *(resigned on 20 January 2022)*
Mr. CHAN Ka Kui *(Chairman)*
(ceased on 7 October 2022)

Nomination Committee

Mr. MA Ka Chun *(Chairman)*
Mr. LI Kwok Tung Roy
Ms. CHAN Kit Fun Fanny *(appointed on 25 July 2022)*
Dr. CHAN Kwong Fai *(resigned on 20 January 2022)*
Mr. CHAN Ka Kui *(ceased on 7 October 2022)*

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, Phase 6
Hong Kong Spinners Industrial Building
481–483 Castle Peak Road
Kowloon, Hong Kong

LEGAL ADVISOR

Deacons

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman KY1-1100
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

INVESTOR RELATIONS CONTACT

Strategic Financial Relations Limited

SHARE INFORMATION

Listing:	The Main Board of The Stock Exchange of Hong Kong Limited
Board lot:	2,000 Shares
Stock code:	3322

COMPANY WEBSITE

www.winhanverky.com

KEY FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

	For the year ended/As at 31 December				
	2022	2021	2020	2019	2018
Financial Performance (HK$'000)					
Continuing operations					
Revenue	**4,449,790**	4,136,603	4,021,402	5,034,359	4,109,572
Gross profit	**989,076**	998,991	964,901	1,453,147	1,155,818
Operating profit/(loss)	**54,718**	(50,877)	(47,068)	209,468	214,595
Profit/(loss) before income tax	**13,621**	(82,639)	(82,431)	174,139	209,661
Profit/(loss) from continuing operations	**23,631**	(69,634)	(83,785)	125,108	157,162
Loss from discontinued operations	**—**	—	(104,728)	(51,360)	(99,934)
Profit/(loss) for the year	**23,631**	(69,634)	(188,513)	73,748	57,228
Profit/(loss) attributable to equity holders	**10,070**	(66,416)	(233,821)	64,214	42,253
Financial Position (HK$'000)					
Non-current assets	**1,272,836**	1,456,973	1,422,418	1,754,873	1,317,815
Current assets	**2,192,348**	2,488,284	2,396,612	2,589,052	2,076,675
Current liabilities	**1,438,874**	1,781,008	1,696,581	1,810,505	1,198,331
Net current assets	**753,474**	707,276	700,031	778,547	878,344
Total assets	**3,465,184**	3,945,257	3,819,030	4,343,925	3,394,490
Total assets less current liabilities	**2,026,310**	2,164,249	2,122,449	2,533,420	2,196,159
Total equity	**1,859,765**	1,942,651	1,968,346	2,113,325	2,184,654
Cash and bank balances	**370,489**	415,819	695,088	486,623	355,053
Operation Indicators					
Gross profit margin from continuing operations (%)	**22.2**	24.2	24.0	28.9	28.1
Net profit/(loss) margin from continuing operations (%)	**0.5**	(1.7)	(2.1)	2.5	3.8
Net gearing ratio (%) *(Note)*	**22.8**	27.3	10.2	25.5	5.9
Current ratio (times)	**1.5**	1.4	1.4	1.4	1.7
Trade receivable turnover period (days)	**41**	44	49	42	40
Inventory turnover period (days)	**131**	143	138	105	99

Note: Net gearing ratio represents total borrowings (including bank borrowings and loans from non-controlling interests of subsidiaries) less cash and bank balances, divided by total equity.

BUSINESS AND FINANCIAL HIGHLIGHTS

2022 was characterised by challenging macroeconomic conditions following the outbreak of war between Russia and Ukraine, interest rate hike, inflationary pressure, surging energy and commodity prices, and intermittent impact of COVID-19 pandemic ("**COVID-19**") in Mainland China. Against this complex and unpredictable operating environment, the Group has demonstrated resilience of its diversified business structure.

Revenue of the Group amounted to HK$4,449.8 million (2021: HK$4,136.6 million), representing an increase of 7.6%.

Manufacturing Business experienced another arduous year in 2022 while the pendulum swung back from the issue of production halt in 2021 to the issue of volatility of customer demand in 2022. Sportswear Manufacturing Business and High-end Functional Outerwear Manufacturing Business regained a growth in the first three quarters of 2022 as orders received from customers increased mainly due to their expectations of market pick-up from Europe, as well as fulfilling orders brought forward from previous year due to the temporary production suspension in Vietnam. However, the actual market demand was lower than expectation so that the inventories of customers were piled up. The order trends of new season products from customers unequivocally decelerated in the last quarter of 2022, particularly for Sportswear Manufacturing Business. Revenue from Manufacturing Business amounted to HK$3,558.0 million (2021: HK$2,928.2 million), representing an increase of 21.5%.

High-end Fashion Retailing Business was adversely affected by the highly infectious Omicron variants of COVID-19 and the corresponding strict precautionary measures which depressed consumer spending, particularly in the Mainland China market. Revenue from High-end Fashion Retailing Business amounted to HK$891.8 million (2021: HK$1,208.4 million), representing a decrease of 26.2%.

Gross profit margin of the Group decreased to 22.2% (2021: 24.2%) which was mainly a result of the change in proportion of business mix. The decrease in proportion of revenue contributed by High-end Fashion Retailing Business with higher gross profit margin than Manufacturing Business reduced the Group's overall gross profit margin.

During 2022, the Group disposed of unused or under-utilised assets of Manufacturing Business and recorded a total gain (before taxation) of HK$69.3 million to enhance the financial position of the Group.

Overall, the Group generated profit after taxation of HK$23.6 million for the year ended 31 December 2022 (2021: loss of HK$69.6 million).

OUTLOOK

The global economy remains challenging with continuing sporadic disruptions caused by the lingering effects of COVID-19, geopolitical tension, rising interest rate and inflation.

Manufacturing Business recorded an expected recovery but the order trends from customers have decelerated since the last quarter of 2022, amid inventory pileup across the sportswear market as end demand softens. It is anticipated that our customers would require a few quarters to resolve the inventory glut issue while incoming orders are likely to slow in the months ahead.

High-end Fashion Retailing Business will continue to focus on the Mainland China market. The recent relaxation of COVID-19 related control measures should support a sign of recuperation, especially in the Mainland China market. Nevertheless, the recovery path is likely to be a volatile one under the tough retail environment and fierce competition as well as most of the market participants are urged to significantly reduce the elevated inventory levels.

Despite the challenges facing ahead, we believe that our agility and diversified businesses will help us mitigate risks and drive sustainable development. We will maintain a prudent financial profile by implementing disciplined cash flow and working capital management, in order to persist stable performance in our businesses.

DIVIDENDS

The Board considers to conserve our financial resources and does not recommend the payment of dividend in order to prepare for the volatile operating environment ahead. We will continue to monitor the market situation and review our dividend payment from time to time.

ACKNOWLEDGEMENT

Finally, I would like to extend a sincere thank to our Directors and all staff members for their professional support and remarkable efforts during the extremely challenging environment. My gratitude also goes to our clients, shareholders and business partners for their full support and enduring trust.

LI Kwok Tung Roy
Chairman

Hong Kong, 23 March 2023

Management Discussion and Analysis

The Group is an integrated manufacturer and retailer for internationally renowned sports, fashion and outdoor brands. The financial performance of the Group for the year ended 31 December 2022 is summarised below:

OVERALL REVIEW

Revenue of the Group amounted to HK$4,449.8 million (2021: HK$4,136.6 million), representing an increase of 7.6%. The increase was mainly attributable to the increased orders received from customers of Manufacturing Business as well as the fulfillment of orders brought forward from the temporary production suspension at the Vietnam factories in the second half of 2021. It was partially offset by the decrease in revenue from High-end Fashion Retailing Business due to the temporary store closures in major cities of Mainland China amid the highly infectious Omicron variants of COVID-19 and the corresponding restrictions imposed by the Chinese government.

Gross profit margin of the Group decreased to 22.2% (2021: 24.2%). The decrease in gross profit margin of 2.0 percentage points was mainly attributable to the change in proportion of business mix. The decrease in proportion of revenue contributed by High-end Fashion Retailing Business which has a higher gross profit margin than Manufacturing Business reduced the Group's overall gross profit margin.

Gross profit of the Group decreased by HK$9.9 million to HK$989.1 million (2021: HK$999.0 million), 1.0% lower than that of 2021. The decrease in gross profit was mainly attributable to the decreased revenue from High-end Fashion Retailing Business due to the temporary store closures in major cities of Mainland China, which outweighed the additional gross profit brought in by the increased revenue from Manufacturing Business.

Selling and distribution costs decreased by HK$55.9 million to HK$559.2 million (2021: HK$615.1 million), which was mainly attributable to the decrease in variable rental and operating costs of High-end Fashion Retailing Business as revenue decreased.

General and administrative expenses recorded a mild increase of HK$19.8 million to HK$459.2 million (2021: HK$439.4 million).

Other net income mainly comprised gains (before taxation) arising from the disposals of land lease right in Vietnam and a property-holding subsidiary in Hong Kong of HK$54.8 million and HK$14.5 million respectively (the "**Disposal Gains**").

Consequently, operating result recorded a profit of HK$54.7 million (2021: loss of HK$50.9 million).

Net finance costs increased by HK$10.3 million to HK$42.4 million (2021: HK$32.1 million), which was mainly attributable to the increase in interest on bank borrowings by HK$11.1 million resulting from increase in interest rates.

As a result, the Group recorded profit after taxation of HK$23.6 million for the year ended 31 December 2022 (2021: loss of HK$69.6 million).

The Board considers to conserve financial resources and does not recommend the payment of dividend for the year ended 31 December 2022 (2021: Nil) in view of the challenges and uncertainties ahead. We will continue to monitor the market situation and review our dividend payout from time to time.

BUSINESS REVIEW

Throughout the year 2022, the operating environment remained complex and surrounded by uncertainties. The global economy had been clouded by the lingering effects of COVID-19 and the fallout resulted from the war between Russia and Ukraine, mixed with the elevating interest rate and inflation rate, as well as the surging energy and commodity prices. In particular, the resurgence of COVID-19 cases combined with strict precautionary measures depressed consumer spending in Mainland China.

The financial performance of the business segments is summarised below:

Manufacturing Business

Our Manufacturing Business comprises "***Sportswear Manufacturing Business***" and "***High-end Functional Outerwear Manufacturing Business***".

Sportswear Manufacturing Business

The Group's Sportswear Manufacturing Business operates mainly through its OEM arrangements for a number of internationally renowned brands. Most of the Group's products are exported and sold to Europe, the United States and Mainland China. The Group has a long history and a distinctive position in sportswear garment manufacturing and has established long-term business relationships with its key customers.

Revenue from Sportswear Manufacturing Business increased by HK$483.5 million to HK$2,896.7 million (2021: HK$2,413.2 million), representing an increase of 20.0%. The increase was mainly due to the increased orders received from customers, as well as the fulfillment of orders brought forward from the temporary production suspension at the Vietnam factories in the second half of 2021, in particular, the orders from customers in the European market recorded a modest growth in 2022.

The Group completed the disposals of land lease right in Vietnam and a property-holding subsidiary in Hong Kong, resulting in gains (before taxation) of HK$54.8 million and HK$14.5 million being recorded in 2022 respectively.

As a result, including the Disposal Gains, operating profit of HK$123.7 million was recorded for the year ended 31 December 2022. Excluding the Disposal Gains, operating profit would be HK$54.4 million (2021: loss of HK$60.0 million) which was mainly attributable to the increase in operating profits resulting from the additional gross profit brought in as driven by the increased revenue.

High-end Functional Outerwear Manufacturing Business

Revenue from High-end Functional Outerwear Manufacturing Business increased by HK$146.3 million to HK$661.3 million (2021: HK$515.0 million), representing an increase of 28.4%. It was mainly attributable to the increased orders received from customers in the first half of 2022, as well as the fulfilment of orders brought forward from the temporary production suspension at the Vietnam factories in the second half of 2021. As a result, operating profit of HK$40.8 million was recorded for the year ended 31 December 2022 (2021: loss of HK$4.3 million).

High-end Fashion Retailing Business

The Group's High-end Fashion Retailing Business had fashion retail networks through "***D-mop***", "***J-01***" and "***Spoonyard***" stores to sell self-owned brands, as well as imported brands, in Hong Kong and Mainland China. In addition, it had distribution rights for brands including "***Y-3***" in Mainland China, Hong Kong, Macau, Taiwan and Singapore, and "***Heron Preston***" and "***Barbour***" in Mainland China. It also operated licensed stores for brands "***Champion***" and "***DAKS***" in Mainland China and "***New Era***" in Mainland China and Hong Kong.

Revenue from High-end Fashion Retailing Business decreased by HK$316.6 million to HK$891.8 million (2021: HK$1,208.4 million), representing a decrease of 26.2%. The highly infectious Omicron variants of COVID-19 and the corresponding restrictions imposed by the Chinese government struck a handful of cities in Mainland China, business activities were seriously curtailed, resulting in temporary store closures in major cities of Mainland China during the year ended 31 December 2022. Apart from the impact arising from the temporary store closures, under the tough retail market environment and fierce competition, it has become more obvious that revenue of High-end Fashion Retailing Business has been highly cannibalised by other aggressive distributors for certain brands which the Group was not exclusive distributors. As a result, operating loss of HK$109.8 million was recorded for the year ended 31 December 2022 (2021: profit of HK$13.4 million).

As at 31 December 2022, the total number of stores decreased to 222 (2021: 264), of which 193 (2021: 228) stores were in Mainland China, 19 (2021: 26) stores were in Hong Kong and Macau, and 10 (2021: 10) stores in Taiwan and Singapore.

PROSPECTS

The macroeconomic challenges and geopolitical landscape will continue dampening consumer sentiment. It is anticipated that the risks of global economic downturn, rising geopolitical tensions and the resulting adverse effects on consumer spending will continue to exist. Notwithstanding the uncertainties facing ahead, we will continue to remain agile and vigilant by promptly adjusting our operational mode and making swift responses to minimise the impact to our business.

Manufacturing Business

Sportswear Manufacturing Business

Sportswear Manufacturing Business has been seriously impacted by COVID-19 and global economic uncertainties in the last few years. Having said that, given the high awareness for health and fitness as well as increasing sports participation rates, sportswear products are expected to remain fundamentally attractive in long term.

Nevertheless, the order trends from customers have decelerated since the last quarter of the year 2022, amid inventory pileup across the sportswear market as a result of lower consumer demand in major Western markets, as well as a traffic drop-off in the Mainland China market. It is believed that our customers would require a few quarters to resolve the inventory glut issue and that would unavoidably affect our Sportswear Manufacturing Business in short term. We will uphold all new factory expansion plan till we see the recovery of orders from our customers.

High-end Functional Outerwear Manufacturing Business

High-end Functional Outerwear Manufacturing Business made a decent progress in the Mainland China market which was driven by the successfully strategic partnership establishments with nationwide renowned brands. Following the significant growth in last two consecutive years, it is anticipated that High-end Functional Outerwear Manufacturing Business will become steady and stable.

High-end Fashion Retailing Business

Mainland China will remain as the major market of our High-end Fashion Retailing Business, the recent relaxation of COVID-19 related control measures should support a recovery in consumer spending. In other markets, the re-opening of border of Mainland China will benefit our stores in Hong Kong and Macau. It is expected that the shop footfall will continue to increase but the process will be bumpy and the recovery path will be clouded with uncertainties.

In order to further stimulate customer spending, against the backdrop of tough market environment and fierce competition as well as most of the market participants are urged to significantly reduce the elevated inventory levels, we will increase promotional activities and offer more shopping incentives at our stores to boost the local consumption. Given the economies are back to normal across our operating regions, we will restart our store opening plan but will be conducted in a prudent way as the pace of economy recovery is still highly uncertain.

FINANCIAL POSITION AND LIQUIDITY

The lingering effects of COVID-19, the unprecedented geopolitical tensions between Russia and Ukraine, and the changing monetary and fiscal responses to these events have made the operating environment extremely difficult. In view of the challenges and uncertainties ahead, the Group will continue to proactively monitor the situation and impose strict cost control measures and focus on its cashflow management to ensure that it remains a healthy liquidity position.

As at 31 December 2022, the Group had cash and bank balances of HK$370.5 million (2021: HK$415.8 million) and net borrowings (bank borrowings and loans from non-controlling interests of subsidiaries less cash and bank balances) of HK$423.7 million (2021: HK$530.7 million), together with available undrawn banking facilities of HK$432.2 million (2021: HK$457.2 million). The net change was mainly attributable to the cash generated from operating activities, net with repayment of bank borrowings. The net gearing ratio (being net borrowings divided by total equity) as at 31 December 2022 was 22.8% (2021: 27.3%).

During the year ended 31 December 2022, the Group disposed of a land lease right of an undeveloped land in Vietnam and a property-holding subsidiary which held an under-utilised warehouse in Hong Kong to enhance the cash and financial position of the Group. Given the highly uncertain global economic environment, the Group will continue to assess the usage of its assets and their market values. If opportunities come along, the Group may consider realising their values for further enhancement of the Group's cash and financial position and safeguard against the strong headwinds.

The Group expects that there will be steady cash inflow from operations and additional cash inflow from the realisation of assets, coupled with sufficient cash and bank balances and based on its readily available banking facilities, amid of COVID-19 continues to impact the Group's operations, the Group has adequate liquidity and financial resources to cover its operating costs and meet its financial obligations as and when they fall due in the coming twelve months from the date of this annual report.

FOREIGN CURRENCY EXPOSURE

Hong Kong Dollar ("**HKD**") serves as the Company's functional currency and the Group's presentation currency. The Group considers its foreign currency exchange exposure arising from United States Dollar ("**USD**") transactions and USD cash balances to be minimal during the year given that HKD was pegged against USD.

The Group's revenue and purchases were primarily denominated in USD, Renminbi ("**RMB**") and HKD. During the year, approximately 67.8%, 28.3% and 2.4% of revenue were denominated in USD, RMB and HKD respectively, whereas approximately 84.4%, 11.4% and 3.0% of purchases were denominated in USD, RMB and HKD respectively.

As at 31 December 2022, approximately 54.0%, 24.8%, 12.8% and 5.3% of cash and bank balances were denominated in USD, RMB, Vietnamese Dong and HKD respectively, and approximately 50.3%, 42.6% and 7.1% of bank borrowings were denominated in USD, HKD and RMB respectively.

To minimise the impact of foreign currency rate volatility, we monitor foreign currency risk closely on an ongoing basis to ensure that the net exposure is at an acceptable level. If necessary, after consideration of the Group's future operation and investment needs in different currencies, we may use proper financial instruments to reduce the currency risk exposure.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2022, the Group had approximately 19,000 employees (2021: approximately 19,000 employees). The Group remunerates employees based on their performance, working experience and prevailing market conditions. Other employee benefits include retirement benefits, insurance, medical coverage and share option schemes.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2022, bank deposit of HK$1.2 million (2021: HK$1.2 million) was pledged as security deposit at Custom Department for a subsidiary of the Group; and land and properties with an aggregate carrying amount of HK$74.5 million (2021: HK$55.1 million) were pledged to banks for certain banking facilities of the Group.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities, litigation or arbitration of material importance as at 31 December 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In March 2022, the Group has completed disposal of a subsidiary of the Group. Please refer to Note 19 to the consolidated financial statements.

Save as disclosed above, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LI Kwok Tung Roy, aged 72, is our executive Director, co-founder and Chairman. He was appointed as an executive Director in December 2005. Mr. LI is the elder brother of Mr. LEE Kwok Leung and the father of Mr. LI Chun Ho Fredrick. Mr. LI is responsible for strategic planning and overall management of our Group. Mr. LI has over 45 years of experience in the apparel industry and handling client relationship.

Mr. LI is currently the director of certain subsidiaries of the Company. He is also the director and shareholder holding 70% interest of Quinta Asia Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company" in this annual report.

LAI Ching Ping, aged 72, is our executive Director, co-founder and Deputy Chairman. He was appointed as an executive Director in December 2005. Mr. LAI assists the Chairman in board management and provides advice on the Group's direction and critical decisions. Mr. LAI has over 45 years of experience in the apparel industry.

Mr. LAI is currently the director of certain subsidiaries of the Company. He is also the director and shareholder holding 30% interest of Quinta Asia Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company" in this annual report.

LEE Kwok Leung, aged 60, is our executive Director and Chief Executive Officer. He was appointed as an executive Director in February 2006 and is currently the director of certain subsidiaries of the Company. Mr. LEE is the younger brother of Mr. LI Kwok Tung Roy. Mr. LEE is responsible for overall management, strategic planning, execution and technology implementation of our Group. Mr. LEE has been with us for over 30 years after his graduation from the York University in 1987 with a Bachelor of Arts degree.

WONG Chi Keung, aged 56, is our executive Director, Chief Financial Officer and authorised representative. Mr. WONG joined us in March 2014 and is currently the director of certain subsidiaries of the Company. He has more than 30 years of experience in accounting, auditing and finance. Between 2006 and 2013, Mr. WONG served as the chief financial officer for a number of sino-foreign joint venture and Hong Kong and US listed companies, including China Dongxiang (Group) Co., Ltd. and Besunyen Holdings Company Limited, both companies are listed on the Stock Exchange. Between 2002 and 2006, Mr. WONG worked at various operating entities of China Netcom Group, including serving as a senior finance manager of China Netcom Group Corporation (Hong Kong) Limited, a company previously listed on the Main Board of the Stock Exchange. Between 1989 and 1999, Mr. WONG worked for PricewaterhouseCoopers, an international public accounting firm and lastly as an audit manager. Mr. WONG is currently an independent non-executive director of Sinomax Group Limited, a company listed on the Stock Exchange.

Mr. WONG obtained a Bachelor degree in Business Administration from the Chinese University of Hong Kong in 1989 and a Master degree in Business Administration from the Australian Graduate School of Management in 2002. Mr. WONG is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

KWAN Kai Cheong, aged 73, is our independent non-executive Director. He joined us in April 2006. Mr. KWAN is currently the chairman of the board of Utopa Limited, a commercial property operating company in Mainland China, and the managing director of Morrison & Company Limited, a business consultancy firm. He is also an independent non-executive director of several listed companies in Hong Kong including Henderson Sunlight Asset Management Limited (as the manager of Sunlight Real Estate Investment Trust), Greenland Hong Kong Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc., HK Electric Investments Limited and HK Electric Investments Manager Limited (as the trustee manager of HK Electric Investments Limited). In addition, he is also a non-executive director of China Properties Group Limited, shares of which are listed on the Stock Exchange.

Mr. KWAN previously worked for Merrill Lynch & Co. Inc. and was the president for its Asia Pacific region. He was an independent non-executive director of Beijing Energy International Holding Co., Ltd. (formerly known as Panda Green Energy Group Limited) until June 2021.

Mr. KWAN completed the Stanford Executive Program in 1992. He also holds a Bachelor of Accountancy (Honours) degree from the University of Singapore. He is a fellow of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors.

MA Ka Chun, aged 71, is our independent non-executive Director. Mr. MA joined us in June 2006. Mr. MA has been in the apparel industry for over 35 years and holds a Bachelor of Social Science degree from the University of Hong Kong.

CHAN Kit Fun Fanny, aged 63, is our independent non-executive Director. She joined us in July 2022. Ms. CHAN is currently a consultant to the chairman of KBL Group International Ltd., which is engaged in the marketing and manufacturing of apparel and home textile products with major market in the United States and production network across China and Asia. She has over 30 years of experience in banking and manufacturing industries covering corporate and commercial banking, client coverage, strategic transformation, operations management, internal control and compliance, sales and marketing, new business set up and production management.

Ms. CHAN previously worked for China CITIC Bank International and Standard Chartered Bank in their respective wholesale banking divisions. She was also a senior executive in the subsidiaries of Boto International Holdings Ltd. (currently known as Imagi International Holdings Limited, a company whose shares are listed on the Stock Exchange) from 1994 to 2003 during which she led its marketing of consumer products to global markets and supervised its manufacturing of certain product lines.

Ms. CHAN holds a Master of Business Administration degree from the City University London and a Bachelor of Arts degree from the University of Hong Kong.

SENIOR MANAGEMENT

LI Chun Ho Fredrick, aged 46, is the managing director of the Shine Gold Group, that is High-end Fashion Retailing Business, and is the son of Mr. LI Kwok Tung Roy. Mr. LI is responsible for overall management, strategic planning and execution of the Shine Gold Group. Mr. LI joined us in 2004 and was the sales and marketing director of Sportswear Manufacturing Business. He then became the senior management of the Shine Gold Group in 2011 and was promoted to the managing director of the Shine Gold Group in 2016. Prior to joining us, Mr. LI worked in the finance industry in Canada. Mr. LI obtained a Bachelor degree in Commerce from the University of Toronto in 2000 and an Executive Master of Business Administration degree from the Chinese University of Hong Kong in 2011.

LAM Choi Ha, aged 44, is our Company Secretary responsible for handling the company secretarial and compliance affairs of the Group, as well as facilitating the Board process. Ms. LAM joined us in November 2005 and was promoted to be the Company Secretary in September 2010. Prior to joining us, Ms. LAM has worked in the accountancy profession with PricewaterhouseCoopers. Ms. LAM obtained a Bachelor degree in Business Administration from the Hong Kong Baptist University in 2001. Ms. LAM is a fellow member of the Hong Kong Institute of Certified Public Accountants.

The Board recognises the importance of incorporating elements of good corporate governance into the management structure and the risk management and internal control procedures of the Group so as to ensure that all business activities of the Group and the decision making process are properly regulated. These include but not limit to integrity, ethical conduct and responsible business practices which are instilled and continually reinforced across the Group. We believe that corporate culture, which is a reflection of our corporate values, of acting lawfully, ethically and responsibly are integral to its operations, long-term growth and sustainability and is essential to its success. It's also the Board's role to foster a sound corporate culture to guide the behaviours of its employees and ensure that the corporate vision, mission and values of the Group are aligned to it. Below shows the corporate vision, mission and values of the Group.

Our Vision	To customise your lifestyle with us
Our Mission	To be your choice for high-quality products with compelling values

Three corporate values have been established to guide our employees towards the corporate vision and mission.

Our Values

Be Excellent	Be Bold	Win Together
Have self-belief and ownership mindset for awesome results and growth	Embrace new ideas and fail forward, creating a culture that drives innovation	1 + 1 = 3 (or more!) One company, one team, one vision

CORPORATE GOVERNANCE PRACTICES

During the year under review, the Company has applied the principles and complied with the applicable code provisions in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board.

The Board is responsible for governing the Group and managing assets entrusted by the Shareholders. Its principal responsibilities include formulating the Group's business strategies and management objectives, monitoring and overseeing the performance of the Group, setting the Group's values and standards and ensuring a prudent and effective framework of risk management and internal control is in place to enable risks to be assessed and managed.

The day-to-day operations of the Group are delegated to the Chief Executive Officer and the management of the Group. The delegated functions and work tasks are periodically reviewed.

Composition

The Board currently comprises four executive Directors and three independent non-executive Directors, whose biographical details and relationships among the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 14.

The composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operation and development of the Group.

All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, contributing to the successful performance of the Group.

Relationship Between the Board Members

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management", none of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship) between each other.

Chairman and Chief Executive Officer

To ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer are clearly segregated.

The Chairman of the Board is Mr. LI Kwok Tung Roy and his principal role is to provide leadership for the Board on corporate and strategic planning, ensure proper proceedings of the Board and encourage all Directors to have active contributions to the Board's affairs.

The Chief Executive Officer is Mr. LEE Kwok Leung. Supported by the other executive Directors and the management, his principal role is to manage and operate the Group's day-to-day business, including the implementation of major strategies and initiatives adopted by the Board.

Responsibilities, Accountability and Contribution of the Board and Management

The management of the Company is led by the executive Directors of the Board and has been delegated powers and authorities to carry out the day-to-day operations of the Group; formulate business policies and make decision on key business issues; and exercise power and authority delegated by the Board from time to time. The management assumes full accountability to the Board for the operations of the Group.

The Board had given clear directions to the management, while certain matters (including the following) must be reserved to the Board for its approval:

(a) Publication of final and interim results of the Company;

(b) Decisions on whether or not to declare, recommend and pay dividend;

(c) Changes to major group structure or board composition;

(d) Notifiable or connected transactions within the meaning of Chapters 14 and 14A to the Listing Rules; and

(e) Matters specifically set out in the Listing Rules which require approval at a full board meeting.

Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") in Appendix 10 to the Listing Rules. Having made enquiry to all Directors, they all have confirmed that they have complied with the required standards as set out in the Model Code during the year under review.

All Directors are also reminded not to deal in the securities of the Company within 30 days and 60 days before the publication of the interim and the annual results announcements, respectively, and they are prohibited to make use of inside information to deal in the securities of the Company.

Continuous Professional Development

Each newly appointed Director has received comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations as a director under the Listing Rules and relevant regulatory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities.

During the year under review, the Company has arranged training sessions to Mr. LI Kwok Tung Roy, Mr. LAI Ching Ping, Mr. LEE Kwok Leung, Mr. WONG Chi Keung, Mr. KWAN Kai Cheong, Mr. MA Ka Chun and Ms. CHAN Kit Fun Fanny which are conducted by external professional bodies to develop and refresh their knowledge and skills through suitable trainings. The participation in such trainings is to ensure that their contribution to the Board remains informed and relevant.

Independent Non-Executive Directors

Independent non-executive Directors serve the function of bringing independent judgment on the development, performance and risk management of the Group. Each of the independent non-executive Directors has been appointed for a term of three years and subject to retirement by rotation at least once every three years.

The Company confirmed that it has received from each of them the confirmations of independence according to Rule 3.13 of the Listing Rules and considered each of them to be independent. In addition, any further re-appointment of an independent non-executive Director who has served the Board for more than nine years will be subject to separate resolution to be approved by Shareholders.

Board Nomination Policy

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election or re-election as directors of the Company at general meetings or appoint as directors to fill casual vacancies or as an addition to the Board.

The following factors would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(a) Reputation for integrity;

(b) Accomplishment and experience in the industry which the Group operates;

(c) Commitment in respect of available time and relevant interest; and

(d) Diversity in all its aspects as set out in the board diversity policy adopted by the Company from time to time, including but not limited to gender, age (18 years or above), cultural and educational background, professional experience and skills.

The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

For filling a casual vacancy and/or as an addition to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

The Nomination Committee will monitor and review the nomination policy, as appropriate, to ensure that the nomination policy remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice.

Board Diversity Policy

The Board adopted the board diversity policy in 2013 which sets out its approach to achieve diversity on the Board. The summary of the board diversity policy is set out as follows:

(a) The Board recognises and embraces the benefits of having a diverse board with a view to enhancing its effectiveness and achieving a high standard of corporate governance. The Board also sees diversity as an essential element in maintaining a competitive advantage and contributing to the attainment of the strategic objectives and sustainable development of the Company;

(b) The Board believes that a diversity of perspectives can be achieved through consideration of a number of factors, including without limitation, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of directors; and

(c) These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately having regard to the Company's own business model and specific needs. The ultimate decision of all Board appointments should be based on meritocracy and the likely contributions that the selected candidates will bring to the Board.

Gender Diversity

The Company targets to avoid a single gender board and will timely review the gender diversity of the Board in accordance with the business development of the Group. The Board has appointed a female director during the year under review. Up to the date of this report, the Board comprises seven Directors, one of which is female.

Our diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group during the year under review. As at 31 December 2022, approximately 22.9% of the Group's workforce (including the Directors and senior management) was male and approximately 77.1% was female.

Inside Information Policy

The Board adopted the inside information policy in 2013 which contains the guidelines to the Directors, officers and certain relevant employees of the Group to ensure that inside information of the Group can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The Company must disclose inside information to the public as soon as reasonably practicable, unless the "safe harbor" provisions under the Securities and Futures Ordinance apply. The Board shall take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication.

Board Committees

Certain committees have been set up under the Board to supervise the management and administrative functions of the Group. They include:

Audit Committee

The Company established the Audit Committee on 18 April 2006 with written terms of reference which were in compliance with the Listing Rules. The primary duties of the Audit Committee include the following:

(a) To recommend the Board on the appointment, re-appointment and removal of external auditor, and to approve their remuneration and terms of engagement;

(b) To monitor the integrity of the Group's financial statements, annual reports and interim reports;

(c) To review the Group's financial controls, risk management and internal control systems;

(d) To discuss the risk management and internal control systems with the management and ensure that the management has performed its duty to have effective systems; and

(e) To review the Group's financial and accounting policies and practices.

In addition, the Audit Committee has been delegated by the Board to be responsible for performing the corporate governance functions that are listed as follows:

(a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) To review and monitor the training and continuous professional development of the Directors and senior management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct applicable to our employees and Directors; and

(e) To review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

The following is a summary of work performed by the Audit Committee in 2022:

(a) Review of and recommendation for the Board's approval of the consolidated financial statements for the year ended 31 December 2021 and unaudited interim consolidated financial information for the six months ended 30 June 2022 with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting;

(b) Discussion with the external auditor and the management on accounting policies and practices;

(c) Review of the external auditor's significant audit matters;

(d) Review of the effectiveness of the Company's internal control system covering financial, operational and compliance controls and risk management functions;

(e) Considered the adequacy of resources, staff qualification and experience, training programmes and budget of our Company's accounting, internal audit and financial reporting function;

(f) Approval of the audit fees and terms of engagement of the external auditor;

(g) Review of independence of the external auditor and recommendation to the Board on the re-appointment of the external auditor; and

(h) Determined the policy for the corporate governance of the Company and performed related duties delegated by the Board.

Members of the Audit Committee comprise Mr. KWAN Kai Cheong *(Chairman)*, Mr. MA Ka Chun and Ms. CHAN Kit Fun Fanny, all being independent non-executive Directors.

Nomination Committee

The Company established the Nomination Committee on 18 April 2006 with written terms of reference which were in compliance with the Listing Rules. The primary duties of the Nomination Committee include the following:

(a) To review the structure, size, composition and diversity (including without limitation, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of Directors) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) Having regard to the board diversity policy and the nomination policy of the Company, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) To assess the independence of independent non-executive Directors;

(d) To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for directors;

(e) To monitor the implementation of the board diversity policy and to review as appropriate, such a policy to ensure its effectiveness; and

(f) To review its own performance, constitution and terms of reference at least once a year to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

The following is a summary of work performed by the Nomination Committee in 2022:

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

(b) Review of the independence of the independent non-executive Directors;

(c) Review of the appointment and re-appointment of Directors;

(d) Review of the board diversity policy and the nomination policy of the Company and their respective effectiveness; and

(e) Review of its own performance, constitution and terms of reference.

Members of the Nomination Committee comprise Mr. MA Ka Chun *(Chairman)*, Mr. LI Kwok Tung Roy and Ms. CHAN Kit Fun Fanny, two of whom are independent non-executive Directors.

Remuneration Committee

The Company established the Remuneration Committee on 18 April 2006 with written terms of reference which were in compliance with the Listing Rules. The primary duties of the Remuneration Committee include making recommendations to the Board on the policy and structure of all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Company's emolument policy is to ensure that the remuneration offered to employees including executive Directors and senior management is based on skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages are also determined by reference to the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions. The emolument policy for independent non-executive Directors, mainly comprising directors' fees, is subject to an annual assessment with reference to the market standard. Individual director and senior management would not be involved in deciding their own remuneration.

During the year under review, the Remuneration Committee has assessed performance of the executive Directors, reviewed their remuneration packages and recommended them to the Board. The remuneration of Directors comprises basic salary, pensions and discretionary bonus. Details of the amount of emoluments of Directors for the year ended 31 December 2022 are set out in Note 31 to the consolidated financial statements.

The remuneration of the members of the senior management by band for the year ended 31 December 2022 is set out below:

	Number of individuals	
	2022	2021
Remuneration band		
HK$1,000,001 – HK$1,500,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	1

Members of the Remuneration Committee comprise Ms. CHAN Kit Fun Fanny *(Chairman)*, Mr. LI Kwok Tung Roy and Mr. KWAN Kai Cheong, two of whom are independent non-executive Directors.

Attendance of Meetings

The Board holds regular Board meetings, Remuneration Committee meeting, Nomination Committee meeting and Audit Committee meetings to discuss the Group's businesses, operations, development and conduct. All important issues are discussed in a timely manner and Directors are provided with complete, adequate and timely information to allow them to fulfil their duties properly. Directors may seek independent professional advice at the Company's expenses with the approval of the Board, if necessary.

The attendance record of each Director, who held office in 2022, at the aforesaid meetings held during the year ended 31 December 2022 is set out below:

	Number of meetings attended/eligible to attend for the year ended 31 December 2022				
Name of Director	**Board Meeting**	**General Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**Audit Committee Meeting**
Executive Directors					
Mr. LI Kwok Tung Roy[1, 3]	4/4	1/1	1/1	1/1	N/A
Mr. LAI Ching Ping	4/4	1/1	N/A	N/A	N/A
Mr. LEE Kwok Leung	4/4	1/1	N/A	N/A	N/A
Mr. WONG Chi Keung	4/4	1/1	N/A	N/A	N/A
Independent Non-Executive Directors					
Mr. KWAN Kai Cheong[1, 6]	4/4	1/1	1/1	N/A	2/2
Mr. MA Ka Chun[4, 5]	4/4	1/1	N/A	1/1	2/2
Ms. CHAN Kit Fun Fanny[2, 3, 5] *(appointed on 25 July 2022)*	2/2	N/A	N/A	N/A	1/1
Dr. CHAN Kwong Fai[2, 3, 5] *(resigned on 20 January 2022)*	N/A	N/A	N/A	N/A	N/A
Mr. CHAN Ka Kui[2, 3, 5] *(ceased on 7 October 2022)*	3/3	1/1	1/1	1/1	2/2

Notes:

1. Members of Remuneration Committee
2. Chairman of Remuneration Committee
3. Members of Nomination Committee
4. Chairman of Nomination Committee
5. Members of Audit Committee
6. Chairman of Audit Committee

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for establishing and maintaining the Group's risk management and internal control procedures and systems and for reviewing the effectiveness of the Group's risk management and internal control systems which include financial, operational and compliance controls.

Risk Management

The Group is committed to the identification, monitoring and management of risks associated with its business activities, as well as those relating to the performance and reporting of environmental, social and governance of the Group. As an ongoing basis, risk management philosophy and practices are adopted in the Group's routine business operations and management process. Business operations from various aspects including associated risks are assessed by the senior management during regular management meetings.

In 2020, the Board engaged an independent international professional firm as our internal audit advisor (the "**Internal Audit Advisor**") to conduct a risk assessment for the Group. In 2022, the Internal Audit Advisor has updated the internal audit plan based on the Group's ongoing assessment of risks. Based on the updated internal audit plan, the Internal Audit Advisor performed an internal control assessment with details described in the sub-section headed "Internal Audit" below.

The major processes used to identify, assess and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identify risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assess risks identified by using the assessment criteria developed by the management; and
- Consider impact on the business and the likelihood of their occurrence.

Risk Response

- Prioritise risks by comparing the results of risk assessment; and
- Determine risk management strategies and internal control processes to avoid, prevent, transfer and mitigate risks.

Risk Monitoring and Reporting

- Perform ongoing and periodic monitoring of risk and ensure that appropriate internal control processes are in place;
- Revise risk management strategies and internal control processes in case of any significant change of environment; and
- Report results of risk monitoring to the management and the Board on a regular basis.

Internal Control

The Group's internal control is designed to provide reasonable and not absolute assurance against material misstatement or loss and to mitigate rather than eliminate risks of failure in operational systems and fulfilment of business objectives. The Group has established internal control to help the business operations to achieve the Group's business objectives, to safeguard the Group's assets, to ensure business operations complying with applicable laws and regulations, and to ensure the maintenance of proper accounting records and the reliability of financial information reported by the business operations.

Internal Audit

In view of the requirements in the Listing Rules in relation to the code provision on internal audit function, the Board, through the Audit Committee, engaged the Internal Audit Advisor to assist the Board in evaluating the various components of the risk management and internal control systems of the Group under the framework of control environment, risk assessment, control activities, information and communication, and monitoring in consistence with the "Committee of Sponsoring Organisations of the Treadway Commission" framework ("**COSO framework**"). The Internal Audit Advisor communicates with the management and reports directly to the Audit Committee. Based on the internal audit plan, the Internal Audit Advisor conducted reviews of the effectiveness of the Group's risk management and internal control systems during the fiscal year 2022. All audit findings were reported and communicated to the Audit Committee, Directors and respective management. Appropriate recommendations for further enhancing the risk management and internal control systems were proposed to the management and had been adopted as the management thought fit.

The Audit Committee, which was delegated by the Board, reviews the effectiveness of the Group's risk management and internal control procedures and systems at least once a year, and has reviewed and evaluated the Group's internal control systems putting in place by the management covering all material controls, including financial, operational and compliance controls, risk management function and internal audit function of the Company and its subsidiaries for the year ended 31 December 2022. During the year under review, the Board has through the Audit Committee conducted a review of the effectiveness of the Group's risk management and internal control systems and is satisfied with the effectiveness and adequacy of the risk management and internal control systems of the Group.

FINANCIAL REPORTING

Responsibilities in respect of the Financial Statements

The Board acknowledges its responsibility for preparing the financial statements of the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants have been adopted. The principal accounting policies, which have been consistently applied to all the years, adopted for the preparation of financial statements of the Group are set out in Note 2 to the consolidated financial statements.

The reporting responsibility of the Company's external auditor on the financial statements of the Group is set out in the independent auditor's report on pages 40 to 45 of this annual report.

Auditor's Remuneration

During the year under review, the services provided by the Company's external auditor, PricewaterhouseCoopers, and the related fees are set out as follows:

Nature of services	HK$'000
Audit related services	4,180
Non-audit related services *(Note)*	669
	4,849

Note: Non-audit related services include certain agreed-upon procedures and taxation related services.

COMPANY SECRETARY

Ms. LAM Choi Ha, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Group's affairs. During the year under review, Ms. LAM confirmed that she has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. Her biographical detail is set out in the section headed "Biographical Details of Directors and Senior Management" on page 14.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Communication with Shareholders

To ensure that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, the Company had established a shareholders' communication policy in March 2012 and reviewed its implementation annually to ensure its effectiveness. The Company communicates with the Shareholders mainly in the following ways:

(a) The holding of annual general meetings and extraordinary general meetings, if any which may be convened for specific purposes, which provide opportunities for the Shareholders to communicate directly to the Board;

(b) The publication of announcements, annual reports, interim reports and circulars on the websites of the Company and the Stock Exchange;

(c) Publication of press releases of the Company providing updated information of the Group;

(d) The availability of latest information of the Group on the Company's website;

(e) The holding of investor/analyst briefings and media conference from time to time; and

(f) Meeting with investors and analysts on a regular basis.

Convening an Extraordinary General Meeting of the Company ("EGM")

Pursuant to article 58 of the articles of association of the Company, 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 at all times have the right, by depositing at the head office of the Company in Hong Kong written requisition to the Board or the Company Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene an EGM, the requisitionist(s) himself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company.

There are no provisions allowing Shareholders to move new resolutions at general meetings under the Cayman Islands laws or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Enquiries from Shareholders

Shareholders are welcomed to send their enquiries and concerns to the Board addressing to the Company Secretary of the Company through the following channels:

(a) By mail to the Company's head office at 6th Floor, Phase 6, Hong Kong Spinners Industrial Building, 481–483 Castle Peak Road, Kowloon, Hong Kong;

(b) By email at ir@win-hanverky.com.hk; or

(c) By fax at (852) 3544-3316.

Proposing a Person for Election as a Director

As regards to the procedures for the Shareholders to propose a person for election as a Director, please refer to the "Investor Relations" section of the Company's website.

Voting by Poll

The articles of association of the Company set out the procedures, requirements and circumstances where voting by poll is required. Pursuant to Rule 13.39 of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

The poll results will be published on the websites of the Company and the Stock Exchange as soon as possible after conclusion of the general meeting, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following the general meeting.

Dividend Policy

The Company strives for generating steady returns to the Shareholders. It is the policy of the Company, in considering the payment of dividends, to allow the Shareholders to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The dividend payout ratio shall be determined by the Board at its absolute discretion after taking into account of, among others, the following factors:

(a) The Group's financial performance;

(b) Retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;

(c) The Group's working capital requirements, capital expenditure requirements and future expansion plans;

(d) The Group's liquidity position; and

(e) Other factors that the Board deems relevant.

The payment of the dividend by the Company is also subject to any restrictions under the applicable laws and regulations, including the Cayman Islands laws and the memorandum and articles of association of the Company.

The Board will continue to review the dividend policy from time to time and reserves the right in its sole and absolute discretion to update, amend and/or modify the dividend policy at any time. There is no assurance that dividends will be paid in any particular amount for any given period.

Changes to Constitutional Documents

During the year ended 31 December 2022, there was no amendment to the Company's constitutional documents, and these documents are published on the websites of the Company and the Stock Exchange.

The Board proposes to amend the memorandum and articles of association of the Company (the "**Memorandum and Articles of Association**") and adopt the amended and restated Memorandum and Articles of Association to, among others, conform to the uniform set of 14 core standards for shareholder protections for issuers.

The proposed amendments to the Memorandum and Articles of Association and adoption of the amended and restated Memorandum and Articles of Association shall be subject to the approval of the Shareholders by way of a special resolution at the forthcoming annual general meeting of the Company to be held on 15 June 2023.

The Directors present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Group is principally engaged in the manufacturing, retailing and sales of internationally renowned sports, fashion and outdoor brands. Sales are primarily under OEM arrangements to customers mainly in Europe, the United States, Mainland China and other countries, and under retail modes in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW

General

A review of the business of the Group in 2022 and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 11 of this annual report.

Principal Risks and Uncertainties

A number of factors affecting the results and business operations of the Group is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 11 of this annual report.

Post Year End Events

No important event has occurred since 31 December 2022, being the end of the financial year under review, which materially affects the Group.

Analysis of Key Financial Performance Indicators

A summary of the key financial performance indicators of the Group for the last five financial years is set out in the section headed "Financial Highlights" on page 3 of this annual report.

Environmental Policies

We are committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. We strive to minimise our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also require our factories under Manufacturing Business to operate in strict compliance with the relevant environmental regulations and rules.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China, Vietnam, Cambodia and Hong Kong while the Company itself is listed on the Stock Exchange in Hong Kong. Our establishment and operations accordingly shall comply with relevant local laws and regulations. During the year ended 31 December 2022 and up to the date of this annual report, we have complied with relevant local laws and regulations applicable to it in all material respects.

Key Relationships

The Group endeavours to maintain sustainable development in the long term, continuously create value for its employees and customers, and foster good relationship with its suppliers.

The Group understands that employees are its valuable assets and the realisation and enhancement of employees' value will facilitate the achievement of the Group's overall goals. A comprehensive range of fringe benefits is offered to attract, retain and motivate employees.

The Group also understands the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group and to ensure that they can share its commitment to product quality. Suppliers are carefully selected and they are required to satisfy certain criteria including track record, experience, reputation, ability to produce high-quality products and quality control effectiveness. To maintain the competitiveness of its products and brands, the Group commits itself to consistently provide quality products to its customers.

During the year under review, the Group considered the relationship with employees was well and the turnover rate is acceptable whereas there was no significant and material dispute with its key suppliers and customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules has been published on the websites of the Company (http://www.winhanverky.com) and the Stock Exchange (http://www.hkexnews.hk) at the same time as the publication of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 17 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 28 and Note 18 to the consolidated financial statements and in the consolidated statement of changes in equity on page 50 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2022, the Company's reserves available for distributions to Shareholders amounted to HK$961.1 million (2021: HK$952.9 million). Details of movements in the reserves of the Company are set out in Note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company and there is no restriction against such rights under the laws of Cayman Islands where the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated income statement on page 48 of this annual report.

The Board does not recommend the payment of dividend for the year ended 31 December 2022.

CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 9 June 2023 to Thursday, 15 June 2023 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting of the Company, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 8 June 2023.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 6 to the consolidated financial statements.

DONATION

During the year under review, the Group made charitable and other donations totaling HK$574,000.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year under review.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 14.

Report of the Directors

DIRECTORS

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

Executive Directors

Mr. LI Kwok Tung Roy
Mr. LAI Ching Ping
Mr. LEE Kwok Leung
Mr. WONG Chi Keung

Independent Non-Executive Directors

Mr. KWAN Kai Cheong
Mr. MA Ka Chun
Ms. CHAN Kit Fun Fanny *(appointed on 25 July 2022)*
Dr. CHAN Kwong Fai *(resigned on 20 January 2022)*
Mr. CHAN Ka Kui *(ceased on 7 October 2022)*

As announced by the Company on 25 July 2022, Ms. CHAN Kit Fun Fanny was appointed as an independent non-executive Director and a member of each of the Audit Committee and Nomination Committee with effect from 25 July 2022. She was subsequently appointed as the chairman of the Remuneration Committee with effect from 7 October 2022. According to Article 86(3) of the articles of association of the Company, Ms. CHAN Kit Fun Fanny, as a newly appointed Director, shall hold office until the forthcoming annual general meeting and be eligible for re-election.

According to Articles 87(1) and 87(2) of the articles of association of the Company, Mr. LAI Ching Ping, Mr. KWAN Kai Cheong and Mr. MA Ka Chun shall retire at the forthcoming annual general meeting by rotation and be eligible to offer themselves for re-election as a Director.

DIRECTORS' INTEREST IN CONTRACTS

Save for the related party transactions disclosed in Note 27 to the consolidated financial statements, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or any of their respective subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year under review.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Apart from the Share Option Scheme and the New Share Option Scheme as set out in the section headed "Share Option Scheme and New Share Option Scheme" below, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISION

According to Article 167 of the articles of association of the Company, the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts, provided that the indemnity shall not extend to any fraud or dishonesty which may attach to them.

The Company has taken out and maintained appropriate insurance cover for its Directors and officers in respect of potential legal actions that may be incurred in the course of performing their duties.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has a service contract with the Company for a term of three years and is subject to termination by either party giving not less than six months' written notice. Under the service contracts, each of the executive Directors is entitled to an annual discretionary management bonus in respect of each complete financial year of the Group as the Board may approve.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company with a fixed term of office for three years which is determinable by either party giving not less than three months' written notice.

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

DIRECTORS' DISCLOSURE OF INTERESTS

As at 31 December 2022, the interests and short positions of the Directors and chief executive(s) of the Company (if any) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the shares/underlying shares of the Company

Name of Directors	Capacity	Number of shares/ underlying shares	Percentage of interest in the Company*
Mr. LI Kwok Tung Roy	Interest in a controlled corporation	743,769,967[1]	57.91%
Mr. LAI Ching Ping	Beneficial owner	4,186,000	0.33%
Mr. LEE Kwok Leung	Beneficial owner	12,000,000[2]	0.93%
Mr. WONG Chi Keung	Beneficial owner	10,102,000[3]	0.79%

* The calculation of percentages is based on 1,284,400,000 Shares in issue as at 31 December 2022.

Notes:

1. Mr. LI Kwok Tung Roy holds 70% of the issued share capital of Quinta Asia Limited ("**Quinta**"). Mr. LI Kwok Tung Roy has a controlling interest in Quinta and is therefore deemed to be interested in Quinta's interest in the Company for the purposes of the SFO.

2. Mr. LEE Kwok Leung is interested as a grantee of options to subscribe for up to 12,000,000 Shares under the Share Option Scheme.

3. Mr. WONG Chi Keung holds 102,000 Shares and is interested as a grantee of options to subscribe for up to 10,000,000 Shares under the Share Option Scheme.

(b) Long positions in the shares of the associated corporation of the Company (as defined in the SFO)

Name of directors	Associated corporation	Capacity	Number of shares	Percentage of interest in associated corporation
Mr. LI Kwok Tung Roy	Quinta	Beneficial owner	7	70%
Mr. LAI Ching Ping	Quinta	Beneficial owner	3	30%

Save as disclosed above, as at 31 December 2022, none of the Directors, chief executive(s) or any of their respective associates had any interest or short position, whether beneficial or non-beneficial, in the shares, the underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO).

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

As at 31 December 2022, as far as the Directors were aware, the following persons (other than the Directors or chief executive(s) of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO.

		Number of shares			
Name	Capacity	Long position	Short position	Lending pool	Percentage of interest in the Company*
Quinta	Beneficial owner	743,769,967	—	—	57.91%

* The calculation of percentages is based on 1,284,400,000 Shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, the Company had not been notified by any person (other than the Directors or chief executive(s) of the Company) who had interests or short position in the shares and underlying shares of the Company which were recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME AND NEW SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders passed on 8 August 2006, the Company has established a share option scheme ("**Share Option Scheme**") whereby the Board may, at their discretion, invite any directors, employees, consultants, professionals, customers, suppliers, agents, partners or advisers of or contractors to the Group (subject to the eligibility requirements as set out therein). The total number of Shares available for issue under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the listing date on 6 September 2006 unless further Shareholders' approval has been obtained. In addition, the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme and any other schemes adopted by the Group shall not exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme or any other schemes adopted by the Group if the grant of such option will result in the limit being exceeded. The total number of Shares issued and to be issued upon the exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 months' period up to the date of grant to a substantial Shareholder or an independent non-executive director or their associates would not exceed 0.1% of the shares in issue or an aggregate value of HK$5,000,000 unless further Shareholders' approval has been obtained; and to each other eligible person would not exceed 1% of the Shares in issue.

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that eligible participants have made or may make to the Group. It also provides the eligible participants with an opportunity to acquire proprietary interests in the Company with a view to (a) motivate the eligible participants to optimise the performance and efficiency for the benefit of the Group; and (b) attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group.

The Share Option Scheme has expired on 5 September 2016. In order to continue to provide the eligible participants, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long-term success of the business of the Group, the Board has sought and obtained approval of the Shareholders for the adoption of a new share option scheme ("**New Share Option Scheme**") at the annual general meeting of the Company on 16 June 2016. The New Share Option Scheme adopted became effective from 20 June 2016 and will remain in force for a period of 10 years.

Under the New Share Option Scheme, the Board may, at their discretion, grant share options to eligible participants including any directors, employees or partners of the Group. The offer shall remain open for acceptance by the eligible participants for a period of not less than three business days from the date of offer and the Board may, at its discretion, specify the minimum period for which an option must be held before it can be exercised at the time of grant. A non-refundable consideration of HK$10 shall be paid by each grantee on acceptance of the options. The exercise price is to be determined by the Board, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The total number of Shares which may be issued under the New Share Option Scheme must not exceed 128,440,000 shares, representing 10% of the issued share capital of the Company as at the date of this annual report. Other major terms of the New Share Option Scheme are substantially similar to those under the Share Option Scheme.

Upon the expiry of the Share Option Scheme, no share options can be further granted thereunder, whereas outstanding share options under the Share Option Scheme remain valid.

The accounting policy adopted for the share options is described in Note 2.17(b) to the consolidated financial statements.

Movements of the options under the Share Option Scheme for the year ended 31 December 2022 are as follows:

				Number of options under the Share Option Scheme			
Grantee	Date of grant	Exercise price per Share HK$	Exercise period	As at 1 January 2022	Exercised during the year	Lapsed/ cancelled during the year	As at 31 December 2022
Mr. LEE Kwok Leung *Executive Director*	16/07/2014	0.946	16/07/2015–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2016–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2017–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2018–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2019–15/07/2024	2,400,000	–	–	2,400,000
				12,000,000	–	–	12,000,000
Mr. WONG Chi Keung *Executive Director*	22/12/2015	1.562	22/12/2016–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2017–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2018–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2019–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2020–21/12/2025	2,000,000	–	–	2,000,000
				10,000,000	–	–	10,000,000
An employee	16/07/2014	0.946	16/07/2016–15/07/2024	1,000,000	–	–	1,000,000
			16/07/2017–15/07/2024	1,000,000	–	–	1,000,000
			16/07/2018–15/07/2024	1,000,000	–	–	1,000,000
			16/07/2019–15/07/2024	1,000,000	–	–	1,000,000
				4,000,000	–	–	4,000,000
An employee	09/01/2014	1.010	09/01/2015–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2016–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2017–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2018–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2019–08/01/2024	1,000,000	–	–	1,000,000
				5,000,000	–	–	5,000,000
Total				31,000,000	–	–	31,000,000

No option has been granted under the New Share Option Scheme by 31 December 2022.

EQUITY-LINKED AGREEMENTS

During the year under review, other than the Share Option Scheme and the New Share Option Scheme as set out in the section headed "Share Option Scheme and New Share Option Scheme" above, the Company has not entered into any equity-linked agreement.

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement schemes which cover the Group's eligible employees in Mainland China, Vietnam and Cambodia and certain Mandatory Provident Fund Schemes for the employees in Hong Kong.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company, which was not a contract of service with any Director or any person engaged in the full time employment of the Company, was entered into or existed during the year under review.

CONNECTED TRANSACTIONS

None of the related party transactions of the Group for the year ended 31 December 2022 as set out in Note 27 to the consolidated financial statements constituted connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A to the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

Sales and purchases of the Group attributable to its major customers and suppliers respectively for the year ended 31 December 2022 were as follows:

	% of Sales	% of Purchases
The largest customer/supplier	55.6	9.5
Five largest customers/suppliers	70.2	30.0

To the best knowledge and belief of the Directors, none of the Directors, their close associates or any Shareholder owning more than 5% of the issued share capital of the Company, has any interest in any of the Group's five largest customers or suppliers as disclosed above.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules as at the latest practicable date prior to the issue of this report.

AUDITOR

The financial statements for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company for the year ending 31 December 2023.

By order of the Board
Win Hanverky Holdings Limited
LI Kwok Tung Roy
Chairman

Hong Kong, 23 March 2023

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF
WIN HANVERKY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Win Hanverky Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 46 to 107, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of assets of the Group
- Impairment of property, plant and equipment and leased assets of underperforming retail stores

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of assets of the Group	
Refer to notes 2.7, 2.8, 4(a), 4(d), 4(e) and 7 to the consolidated financial statements The Group carried HK$218 million intangible assets on the consolidated statement of financial position as at 31 December 2022, of which HK$91 million is attributable to the goodwill arisen from the acquisition of the high-end fashion retailing business under Shine Gold Limited and its subsidiaries ("**Shine Gold Group**"), HK$34 million is attributable to the goodwill arisen from the acquisition of the golf and high-end apparel manufacturing and trading business under Charmtech Industrial Limited and its subsidiary ("**Charmtech Group**") and HK$87 million is attributable to the goodwill and customer relationship arisen from the acquisition of Sport Field Limited and its subsidiaries ("**Sport Field Group**"). Shine Gold Group, and Charmtech Group together with Sport Field Group are considered two separate groups of cash generating units ("**CGUs**"). Goodwill is required to be assessed for impairment at least annually. Management, based on the assessment results, has concluded that there is no impairment in respect of the Group's intangible assets in the current year. For impairment assessment of assets, management has estimated the recoverable amount based on discounted cash flow projections using fair value less costs of disposal ("**FVLCD**") or value in use ("**VIU**") calculations whichever is higher. We focused on this area as the assessments made by management involved significant estimates and judgements, including the revenue growth, gross margins, and terminal growth rates used to estimate future cash flows and discount rates applied to these forecasted future cash flows of the underlying CGUs.	For the assets impairment assessments, we evaluated management's valuation models by assessing the appropriateness of the valuation methodologies and the process by which the models were drawn up. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. We obtained management's future cash flow forecasts, tested the mathematical accuracy of the underlying calculations and compared the underlying inputs to the latest approved one-year financial budget and future business plans. We also compared the current year actual results to those budgeted figures adopted in the cash flow forecasts used in the prior year impairment assessment to assess the quality of management's forecasts. We assessed management's key assumptions used in the business plans, in particular the forecasted revenue growth and budgeted gross margins, by comparing against the historical performance of the CGUs and industry data such as actual gross margins of other market players. We also assessed the reasonableness of other key assumptions used in the calculations. Our audit procedures included an assessment of: — the terminal growth rates used by management and comparing them to the long-term economic growth forecasts of the garment manufacturing and retail industries; and — the risk adjusted discount rates used by management by involving our internal valuation expert and comparing these discount rates used to entities with similar risk profile and market information. In addition, we also reviewed the sensitivity analyses performed by management around the key assumptions to ascertain that the selected adverse changes of key assumptions would not cause the carrying amount of the intangible assets of Shine Gold Group, and Charmtech Group together with Sport Field Group to exceed the recoverable amounts. Based on the collective audit evidence obtained, we consider that management's judgements and assumptions used in the intangible assets impairment assessments were supportable.

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment of property, plant and equipment and leased assets of underperforming retail stores

Refer to notes 2.8, 4(a) and 21 to the consolidated financial statements

As at 31 December 2022, management assessed the Group's retail store assets mainly comprising right-of-use assets, leasehold improvements and furniture and equipment for indication of impairment. The economic and sector trends facing the Group may adversely impact the recoverable values of the assets used within the retail stores which is considered to be a triggering event for impairment review.

Management considered each retail store to be a cash generating unit and performed a review of the trading results of its retail stores for the year to assess whether the related property, plant and equipment and leased assets of the retail store were subject to an impairment loss.

As a result of management's assessment, which is based on cash flow forecast of each retail store with indications of impairment, considering on top of the impairment made in the prior years, the Group recognised no impairment loss of property, plant and equipment and leased assets in relation to its underperforming retail stores operating in Hong Kong and Mainland China in the consolidated income statement for the year ended 31 December 2022.

We focused on this area because there were significant estimates and judgements made by management in the assessment in determining the impairment loss of the related property, plant and equipment and leased assets of each retail store. The key assumptions adopted in the assessments included the forecasted sales performance and running costs of each retail store as well as the discount rates applied to the forecasted future cash flows of these retail stores.

We obtained an understanding of management's process and control on assessing the impairment of property, plant and equipment and leased assets of underperforming retail stores. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud.

We obtained management's assessment of the underperforming retail stores. We checked whether all underperforming retail stores of the Group in Hong Kong and Mainland China were considered in the process. We also discussed with management the possibility that the performing retail stores may be subject to impairment loss and corroborated management's representation by comparing to the historical performance of these retails stores and understanding of their business plan obtained during the course of audit.

We further gained an understanding of the calculations based on the cash flow forecast of each underperforming store used by management in determining the impairment loss of the property, plant and equipment and leased assets.

In assessing the impairment, we focused on assessing the key assumptions adopted in the assessments of individual retail store where we:

— compared the forecasted sales performance to the approved budget and business plan, and compared estimated running costs to the existing retail store's performance;

— discussed with management the business plan and evaluated the reasonableness of those plans with the historical performance of these retail stores and latest market trend;

— checked key inputs to the calculations such as depreciation of property, plant and equipment and right-of-use assets to the relevant supporting documents;

— assessed the reasonableness of the discount rates adopted by management and compared the discount rates used to entities with similar risk profile; and

— checked accuracy of the mathematical calculations of the impairment loss of the retail stores.

Based on the collective audit evidence obtained, we consider that management's judgements and assumptions used in the assessment to determine the impairment loss of the property, plant and equipment and leased assets of the underperforming retail stores were supportable.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

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 Cheng Woon Yin Michael.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2023

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	6	**862,886**	1,056,014
Intangible assets	7	**218,486**	221,314
Investments in associates	8	**16,028**	15,274
Other receivables and financial assets	11	**38,038**	49,296
Deferred tax assets	16	**136,187**	115,075
Pledged bank deposit	12	**1,211**	—
		1,272,836	1,456,973
Current assets			
Inventories	9	**1,137,376**	1,344,515
Trade and bills receivable	10	**449,481**	547,797
Other receivables and financial assets	11	**233,803**	175,773
Current tax recoverables		**1,199**	3,156
Pledged bank deposit	12	**—**	1,224
Cash and bank balances	12	**370,489**	415,819
		2,192,348	2,488,284
Current liabilities			
Trade and bills payable	13	**158,397**	332,282
Accruals and other payables	14	**304,673**	319,314
Borrowings	15	**789,236**	942,216
Lease liabilities	6(b)	**116,892**	112,830
Current tax liabilities		**69,676**	74,366
		1,438,874	1,781,008
Non-current liabilities			
Other payables	14	**8,704**	16,433
Lease liabilities	6(b)	**150,287**	197,712
Deferred tax liabilities	16	**7,554**	7,453
		166,545	221,598
Net assets		**1,859,765**	1,942,651

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Equity attributable to equity holders of the Company			
Share capital	17	**128,440**	128,440
Reserves	18	**1,737,697**	1,830,655
		1,866,137	1,959,095
Non-controlling interests		**(6,372)**	(16,444)
Total equity		**1,859,765**	1,942,651

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 46 to 107 were approved by the Company's Board of Directors on 23 March 2023 and were signed on its behalf.

LI Kwok Tung Roy
Director

LAI Ching Ping
Director

Consolidated Income Statement

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	5	**4,449,790**	4,136,603
Cost of sales		**(3,460,714)**	(3,137,612)
Gross profit		**989,076**	998,991
Selling and distribution costs		**(559,226)**	(615,055)
General and administrative expenses		**(459,155)**	(439,398)
Other net income	19	**84,023**	4,585
Operating profit/(loss)		**54,718**	(50,877)
Finance costs — net	20	**(42,352)**	(32,074)
Share of profits of associates	8	**1,255**	312
Profit/(loss) before income tax	21	**13,621**	(82,639)
Income tax credit	23	**10,010**	13,005
Profit/(loss) for the year		**23,631**	(69,634)
Profit/(loss) for the year attributable to:			
Equity holders of the Company		**10,070**	(66,416)
Non-controlling interests		**13,561**	(3,218)
		23,631	(69,634)
Earnings/(loss) per share attributable to equity holders of the Company (basic and diluted, expressed in HK cents)	24	**0.8**	(5.2)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Profit/(loss) for the year	**23,631**	(69,634)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**(106,770)**	43,841
Share of other comprehensive income of associates	**(501)**	98
Total comprehensive income for the year	**(83,640)**	(25,695)
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**(92,958)**	(23,805)
Non-controlling interests	**9,318**	(1,890)
	(83,640)	(25,695)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity holders of the Company				
	Share capital *(Note 17)* HK$'000	**Reserves** *(Note 18)* HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2021	128,440	1,844,369	1,972,809	(4,463)	1,968,346
Loss for the year	—	(66,416)	(66,416)	(3,218)	(69,634)
Other comprehensive income	—	42,611	42,611	1,328	43,939
Total comprehensive income for the year	—	(23,805)	(23,805)	(1,890)	(25,695)
Change in ownership interests in subsidiaries without change of control	—	10,091	10,091	(10,091)	—
At 31 December 2021 and 1 January 2022	**128,440**	**1,830,655**	**1,959,095**	**(16,444)**	**1,942,651**
Profit for the year	**—**	**10,070**	**10,070**	**13,561**	**23,631**
Other comprehensive income	**—**	**(103,028)**	**(103,028)**	**(4,243)**	**(107,271)**
Total comprehensive income for the year	**—**	**(92,958)**	**(92,958)**	**9,318**	**(83,640)**
Contribution of equity from non-controlling interest upon incorporation of a subsidiary	**—**	**—**	**—**	**754**	**754**
At 31 December 2022	**128,440**	**1,737,697**	**1,866,137**	**(6,372)**	**1,859,765**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows generated from/(used in) operating activities			
Cash generated from/(used in) operations	26(a)	**283,461**	(41,771)
Interest paid		**(27,618)**	(16,533)
Income taxes paid		**(13,925)**	(16,675)
Net cash generated from/(used in) operating activities		**241,918**	(74,979)
Investing activities			
Interest received		**1,778**	1,341
Payment for property, plant and equipment		**(56,868)**	(78,068)
Proceeds from disposal of a land lease right		**43,129**	—
Proceeds from disposal of other property, plant and equipment, and lease modifications		**42**	436
Proceeds from disposal of a subsidiary		**39,800**	—
Increase in pledged bank deposit		**(97)**	—
Repayment of receivables from a landlord		**—**	5,460
Net cash generated from/(used in) investing activities		**27,784**	(70,831)
Financing activities			
Proceeds from bank borrowings	26(b)	**1,401,406**	1,323,512
Repayments of bank borrowings	26(b)	**(1,552,285)**	(1,271,240)
Principal elements of lease payments	26(b)	**(139,241)**	(168,906)
Interest elements of lease payments	26(b)	**(16,443)**	(16,764)
Increase/(decrease) in loans from non-controlling interests of subsidiaries	26(b)	**592**	(3,109)
Contribution of equity from non-controlling interest upon incorporation of a subsidiary		**754**	—
Payment for equity interest acquired from non-controlling interests of subsidiaries		**—**	(2,812)
Net cash used in financing activities		**(305,217)**	(139,319)
Net decrease in cash and cash equivalents		**(35,515)**	(285,129)
Cash and cash equivalents at beginning of the year		**415,819**	695,088
Exchange differences on cash and cash equivalents		**(9,815)**	5,860
Cash and cash equivalents at end of the year	12	**370,489**	415,819

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

Win Hanverky Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are engaged in the manufacturing and selling of garment products, including sportswear, high-end functional outerwear, high-end fashion apparel, and related accessories. Sales are primarily under original equipment manufacturing ("**OEM**") arrangements to customers mainly in Europe, the United States, Mainland China and other countries, and under retail modes in Mainland China, Hong Kong, Macau, Taiwan and Singapore. Its production bases are primarily located in Mainland China, Vietnam and Cambodia. Details of the principal subsidiaries of the Group are set out in Note 32 to these consolidated financial statements.

The Company is an exempted Company with limited liability under the Companies Law, Cap.22, (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

These consolidated financial statements have been prepared under historical cost convention except the financial assets at fair value through other comprehensive income are stated at their fair value (Note 2.9).

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

The HKICPA has issued a number of new amendments that became applicable for the current reporting period. None of the developments have had a material effect on the Group's result and financial position for the current and prior periods. The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current reporting period. The Group is in the process of making an assessment of what the impact of those developments is expected to be in the period of initial adoption. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation and equity accounting

(a) *Subsidiaries*

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

Intra-group transactions, balances and unrealised gain on transactions between group companies are eliminated. Unrealised gains/losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with the policy described in Note 2.8.

(c) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises: the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, the equity interests issued by the Group, the fair value of any asset or liability resulting from a contingent consideration arrangement, and the fair value of any pre-existing interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation and equity accounting (Continued)

(c) Business combinations (Continued)

Any consideration to be transferred by the Group classified as financial liabilities is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the consideration that is classified as financial liabilities are recognised in the income statement. Consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

(d) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(e) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment, leased assets and lease liabilities

(a) Property, plant and equipment

Land and buildings comprise mainly manufacturing factories and offices. Property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and accumulated impairment losses (Note 2.6(c) and Note 2.8). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress represents buildings and leasehold improvements in which construction work has not been completed and plant, machinery and equipment pending for installation. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses (Note 2.8). No depreciation is provided for construction in progress until it is completed and available for use.

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other net income' in the income statement.

(b) Leased assets and lease liabilities

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified assets and to obtain substantially all of the economic benefits from that use.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment, leased assets and lease liabilities (Continued)

(b) Leased assets and lease liabilities (Continued)

Where the lease is recognised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease liabilities include the present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivables. After initial recognition, each lease payment was allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to income statement in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is recognised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset of to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (Note 2.6(c) and Note 2.8).

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension of termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income statement if the carrying amount of the right-of-use asset has been reduced to zero.

(c) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment and right-of-use assets, less their estimated residual value, if any, using the straight-line method as follows:

— Freehold land and construction in progress	Not depreciated
— Buildings	10 to 50 years
— Leasehold improvements	Shorter of the unexpired lease term and the estimated useful lives
— Plant and machinery	4 to 10 years
— Furniture and equipment	3 to 10 years
— Motor vehicles and yacht	5 to 10 years
— Right-of-use assets	Shorter of the unexpired lease term and the estimated useful lives

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the consideration transferred over the Group's interest in, net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is not amortised but it is tested annually or more frequently if events or changes in circumstances indicate a potential impairment.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(b) Trademarks and customer relationship

Separately acquired trademarks and customer relationship are shown at historical cost. Trademarks and customer relationship acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and customer relationship have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and customer relationship over their estimated useful lives of 10 to 20 years.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, and are tested at least annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use ("**VIU**"). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets

(a) *Classification*

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

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debts instruments only when its business model for managing these assets changes.

(b) *Recognition and derecognition*

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

(c) *Measurement*

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement and presented in other net income, together with foreign exchange gains and losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

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

Changes in the fair value of financial assets at fair value through profit or loss are recognised as other net income in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

For loans and receivables which are financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(e) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Costs of purchased inventories are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash at bank and on hand and short-term bank deposits.

2.13 Share capital

Ordinary shares are classified as equity.

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

2.14 Trade and other payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down, and the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred tax

Tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current tax

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

(b) Deferred tax

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

Deferred tax assets are recognised only if it is probable that future taxable profit will be available to utilise those temporary differences and losses.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits

(a) Post-employment obligation

Group companies operate several defined contribution retirement schemes.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(c) Bonus plans

The Group recognises a liability and an expense for bonuses. It recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earliest of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of Hong Kong Accounting Standard ("**HKAS**") 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Provisions, contingent liabilities and financial guarantee

(a) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

(b) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(c) Financial guarantee

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. The Company has given certain financial guarantees to banks, financial institutions and other bodies on behalf of its subsidiaries to secure loans, overdrafts and other banking facilities. The Company does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee were to result in a present legal or constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods — wholesale

Sales are recognised when control of the products has transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been transported to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sale of goods — retail

Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery in store.

(c) Service income

Revenue is recognised over time based on work performed by which performance obligation is satisfied through the transfer of service to customer.

(d) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(e) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Government grants

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

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.21 Dividend distributions

Dividend distributions to the Company's equity holders are recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk.

The Group's risk management programme focuses on the unpredictability of financial markets and, where considered necessary, seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge its risk exposures to changes in foreign currency exchange rates and interest rates.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chinese Renminbi ("**RMB**") and United States Dollar ("**USD**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

As at 31 December 2022, if RMB had strengthened/weakened by 10% (2021: 5%) against the HK$ with all other variables held constant, profit for the year (2021: loss) would have been approximately HK$8,902,000 higher/lower (2021: HK$6,527,000 lower/higher) mainly as a result of foreign exchange gains/losses on translation of RMB denominated inter-company balances, trade and other payables, cash and bank balances, and trade and other receivables.

The foreign currency exchange exposure on assets and liabilities denominated in USD is considered to be minimal as HK$ is currently pegged to USD.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from pledged bank deposits and cash and bank balances, deposits and other receivables, as well as credit exposures to customers, including trade and bills receivable.

Trade and bills receivable

Debtors of the Group may be affected by the unfavourable economic conditions and the lower liquidity situation which could in turn impact their ability to repay the amounts owed to the Group. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected updated estimates of expected future cash flows in their impairment assessments.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. It performs periodic credit evaluations/reviews of its customers.

Majority of trade receivables are with customers having good credit history. The Group usually grants its customers credit terms within 90 days. Most of the Group's sales are on open account, while sales made to a small number of customers are covered by letters of credit issued by banks or settled by documents against payment issued by banks.

As at 31 December 2022, the Group's trade and bills receivable due from one single group of customer (2021: one single group of customer) represented approximately 45% (2021: 47%) of its total trade and bills receivable from third parties.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivable. To measure the expected credit losses, trade and bills receivable have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2022 and 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

In the course of evaluating relevant forward-looking information, the Group has identified the changes of the credit ratings of the key industry participants or gross domestic product of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Impairment losses on trade and bills receivable are presented as net impairment losses in general and administrative expenses. Subsequent recoveries of amounts previously written off are credited against the same line item. No loss allowance was recognised for the year ended 31 December 2022 (2021: write-back of loss allowance of HK$2,109,000).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Trade and bills receivable (Continued)

Trade and bills receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period greater than a year past due.

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables. Management performs regular assessment on credit risk associated with these amounts based on the repayment history and financial position of the counterparties and other forward-looking factors. Management does not expect any losses from non-performance by the counterparties as they have no default history in the past and these counterparties had strong capacity to meet its contractual cash flow obligations in the near term. Management applies the HKFRS 9 simplified approach to measure expected credit losses. No impairment losses were provided for the years ended 31 December 2022 and 2021.

Cash and cash equivalents

The Group has policies to place deposits and cash and cash equivalents only with major financial institutions. Management does not expect any losses from non-performance by these financial institutions as they have no default history in the past.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of banking facilities. Certain of the Group's banking facilities are subject to fulfilment of financial covenants as required by the banks. The Group regularly monitors its compliance with these covenants and re-negotiates to relax the undertakings or apply waivers against these undertakings from respective banks when necessary. The Group expects that there will be steady cash inflow from operations, coupled with sufficient cash and bank balances and based on its financial records and long banking relationships to continue its available banking facilities. Amid of COVID-19 continues to impact the Group's operations, management's assessment indicates that the Group has adequate liquidity and financial resources to cover its operating costs and meet its financial obligations as and when they fall due in the coming twelve months from the date of these consolidated financial statements.

Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

(i) The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
Floating rates	432,232	457,160

The banking facilities are subject to regular review at various dates in 2023.

(ii) *Maturities of financial liabilities*

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

	2022					
	Within 1 year or on demand HK$'000	After 1 year but within 2 years HK$'000	After 2 years but within 5 years HK$'000	After 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Borrowings and interest	789,236	–	–	–	789,236	789,236
Trade and bills payable	158,397	–	–	–	158,397	158,397
Accruals and other payables	265,959	–	–	–	265,959	265,959
Lease liabilities	133,724	70,295	73,239	36,591	313,849	267,179
	1,347,316	70,295	73,239	36,591	1,527,441	1,480,771

	2021					
	Within 1 year or on demand HK$'000	After 1 year but within 2 years HK$'000	After 2 years but within 5 years HK$'000	After 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Borrowings and interest	942,216	–	–	–	942,216	942,216
Trade and bills payable	332,282	–	–	–	332,282	332,282
Accruals and other payables	281,645	–	–	–	281,645	281,645
Lease liabilities	133,584	81,371	89,428	55,243	359,626	310,542
	1,689,727	81,371	89,428	55,243	1,915,769	1,866,685

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

(ii) Maturities of financial liabilities (Continued)

The table below is a maturity analysis of term loans with repayable on demand clauses based on agreed repayment schedules set out in the loan agreements. The amounts include interest payments computed using contractual rates.

	2022 HK$'000	2021 HK$'000
Within 1 year	63,334	63,334
After 1 year but within 2 years	15,833	63,334
After 2 years but within 5 years	–	15,833
	79,167	142,501

(d) Cash flow and fair value interest-rate risk

As at 31 December 2022, the Group held interest-bearing assets including the pledged bank deposits, short-term bank deposits and amounts due from related parties. The interest-bearing assets are at floating rates.

Except for the bank borrowings as at 31 December 2022, the Group has no other significant interest-bearing liabilities.

At the respective end of the reporting periods, if interest rates had increased/decreased by one percentage point (2021: one percentage point) and all other variables were held constant, the Group's profit before tax (2021: loss) would decrease/increase by approximately HK$6,670,000 for the year ended 31 December 2022 (2021: increase/decrease by HK$7,128,000). The fluctuation is attributable to interest income from pledged bank deposits, short-term bank deposits, amounts due from related parties and interest expense on bank borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

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

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as total borrowings (including bank borrowings and loans from non-controlling interests of subsidiaries) less cash and bank balances, divided by total equity.

The net gearing ratios at 31 December 2022 and 2021 were as follows:

	Note	**2022 HK$'000**	2021 HK$'000
Bank borrowings	15	**789,236**	942,216
Loans from non-controlling interests of subsidiaries	27(d)	**4,904**	4,312
Less: Cash and bank balances	12	**(370,489)**	(415,819)
		423,651	530,709
Total equity		**1,859,765**	1,942,651
Net gearing ratio		**22.8%**	27.3%

The decrease in net gearing ratio above resulted primarily from decrease in bank borrowings.

3.3 Fair value estimation

The carrying values of pledged bank deposits and cash and bank balances approximate their fair values.

The carrying values less impairment provision of trade and bills receivable, trade and bills payable, financial assets and liabilities measured at amortised cost and financial assets at fair value through other comprehensive income are a reasonable approximation of their fair values.

The carrying values of borrowings approximate their fair values since the interest payable on these borrowings is either close to current market rates or the borrowings are of a short-term nature.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment of property, plant and equipment and leased assets

Property, plant and equipment and leased assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on VIU calculations or market valuations. These calculations require the use of judgements and estimates.

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

Given the persistently competitive retail market which might adversely impact the recoverable values of the assets used within the retail stores, an asset impairment assessment was carried out against the underperforming retail stores and an impairment of property, plant and equipment and leased assets of HK$6,332,000 was recognised for the year ended 31 December 2021. Each retail store was considered as a separate CGU and the respective recoverable amounts were assessed based on VIU calculations. Key assumptions used in the calculations included the forecasted sales performance and operating costs of each retail store as well as the discount rate applied to the forecasted future cash flows of these retail stores. No further impairment was recognised during the year ended 31 December 2022.

(b) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Most extension options of the leases have not been included in the lease liabilities because the extension options are subject to negotiation and agreement of both of the Group and the respective lessors.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Useful lives and residual values of property, plant and equipment, leased assets and intangible assets

The Group's management determines the estimated useful lives and residual values (if applicable) and consequently related depreciation/amortisation charges for its property, plant and equipment, leased assets and intangible assets. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment, leased assets and intangible assets of similar nature and functions, or based on the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated, and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation/amortisation expense in future periods.

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8. Goodwill is allocated to the high-end apparel manufacturing and trading business CGU resulted from the acquisition of Charmtech Industrial Limited and its subsidiary ("**Charmtech Group**") amounting to HK$33,750,000 and Sport Field Limited and its subsidiaries ("**Sport Field Group**") amounting to HK$75,709,000, which was included in the manufacturing segment; and the high-end fashion retailing business CGU resulted from the acquisition of Shine Gold Limited and its subsidiaries ("**Shine Gold Group**") amounting to HK$90,635,000, which was included in high-end fashion retailing segment.

The recoverable amounts of groups of CGUs have been determined based on VIU or fair value less costs of disposal calculations. These calculations require significant judgment and estimates. No impairment was recognised against these goodwill during the year ended 31 December 2022.

For goodwill resulted from the acquisition of Charmtech Group and Sport Field Group, if the budgeted revenue in the forecast period has been 5% lower or the discount rate used in the VIU calculation has been 1% higher than management's estimates as at 31 December 2022, still no impairment against goodwill would be recognised by the Group.

For goodwill resulted from the acquisition of Shine Gold Group, if the budgeted revenue in the forecast period has been 2% lower or the discount rate used in the fair value less costs of disposal calculation has been 1% higher than management's estimates as at 31 December 2022, still no impairment against goodwill would be recognised by the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Impairment of trademarks and customer relationship

The Group tests whether trademarks and customer relationship have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy stated in Note 2.8. The Group's customer relationship arose from the acquisition of Sport Field Group. Its recoverable amount was assessed in the impairment assessment together with the goodwill of Sport Field Group (Note 4(d)).

(f) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at the end of each reporting period.

(g) Trade and bills receivable and other financial assets measured at amortised cost

The Group's management determines the provision for impairment of trade and bills receivable based on the expected credit loss of the receivables. This assessment is based on the historical repayment pattern of customers of similar nature and other forward-looking factors such as current market conditions where applicable, and requires the use of judgements and estimates. Management reassesses the impairment at the end of each reporting period.

(h) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise the temporary differences or tax losses. Management reassesses its expectation at the end of each reporting period based on the latest business plan and forecasts.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified collectively as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources and report segment performance based on internal reporting.

The executive directors review the performance of the Group mainly from a business operation perspective. The major business segments of the Group for the year ended 31 December 2022 are Manufacturing and High-end Fashion Retailing.

- The Manufacturing segment represents manufacturing and sales of (i) sportswear and (ii) high-end functional outerwear of which both primarily under OEM arrangements to customers mainly in Europe, the United States, Mainland China and other countries.

- The High-end Fashion Retailing segment represents retailing of high-end fashion products in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

The executive directors assess the performance of the business segments based on a measure of operating results of each segment, which excludes net finance costs in the result for each operating segment. Other information provided to the executive directors is measured in a manner consistent with that in the consolidated financial statements.

Disaggregation of revenue from contracts with customer by products or service lines is as follows:

	2022 **HK$'000**	2021 HK$'000
Sales of goods	**4,439,600**	4,127,888
Provision of services	**10,190**	8,715
	4,449,790	4,136,603

For the year ended 31 December 2022, revenue of approximately HK$2,473,096,000 (2021: HK$2,120,556,000), representing 55.6% (2021: 51.3%) of the Group's total revenue, was derived from a single group of external customers and was attributable to the Manufacturing segment.

5 SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2022 are as follows:

	Manufacturing			
	Sportswear Manufacturing HK$'000	High-end Functional Outerwear Manufacturing HK$'000	High-end Fashion Retailing HK$'000	Total HK$'000
Total segment revenue	2,898,759	661,322	891,842	4,451,923
Inter-segment revenue	(2,076)	(57)	–	(2,133)
Revenue	2,896,683	661,265	891,842	4,449,790
Operating profit/(loss) and segment results	123,674	40,838	(109,794)	54,718
Finance costs — net				(42,352)
Share of profits of associates	1,255	–	–	1,255
Profit before income tax				13,621
Income tax credit				10,010
Profit for the year				23,631

Other segment items included in the consolidated income statement for the year ended 31 December 2022 are as follows:

Depreciation and amortisation of property, plant and equipment, and leased assets	104,884	12,147	148,684	265,715
Amortisation of intangible assets	–	2,130	698	2,828
Gain on disposal of a subsidiary, net	(14,560)	–	–	(14,560)
(Gain)/loss on disposal of property, plant and equipment, and lease modifications, net				
— a land lease right	(54,763)	–	–	(54,763)
— other property, plant and equipment, and lease modifications	153	187	3,810	4,150
Provision/(write-back of provision) for inventories, net	32,014	5,393	(9,849)	27,558

Inter-segment transactions are conducted at terms mutually agreed among group companies.

5 SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2021 are as follows:

	Manufacturing			
	Sportswear Manufacturing HK$'000	High-end Functional Outerwear Manufacturing HK$'000	High-end Fashion Retailing HK$'000	Total HK$'000
Total segment revenue	2,414,285	515,038	1,208,358	4,137,681
Inter-segment revenue	(1,078)	—	—	(1,078)
Revenue	2,413,207	515,038	1,208,358	4,136,603
Operating (loss)/profit and segment results	(60,003)	(4,287)	13,413	(50,877)
Finance costs — net				(32,074)
Share of profits of associates	312	—	—	312
Loss before income tax				(82,639)
Income tax credit				13,005
Loss for the year				(69,634)

Other segment items included in the consolidated income statement for the year ended 31 December 2021 are as follows:

	Sportswear Manufacturing HK$'000	High-end Functional Outerwear Manufacturing HK$'000	High-end Fashion Retailing HK$'000	Total HK$'000
Depreciation and amortisation of property, plant and equipment, and leased assets	102,045	13,069	160,827	275,941
Amortisation of intangible assets	—	2,130	698	2,828
Impairment of property, plant and equipment, and leased assets, net	—	—	6,332	6,332
Write-back of loss allowance of trade receivables, net	—	(2,109)	—	(2,109)
(Gain)/loss on disposal of property, plant and equipment, and lease modifications, net	(1,201)	174	405	(622)
Provision/(write-back of provision) for inventories, net	39,190	6,053	(33,163)	12,080

Inter-segment transactions are conducted at terms mutually agreed among group companies.

5 SEGMENT INFORMATION (Continued)

The segment assets and liabilities are as follows:

	Manufacturing				
	Sportswear Manufacturing HK$'000	High-end Functional Outerwear Manufacturing HK$'000	High-end Fashion Retailing HK$'000	Unallocated HK$'000	Total HK$'000
Total assets					
31 December 2022	1,825,756	472,540	1,029,502	137,386	3,465,184
31 December 2021	2,069,552	488,475	1,268,999	118,231	3,945,257
Total liabilities					
31 December 2022	841,672	204,894	481,623	77,230	1,605,419
31 December 2021	1,032,808	279,605	608,374	81,819	2,002,606

Segment assets/liabilities exclude current tax recoverables/liabilities and deferred tax assets/liabilities which are managed on a group basis.

The Group's revenue by geographical location is determined by the final destination of delivery of the products. The Group's revenue from external customers by geographical location is as follows:

	2022 HK$'000	2021 HK$'000
Mainland China	1,373,848	1,790,829
Europe	1,343,460	904,868
Other Asian countries	708,349	506,289
United States	628,318	614,612
Hong Kong	123,291	165,218
Canada	81,376	38,429
Others	191,148	116,358
	4,449,790	4,136,603

The total of non-current assets other than deferred tax assets by geographical location is as follows:

	2022 HK$'000	2021 HK$'000
Mainland China	372,135	476,985
Hong Kong	366,038	401,366
Vietnam	226,920	268,239
Cambodia	154,574	177,150
Others	16,982	18,158
	1,136,649	1,341,898

6 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of net book amount

	Freehold land HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles and yacht HK$'000	Total HK$'000
Year ended 31 December 2021								
Opening net book amount	44,906	497,398	238,999	5,961	129,538	101,261	11,959	1,030,022
Additions	–	228,828	48,316	1,815	11,227	19,371	1,799	311,356
Transfers	–	–	1,667	(1,667)	–	–	–	–
Disposals	–	–	(835)	–	(245)	(20)	(38)	(1,138)
Impairment	–	(5,633)	(699)	–	–	–	–	(6,332)
Lease modifications	–	(16,627)	–	–	–	–	–	(16,627)
Depreciation and amortisation	–	(140,398)	(83,139)	–	(31,327)	(17,721)	(3,356)	(275,941)
Currency translation differences	–	7,488	4,188	106	2,025	726	141	14,674
Closing net book amount	44,906	571,056	208,497	6,215	111,218	103,617	10,505	1,056,014
At 31 December 2021								
Cost	44,906	1,115,150	672,848	6,215	594,047	296,872	56,975	2,787,013
Accumulated depreciation, amortisation and impairment	–	(544,094)	(464,351)	–	(482,829)	(193,255)	(46,470)	(1,730,999)
Net book amount	44,906	571,056	208,497	6,215	111,218	103,617	10,505	1,056,014
Year ended 31 December 2022								
Opening net book amount	44,906	571,056	208,497	6,215	111,218	103,617	10,505	1,056,014
Additions	–	91,092	25,702	4,022	8,656	19,038	–	148,510
Transfers	–	2,944	400	(3,344)	–	–	–	–
Disposals	–	(32,408)	(4,067)	–	(94)	(32)	–	(36,601)
Lease modifications	–	22,875	–	–	–	–	–	22,875
Disposal of a subsidiary	–	(25,217)	–	–	–	–	–	(25,217)
Depreciation and amortisation	–	(154,296)	(65,547)	–	(27,700)	(15,175)	(2,997)	(265,715)
Currency translation differences	–	(19,083)	(10,452)	(318)	(4,915)	(1,915)	(297)	(36,980)
Closing net book amount	44,906	456,963	154,533	6,575	87,165	105,533	7,211	862,886
At 31 December 2022								
Cost	44,906	886,819	501,514	6,575	577,606	306,003	54,432	2,377,855
Accumulated depreciation, amortisation and impairment	–	(429,856)	(346,981)	–	(490,441)	(200,470)	(47,221)	(1,514,969)
Net book amount	44,906	456,963	154,533	6,575	87,165	105,533	7,211	862,886

Notes:

(i) Freehold land are located in the Hashemite Kingdom of Jordan and Cambodia.

(ii) No impairment loss was recognised during the year ended 31 December 2022 (2021: HK$6,332,000 had been included in "selling and distribution costs" of the consolidated income statement).

(iii) As at 31 December 2022, land and properties with carrying value of HK$74,499,000 (2021: HK$55,081,000) were pledged to banks for certain banking facilities of the Group (Note 15).

(iv) As at 31 December 2022 and 2021, the Group leased various land, retail stores, offices, warehouses, plant and equipment, and recognised as right-of-use assets (Note (b)).

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets

(i) The Group leases various land, retail stores, offices, warehouses, plant and equipment. As at 31 December 2022 and 2021, the net book amounts of right-of-use assets by class and related lease liabilities are as follows:

	2022 HK$'000	2021 HK$'000
Right-of-use assets		
Land and buildings	335,334	433,204
Furniture and equipment	185	356
	335,519	433,560
Lease liabilities		
Current	116,892	112,830
Non-current	150,287	197,712
	267,179	310,542

(ii) Expense and other items in relation to leases:

	2022 HK$'000	2021 HK$'000
Depreciation and amortisation		
— Land and buildings	148,705	134,103
— Furniture and equipment	263	292
Variable lease payments not included in lease liabilities	60,841	71,565
Interest on lease liabilities *(Note 20)*	16,443	16,764
Short-term leases and leases of low value assets	15,883	13,836
Additions of right-of-use assets	91,186	229,020
Total cash outflow for leases	232,408	271,071

(iii) Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Rental contracts are typically made for fixed periods of 1 to 10 years, but may have extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

(iv) The Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentage ranging from 3% to 23% (2021: 3% to 30%) of sales. Variable lease payments that depend on sales are recognised in income statement in the period in which the condition that triggers those payments occurs. As at 31 December 2022, it is estimated that an increase in sales generated from these retail stores by 5% would have increased the lease payments by HK$3,042,000 (2021: HK$3,578,000).

7 INTANGIBLE ASSETS

	Goodwill HK$'000	Customer relationship HK$'000	Trademarks HK$'000	Total HK$'000
Year ended 31 December 2021				
Opening net book amount	200,094	15,086	8,962	224,142
Amortisation	–	(2,130)	(698)	(2,828)
Closing net book amount	200,094	12,956	8,264	221,314
At 31 December 2021				
Cost	200,094	21,298	13,966	235,358
Accumulated amortisation and impairment	–	(8,342)	(5,702)	(14,044)
Net book amount	200,094	12,956	8,264	221,314
Year ended 31 December 2022				
Opening net book amount	**200,094**	**12,956**	**8,264**	**221,314**
Amortisation	**–**	**(2,130)**	**(698)**	**(2,828)**
Closing net book amount	**200,094**	**10,826**	**7,566**	**218,486**
At 31 December 2022				
Cost	**200,094**	**21,298**	**13,966**	**235,358**
Accumulated amortisation and impairment	**–**	**(10,472)**	**(6,400)**	**(16,872)**
Net book amount	**200,094**	**10,826**	**7,566**	**218,486**

The amortisation charges for customer relationship and trademarks are included in "selling and distribution costs" of the consolidated income statement.

Impairment tests for goodwill

Goodwill is allocated to two separate groups of CGUs of the Group as follows:

	2022 HK$'000	2021 HK$'000
High-end apparel manufacturing and trading	**109,459**	109,459
High-end fashion retailing	**90,635**	90,635
	200,094	200,094

The recoverable amounts of the groups of CGUs are determined based on VIU or fair value less costs of disposal calculations. These calculations use pre-tax cash flow projections covering a five-year period of the related business based on the latest one-year financial budgets and future business plans approved by management. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 3% (2021: 3%) which do not exceed the long-term average growth rates for the businesses in which the CGUs operate. The cash flows are discounted using discount rates of 15%–19% (2021: 16%–18%). The discount rates used are pre-tax and reflect specific risks relating to the relevant business segments. The fair value less costs of disposal calculation is a level 3 fair value measurement.

Management determined revenue growth and budgeted gross margin based on past performance and its expectations of market development. No impairment was recognised in respect of the high-end apparel manufacturing and trading business and high-end fashion retailing business CGUs during the year ended 31 December 2022 (2021: Nil).

8 INVESTMENTS IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
Carrying amount in the consolidated financial statements	**16,028**	15,274
Share of effective interest for the year:		
— profits	**1,255**	312
— reserve movements	**(501)**	98

Set out below are the major associates of the Group as at 31 December 2022. The associates as listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Company.

Name	Place of incorporation and type of legal entity	Percentage of ownership interest 2022	Percentage of ownership interest 2021	Nature	Measurement method
Fu Hsun Bowker Dyeing Factory (Heyuan) Company Limited	Mainland China, wholly foreign owned enterprise	**30%**	30%	Property holding	Equity
Fu Hsun Investment Company Limited	BVI, limited liability company	**30%**	30%	Investment holding	Equity
Fu Jin Bowker Company Limited	BVI, limited liability company	**30%**	30%	Inactive	Equity

The associates above are private companies and there is no quoted market price for their shares.

There are no contingent liabilities relating to the Group's interests in the associates.

The directors are of the opinion that the associates are not material to the Group. Accordingly, summarised financial information is not presented.

9 INVENTORIES

	2022 HK$'000	2021 HK$'000
Finished goods	**659,801**	676,595
Work in progress	**183,722**	243,326
Raw materials	**293,853**	424,594
	1,137,376	1,344,515

10 TRADE AND BILLS RECEIVABLE

	2022 HK$'000	2021 HK$'000
Trade receivables	**446,528**	547,726
Bills receivable	**6,130**	3,413
	452,658	551,139
Less: loss allowance of trade receivables	**(3,177)**	(3,342)
Financial assets measured at amortised cost	**449,481**	547,797

Majority of trade receivables are with customers having good credit history. The Group usually grants its customers credit terms within 90 days. Most of the Group's sales are on open account, while sales made to a small number of customers are covered by letters of credit issued by banks or settled by documents against payment issued by banks. The ageing of trade and bills receivable based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
0 – 90 days	**434,073**	535,779
91 – 180 days	**9,695**	10,089
181 – 365 days	**4,578**	1,036
Over 365 days	**4,312**	4,235
	452,658	551,139

The carrying values of trade and bills receivable approximate their fair values due to their short term maturities.

10 TRADE AND BILLS RECEIVABLE (Continued)

Movements of provision for impairment of trade and bills receivable are as follows:

	2022 HK$'000	2021 HK$'000
Beginning of the year	3,342	5,366
Write-back of loss allowance, net	–	(2,109)
Currency translation differences	(165)	85
End of the year	3,177	3,342

The creation and release of loss allowances have been included in general and administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The Group's trade and bills receivable were denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
United States Dollar	221,676	283,041
Chinese Renminbi	220,200	255,741
Hong Kong Dollar	3,241	4,699
Others	7,541	7,658
	452,658	551,139

The maximum exposure to credit risk at the reporting date is the fair value of the trade and bills receivable mentioned above. The Group does not hold any collateral.

11 OTHER RECEIVABLES AND FINANCIAL ASSETS

	2022 HK$'000	2021 HK$'000
Non-current		
Rental, utility and other deposits	25,242	30,644
Rental deposit to a related party *(Note 27(c))*	443	484
Financial assets measured at amortised cost	25,685	31,128
Deposits for plant and equipment	12,353	18,168
	38,038	49,296
Current		
Rental, utility and other deposits	60,396	60,387
Receivables from disposal of a land lease right	52,065	—
Receivables from a related party *(Note 27(c))*	13,760	13,392
Other receivables from customers and suppliers	5,138	15,399
Other tax receivables	4,354	2,245
Sundry receivables	9,995	9,521
Financial assets measured at amortised cost	145,708	100,944
Value-added tax recoverable	58,198	33,349
Prepayments for inventories	18,008	15,976
Prepayments for operating expenses	11,889	25,504
	233,803	175,773
	271,841	225,069

The carrying amounts of financial assets disclosed above approximate their fair values. The maximum exposure to credit risk at the reporting date is the fair value of the items mentioned above. Save as disclosed in Note 27(c), the Group does not hold any collateral.

The financial assets disclosed above were denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
Vietnamese Dong	62,524	5,126
Chinese Renminbi	46,680	52,992
Hong Kong Dollar	42,458	41,310
United States Dollar	18,006	30,930
Others	1,725	1,714
	171,393	132,072

12 PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

Pledged bank deposits

As at 31 December 2022, bank deposit of RMB1,083,000 equivalent to HK$1,211,000 (2021: RMB1,000,000 equivalent to HK$1,224,000) was pledged as security deposit at Custom Department for custom declaration for a subsidiary of the Group.

The effective interest rate on pledged bank deposits was 2.75% (2021: 2.75%) per annum and the pledged bank deposits will mature in 2025 (2021: mature in 2022).

Cash and bank balances

	2022 **HK$'000**	2021 HK$'000
Short-term bank deposits	**107,217**	214,817
Cash at bank and on hand	**263,272**	201,002
Cash and cash equivalents	**370,489**	415,819

The effective interest rate on short-term bank deposits was 2.40% (2021: 0.07%) per annum, which have maturities of 3 months or less at inception.

Cash and bank balances were denominated in the following currencies:

	2022 **HK$'000**	2021 HK$'000
United States Dollar	**199,958**	254,198
Chinese Renminbi	**91,894**	114,415
Vietnamese Dong	**47,370**	2,830
Hong Kong Dollar	**19,664**	31,213
Others	**11,603**	13,163
	370,489	415,819

The maximum exposure to credit risk at the reporting date approximates the carrying values of pledged bank deposits and cash and bank balances.

Cash and bank deposits of HK$168,358,000 (2021: HK$130,169,000) held in Mainland China and Vietnam are subject to local exchange control regulations. These local exchange control regulations provide restrictions on remitting funds out of these countries, other than through normal dividends.

13 TRADE AND BILLS PAYABLE

	2022 HK$'000	2021 HK$'000
Trade payables		
— to third parties	**154,981**	313,674
— to a related party *(Note 27(b))*	**1,644**	15,229
Bills payable	**1,772**	3,379
Financial liabilities measured at amortised cost	**158,397**	332,282

The ageing of trade and bills payable based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
0 – 90 days	**154,139**	309,405
91 – 180 days	**1,993**	22,549
181 – 365 days	**1,102**	152
Over 365 days	**1,163**	176
	158,397	332,282

The Group's trade and bills payable were denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
United States Dollar	**119,293**	238,887
Chinese Renminbi	**26,925**	70,199
Hong Kong Dollar	**12,022**	23,080
Others	**157**	116
	158,397	332,282

14 ACCRUALS AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Current		
Accruals for employee benefit costs	**120,751**	138,162
Accruals for other operating expenses	**68,146**	71,885
Payables for purchases of property, plant and equipment	**31,700**	30,371
Other taxes payable	**27,909**	19,248
Payables to related parties *(Note 27(d))*	**8,044**	7,452
Deposits received	**1,529**	5,658
Others	**7,880**	8,869
Financial liabilities measured at amortised cost	**265,959**	281,645
Contract liabilities	**24,602**	16,519
Provision for re-instatement of leased assets	**10,322**	14,108
Deferred income	**3,790**	7,042
	304,673	319,314
Non-current		
Provision for re-instatement of leased assets	**7,060**	7,060
Deferred income	**1,644**	9,373
	8,704	16,433
	313,377	335,747

15 BORROWINGS

The analysis of the carrying amount of interest-bearing bank borrowings were as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year or on demand	**789,236**	942,216
Effective interest rate — floating	**5.5% p.a.**	1.7% p.a.

The Group's borrowings were carried at amortised cost. As at 31 December 2022 and 2021, the Group's borrowings were secured by certain land and properties (Note 6) of the Group and/or corporate guarantees given by the Company and/or personal guarantees given by certain related parties.

Details of the Group's management of liquidity risk are set out in Note 3.1(c).

As at 31 December 2022, based on the repayment dates set out in the payment schedules ignoring the effect of any repayment on demand clause, the interest-bearing bank borrowings were due for repayment as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**773,403**	863,049
After 1 year but within 2 years	**15,833**	63,334
After 2 years but within 3 years	**—**	15,833
	789,236	942,216

The carrying amounts of the Group's borrowings were denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
Hong Kong Dollar	**336,000**	495,300
United States Dollar	**397,287**	373,476
Chinese Renminbi	**55,949**	73,440
	789,236	942,216

16 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax jurisdiction. The net movement on the deferred tax assets/(liabilities) are as follows:

	2022 HK$'000	2021 HK$'000
Beginning of the year	107,622	85,139
Recognised in the income statement *(Note 23)*	22,368	21,838
Currency translation differences	(1,357)	645
End of the year	128,633	107,622

The movements in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets:

	Tax depreciation HK$'000	Tax losses HK$'000	Unrealised profit HK$'000	Inventory provisions HK$'000	Others HK$'000	Total HK$'000
At 1 January 2021	11,222	60,954	8,806	19,186	6,325	106,493
Recognised in the income statement	(360)	15,576	4,023	7,335	(1,654)	24,920
Currency translation differences	68	498	(8)	–	183	741
At 31 December 2021	10,930	77,028	12,821	26,521	4,854	132,154
Set-off pursuant to set-off provisions						(17,079)
Net deferred tax assets						115,075
At 1 January 2022	10,930	77,028	12,821	26,521	4,854	132,154
Recognised in the income statement	1,073	37,978	(3,803)	(9,002)	(1,174)	25,072
Currency translation differences	(206)	(1,471)	–	–	50	(1,627)
At 31 December 2022	11,797	113,535	9,018	17,519	3,730	155,599
Set-off pursuant to set-off provisions						(19,412)
Net deferred tax assets						136,187

16 DEFERRED TAX (Continued)

Deferred tax liabilities:

	Tax depreciation HK$'000	Fair value gains HK$'000	Withholding tax on undistributed earnings HK$'000	Total HK$'000
At 1 January 2021	(10,610)	(6,200)	(4,544)	(21,354)
Recognised in the income statement	(1,622)	429	(1,889)	(3,082)
Currency translation differences	—	(96)	—	(96)
At 31 December 2021	(12,232)	(5,867)	(6,433)	(24,532)
Set-off pursuant to set-off provisions				17,079
Net deferred tax liabilities				(7,453)
At 1 January 2022	**(12,232)**	**(5,867)**	**(6,433)**	**(24,532)**
Recognised in the income statement	**(1,550)**	**420**	**(1,574)**	**(2,704)**
Currency translation differences	**—**	**270**	**—**	**270**
At 31 December 2022	**(13,782)**	**(5,177)**	**(8,007)**	**(26,966)**
Set-off pursuant to set-off provisions				**19,412**
Net deferred tax liabilities				**(7,554)**

Deferred tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2022, the Group did not recognise deferred tax assets of HK$116,395,000 (2021: HK$130,142,000) in respect of tax losses amounting to HK$649,242,000 (2021: HK$702,221,000) that can be carried forward against future taxable income. Total unrecognised tax losses of HK$600,595,000 (2021: HK$575,723,000) can be carried forward indefinitely; while cumulative tax losses of HK$48,647,000 (2021: HK$126,498,000) will expire from 2023 to 2032 (2021: 2022 to 2031).

Deferred tax liabilities of HK$49,933,000 (2021: HK$52,258,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries, as it is management's intention to reinvest such amounts in the foreseeable future. The said unremitted earnings totalled HK$510,085,000 as at 31 December 2022 (2021: HK$597,206,000).

17 SHARE CAPITAL

	2022 HK$'000	2021 HK$'000
Authorised		
3,000,000,000 ordinary shares of HK$0.1 each	**300,000**	300,000
Issued and fully paid up		
1,284,400,000 ordinary shares at beginning and end of the year	**128,440**	128,440

Share options

In August 2006, the Company established a share option scheme ("**Share Option Scheme**") which remained in force for 10 years and expired on 5 September 2016, no share option can be further granted thereunder, whereas outstanding share options under the Share Option Scheme remain valid.

Pursuant to the resolution of Shareholders at the annual general meeting of the Company on 16 June 2016, a new share option scheme ("**New Share Option Scheme**") has been adopted. Under the New Share Option Scheme, share options may be granted to any directors, employees, or partners of the Group. The exercise price is to be determined by the Board, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The Group has no legal or constructive obligation to repurchase or settle these options in cash.

During the year ended 31 December 2022, there were 31,000,000 (2021: 31,000,000) share options exercisable with weighted average exercise price HK$1.155 per share (2021: HK$1.155 per share). The outstanding share options have the following expiry dates and exercise prices:

		Number of options	
Expiry date	**Exercise price per share** HK$	**2022 '000**	2021 '000
8 January 2024	1.010	**5,000**	5,000
15 July 2024	0.946	**16,000**	16,000
21 December 2025	1.562	**10,000**	10,000
		31,000	31,000

During the year ended 31 December 2022, no share option expenses was charged to the consolidated income statement (2021: Nil).

18 RESERVES

	Share premium HK$'000	Share-based payment reserve HK$'000	Statutory reserve HK$'000	Foreign currency translation reserve HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2021	692,227	10,472	19,432	9,269	202,922	910,047	1,844,369
Loss attributable to equity holders of the Company	—	—	—	—	—	(66,416)	(66,416)
Currency translation differences							
— Subsidiaries	—	—	—	42,513	—	—	42,513
— Associates	—	—	—	98	—	—	98
Transfer to statutory reserve *(Note)*	—	—	5,373	—	—	(5,373)	—
Change in ownership interests in subsidiaries without change of control	—	—	—	—	10,091	—	10,091
At 31 December 2021 and 1 January 2022	**692,227**	**10,472**	**24,805**	**51,880**	**213,013**	**838,258**	**1,830,655**
Profit attributable to equity holders of the Company	**—**	**—**	**—**	**—**	**—**	**10,070**	**10,070**
Currency translation differences							
— Subsidiaries	**—**	**—**	**—**	**(102,527)**	**—**	**—**	**(102,527)**
— Associates	**—**	**—**	**—**	**(501)**	**—**	**—**	**(501)**
Transfer to statutory reserve *(Note)*	**—**	**—**	**4,637**	**—**	**—**	**(4,637)**	**—**
At 31 December 2022	**692,227**	**10,472**	**29,442**	**(51,148)**	**213,013**	**843,691**	**1,737,697**

Note: As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior years' losses) to the general reserve and the enterprise expansion fund, at rates determined by their respective boards of directors. The general reserve can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations.

19 OTHER NET INCOME

	2022 HK$'000	2021 HK$'000
Gain/(loss) on disposal of property, plant and equipment, and lease modifications, net		
— a land lease right *(Note (a))*	**54,763**	—
— other property, plant and equipment, and lease modifications	**(4,150)**	622
Gain on disposal of a subsidiary, net *(Note (b))*	**14,560**	—
Government subsidies	**9,206**	4,390
Net exchange gain/(loss)	**3,644**	(3,944)
Gain on disposal of ancillary materials, net	**2,764**	1,056
Rental income	**1,706**	1,406
Others	**1,530**	1,055
	84,023	4,585

Notes:

(a) The Group completed a disposal of a land lease right in December 2022, resulting in a gain on disposal (before taxation) amounting to HK$54,763,000. The land lease right, together with another smaller parcel of land, was acquired in November 2018 for the Group's expansion plan in Vietnam. However, due to the ongoing uncertain operating environment since acquisition, the Group decided to put on hold the expansion plan of the production facilities in Vietnam until the operating environment becomes more stable, and continue to rely on its existing production facilities for its manufacturing business.

(b) The Group completed a disposal of a subsidiary in March 2022, resulting in a gain on disposal (before taxation) amounting to HK$14,560,000. The subsidiary was principally engaged in property holding in Hong Kong and its principal asset was a property which was under-utilised as the Group's warehouse.

20 FINANCE COSTS — NET

	2022 HK$'000	2021 HK$'000
Finance income		
— Interest income from bank deposits and receivables from a landlord	**1,341**	1,015
— Interest income from non-controlling interest of a subsidiary *(Note 27(a))*	**368**	208
	1,709	1,223
Finance costs		
— Interest on bank borrowings	**(27,618)**	(16,533)
— Interest on lease liabilities *(Note 6(b))*	**(16,443)**	(16,764)
	(44,061)	(33,297)
	(42,352)	(32,074)

21 PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging/(crediting):

	2022 HK$'000	2021 HK$'000
Cost of inventories	**2,226,419**	2,030,881
Processing and subcontracting charges	**126,361**	115,103
Depreciation and amortisation		
— property, plant and equipment, and leased assets	**266,929**	277,311
— capitalised to construction in progress	**(1,214)**	(1,370)
Amortisation of intangible assets	**2,828**	2,828
Impairment of property, plant and equipment, and leased assets, net	**—**	6,332
Write-back of loss allowance of trade receivables, net	**—**	(2,109)
Rental in respect of retail stores, office equipment and land and buildings		
— contingent rent	**60,841**	71,565
— short-term leases and low value assets	**15,883**	13,836
Auditor's remuneration		
— audit related services	**4,180**	4,080
— non-audit related services	**669**	313
Provision for inventories, net	**27,558**	12,080

22 EMPLOYMENT BENEFIT EXPENSE

	2022 HK$'000	2021 HK$'000
Wages, salaries, commission, allowances, bonus and other termination payments	**1,166,089**	1,082,441
Defined contribution retirement schemes	**91,060**	75,408
Welfare and other benefits	**63,874**	60,796
Social insurance and other post-employment benefits	**49,622**	43,440
	1,370,645	1,262,085

As at 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the defined contribution retirement schemes in future years (2021: Nil).

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 include three (2021: three) directors whose emoluments are reflected in Note 31. The emoluments paid/payable to the remaining two individuals (2021: two individuals) during the year are as follows:

	2022 HK$'000	2021 HK$'000
Basic salaries, commission, share options and other allowances	**7,164**	7,441
Defined contribution retirement schemes	**–**	5
	7,164	7,446

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
HK$3,000,001 – HK$3,500,000	**1**	–
HK$3,500,001 – HK$4,000,000	**1**	2

(b) During the year ended 31 December 2022, no emoluments were paid by the Company to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

23 INCOME TAX CREDIT

The amounts of income tax expense/(credit) charged/(credited) to the consolidated income statement represent:

	2022 HK$'000	2021 HK$'000
Current tax		
— Mainland China	**1,241**	4,773
— Hong Kong	**1,954**	2,427
— Overseas	**11,875**	1,679
— Over-provision in prior years	**(2,712)**	(46)
	12,358	8,833
Deferred tax *(Note 16)*	**(22,368)**	(21,838)
	(10,010)	(13,005)

Mainland China corporate income tax and Hong Kong profits tax have been provided at the rates of 25% (2021: 25%) and 16.5% (2021: 16.5%) on the estimated assessable profits respectively. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

Reconciliation between accounting profit/(loss) and tax credit:

	2022 HK$'000	2021 HK$'000
Profit/(loss) before income tax excluding share of profits of associates	**12,366**	(82,951)
Tax calculated at the rates applicable in the respective jurisdictions	**1,607**	(21,311)
Tax effects of:		
— Non-taxable income and tax concession	**(4,400)**	(9,754)
— Non-deductible expenses	**2,309**	9,187
— Tax losses not recognised	**3,610**	7,804
— Utilisation of previously unrecognised tax losses	**(9,407)**	(2,020)
— Withholding tax on undistributed earnings	**1,574**	1,889
— Over-provision in prior years	**(2,712)**	(46)
— Others	**(2,591)**	1,246
Tax credit	**(10,010)**	(13,005)

24 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the consolidated profit/(loss) attributable to equity holders of the Company and on the weighted average number of ordinary shares of 1,284,400,000 shares (2021: 1,284,400,000 shares) in issue during the year.

	2022	2021
Basic and diluted earnings/(loss) per share (HK cents)	0.8	(5.2)

The diluted earnings/(loss) per share for the years ended 31 December 2022 and 2021 are the same as the basic earnings/(loss) per share as the potential ordinary shares arising from the share options granted by the Company outstanding do not have dilutive effect.

25 DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 December 2022 (2021: Nil).

26 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of cash generated from/(used in) operations

	2022 HK$'000	2021 HK$'000
Profit/(loss) before income tax	13,621	(82,639)
Adjustments for:		
— Depreciation and amortisation of property, plant and equipment, and leased assets	265,715	275,941
— Amortisation of intangible assets	2,828	2,828
— Impairment of property, plant and equipment, and leased assets, net	—	6,332
— Write-back of loss allowance of trade receivables, net	—	(2,109)
— Gain on disposal of a land lease right	(54,763)	—
— Loss/(gain) on disposal of other property, plant and equipment, and lease modifications, net	4,150	(622)
— Gain on disposal of a subsidiary	(14,560)	—
— Provision for inventories, net	27,558	12,080
— Finance costs, net	42,352	32,074
— Share of profits of associates	(1,255)	(312)
Changes in working capital:		
— Inventories	110,495	(223,096)
— Trade and bills receivable	76,376	(89,442)
— Other receivables and financial assets	(5,160)	(28,857)
— Trade and bills payable	(167,863)	73,610
— Accruals and other payables	(16,033)	(17,559)
Cash generated from/(used in) operations	283,461	(41,771)

26 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Cash flow information — financing activities

This section sets out the reconciliation of liabilities arising from financing activities.

	Bank borrowings HK$'000	Lease liabilities HK$'000	Amounts due to non-controlling interests of subsidiaries HK$'000	Total HK$'000
At 1 January 2021	889,244	267,411	10,561	1,167,216
Cash flows, net	52,272	(185,670)	(3,109)	(136,507)
Additions of property, plant and equipment, and leased assets	—	225,655	—	225,655
Interest expense on lease	—	16,764	—	16,764
Currency translation differences	700	4,333	—	5,033
Lease modifications	—	(17,951)	—	(17,951)
At 31 December 2021 and 1 January 2022	**942,216**	**310,542**	**7,452**	**1,260,210**
Cash flows, net	**(150,879)**	**(155,684)**	**592**	**(305,971)**
Additions of property, plant and equipment, and leased assets	**—**	**89,500**	**—**	**89,500**
Interest expense on lease	**—**	**16,443**	**—**	**16,443**
Currency translation differences	**(2,101)**	**(16,497)**	**—**	**(18,598)**
Lease modifications	**—**	**22,875**	**—**	**22,875**
At 31 December 2022	**789,236**	**267,179**	**8,044**	**1,064,459**

27 RELATED PARTY TRANSACTIONS

The Group is controlled by Quinta Asia Limited (the immediate holding company), a company incorporated in the British Virgins Islands, which owns approximately 57.91% of the Company's shares as at 31 December 2022. The Company's directors regard Quinta Asia Limited as being the ultimate controlling party.

Apart from those disclosed elsewhere in these consolidated financial statements, the following significant transactions were carried out with related parties:

(a) Transactions with related parties

	2022 HK$'000	2021 HK$'000
Purchases of goods		
Major shareholder of an associate of the Group	**37,056**	50,038
Interest income *(Note 20)*		
Non-controlling interest of a subsidiary	**368**	208
Lease expenses		
An associate of the Group	**2,623**	2,727

Goods are sold/purchased at prices mutually agreed by both parties.

Interest income from related parties are charged at prevailing market rates.

Lease expenses are recognised based on monthly rental charge mutually agreed by both parties.

(b) Year-end balances arising from purchases of goods

	2022 HK$'000	2021 HK$'000
Included in trade payables *(Note 13)*		
Major shareholder of an associate of the Group	**1,644**	15,229

All amounts are unsecured, interest-free and payable within normal trade credit terms.

27 RELATED PARTY TRANSACTIONS (Continued)

(c) Amounts due from related parties

	2022 HK$'000	2021 HK$'000
Included in other receivables *(Note 11)*		
Receivables from non-controlling interest of a subsidiary	**13,760**	13,392
Rental deposit to an associate of the Group	**443**	484
	14,203	13,876

The receivables from non-controlling interest of a subsidiary are secured by a property held by non-controlling interest of a subsidiary, interest-bearing at floating rates that are market dependent and repayable on demand.

Rental deposit will be refunded at the end of the lease term.

(d) Amounts due to related parties

	2022 HK$'000	2021 HK$'000
Included in accruals and other payables *(Note 14)*		
Loans from non-controlling interests of subsidiaries	**4,904**	4,312
Payables to non-controlling interest of a subsidiary	**3,140**	3,140
	8,044	7,452

All amounts are unsecured, interest-free and repayable on demand.

(e) Key management compensation

	2022 HK$'000	2021 HK$'000
Salaries, bonus and allowances	**18,733**	19,079
Defined contribution retirement schemes	**72**	72
	18,805	19,151

(f) As at 31 December 2022, the Company granted corporate guarantees of HK$1,302,927,000 (2021: HK$1,494,941,000) to certain banks in respect of the banking facilities granted of HK$1,293,027,000 (2021: HK$1,485,041,000) to its subsidiaries. As at 31 December 2022, the banking facilities utilised by the subsidiaries amounted to HK$861,392,000 (2021: HK$1,028,457,000).

28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

Statement of financial position of the Company

	2022 HK$'000	2021 HK$'000
Non-current assets		
Investments in subsidiaries	1,636,857	1,626,560
Right-of-use assets	108	215
Deferred tax assets	1,109	923
	1,638,074	1,627,698
Current assets		
Other receivables	220	220
Cash and bank balances	1,028	785
	1,248	1,005
Current liabilities		
Accruals and other payables	10,833	8,367
Lease liabilities	115	111
	10,948	8,478
Non-current liabilities		
Lease liabilities	–	115
Net assets	1,628,374	1,620,110
Equity attributable to equity holders of the Company		
Share capital	128,440	128,440
Reserves	1,499,934	1,491,670
Total equity	1,628,374	1,620,110

The statement of financial position of the Company was approved by the Company's Board of Directors on 23 March 2023 and were signed on its behalf.

LI Kwok Tung Roy	**LAI Ching Ping**
Director	*Director*

28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (Continued)

Reserve movements of the Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2021	692,227	10,472	528,331	246,291	1,477,321
Profit for the year	—	—	—	14,349	14,349
A1 31 December 2021 and 1 January 2022	**692,227**	**10,472**	**528,331**	**260,640**	**1,491,670**
Profit for the year	**—**	**—**	**—**	**8,264**	**8,264**
At 31 December 2022	**692,227**	**10,472**	**528,331**	**268,904**	**1,499,934**

29 CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities (2021: Nil).

30 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet provided for is as follows:

	2022 HK$'000	2021 HK$'000
Capital injection in subsidiaries	**125,444**	130,045
Property, plant and equipment	**3,704**	5,599

(b) Lease commitments

At 31 December 2022, the total future lease payments for leases committed but not yet commenced in relation to leased properties were HK$9,511,000 (2021: HK$15,340,000).

31 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

The remuneration of every director and the chief executive is set out below:

Name	2022 Fees HK$'000	2022 Salaries and other allowances HK$'000	2022 Employer's contribution to retirement schemes HK$'000	2022 Total HK$'000	2021 Fees HK$'000	2021 Salaries and other allowances HK$'000	2021 Employer's contribution to retirement schemes HK$'000	2021 Total HK$'000
Executive directors								
Li Kwok Tung Roy	–	4,883	–	4,883	–	4,883	–	4,883
Lai Ching Ping	–	4,132	–	4,132	–	4,132	–	4,132
Lee Kwok Leung *(chief executive)*	–	3,360	18	3,378	–	3,360	18	3,378
Wong Chi Keung	–	2,679	18	2,697	–	2,641	18	2,659
Independent non-executive directors								
Kwan Kai Cheong	240	–	–	240	240	–	–	240
Ma Ka Chun	160	–	–	160	160	–	–	160
Chan Kit Fun Fanny *(appointed on 25 July 2022)*	70	–	–	70	–	–	–	–
Chan Kwong Fai *(resigned on 20 January 2022)*	8	–	–	8	160	–	–	160
Chan Ka Kui *(ceased on 7 October 2022)*	123	–	–	123	160	–	–	160
	601	15,054	36	15,691	720	15,016	36	15,772

No remunerations were paid or receivable in respect of accepting office as directors during the year ended 31 December 2022 (2021: Nil).

No directors waived any emoluments during the year ended 31 December 2022 (2021: Nil).

No emoluments were paid or receivable in respect of directors' other services in connection with the management of affairs of the Company or its subsidiary undertakings during the year ended 31 December 2022 (2021: Nil).

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2021: Nil).

Except disclosed above, no directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2021: Nil).

32 SUBSIDIARIES

(a) The following are details of principal subsidiaries, all of which are unlisted, as at 31 December 2022:

Name	Place of incorporation and type of legal entity	Particulars of issued share capital	Percentage of equity interest attributable to the Group 2022	2021	Principal activities and place of operation
Bowker Asia Limited	British Virgin Islands, limited liability company	US$100	**100%**	100%	Trading of garment products/ Hong Kong
Bowker Garment Factory (Cambodia) Company Limited	Cambodia, limited liability company	US$10,000,000	**100%**	100%	Manufacturing of garment products/Cambodia
Bowker Garment Investment (Cambodia) Company Limited	Cambodia, limited liability company	KHR22,000,000,000	**100%**	100%	Property holding/ Cambodia
Bowker Venture Garment (Yunfu) Company Limited	Mainland China, wholly foreign owned enterprise	HK$94,279,000	**100%**	100%	Manufacturing of garment products/ Mainland China
Bowker (Vietnam) Garment Factory Company Limited	Vietnam, limited liability company	US$13,000,000	**100%**	100%	Manufacturing of garment products/Vietnam
Bowker Yee Sing Garment Factory (Heyuan) Company Limited	Mainland China, wholly foreign owned enterprise	HK$148,557,000	**85%**	85%	Manufacturing of garment products/ Mainland China
Bowker (Vinh Long) Garment Factory Company Limited	Vietnam, limited liability company	US$4,000,000	**100%**	100%	Property holding/Vietnam
Bright Global (Vinh Long) Garment Factory Company Limited	Vietnam, limited liability company	US$3,000,000	**100%**	100%	Property holding/Vietnam
Corus Investments Limited	Hong Kong, limited liability company	HK$10,000 *(Note (i))*	**100%**	100%	Property holding/ Hong Kong
D-mop Limited	Hong Kong, limited liability company	HK$1,000,000	**100%**	100%	Retailing of fashion products/ Hong Kong
Kepac Trading (Hangzhou) Limited	Mainland China, wholly foreign owned enterprise	HK$5,000,000	**100%**	100%	Retailing of fashion products/ Mainland China
Kunshan Sport Field Company Limited	Mainland China, wholly foreign owned enterprise	HK$48,300,000	**60%**	60%	Manufacturing of garment products/ Mainland China
Premier Global (Vietnam) Garment Company Limited	Vietnam, limited liability company	US$3,500,000	**100%**	100%	Manufacturing of garment products/Vietnam
Sport Field Limited	Hong Kong, limited liability company	HK$2,475,000	**60%**	60%	Trading of garment products/ Hong Kong
Winning Best Limited	Hong Kong, limited liability company	HK$1 *(Note (i))*	**100%**	100%	Property holding/ Hong Kong

Notes:

(i) The shares of these companies are directly held by the Company.

(ii) None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2022 (2021: None).

The English names of certain subsidiaries represent the best effort by management of the Group to translate their Chinese names as they do not have official English names.

32 SUBSIDIARIES (Continued)

(b) Material non-controlling interests

Set out below is summarised financial information of Sport Field Group that has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	2022 HK$'000	2021 HK$'000
Non-current assets	70,361	78,673
Current assets	272,691	292,365
Non-current liabilities	(12,031)	(14,732)
Current liabilities	(313,124)	(367,907)
Net assets/(liabilities)	17,897	(11,601)
Accumulated non-controlling interests	7,159	(4,640)
Revenue	592,350	465,397
Profit/(loss) for the year	33,208	(4,678)
Total comprehensive income	29,498	(4,256)
Profit/(loss) allocated to non-controlling interests	13,283	(1,871)
Cash flows generated from/(used in) operating activities	81,122	(34,765)
Cash flows used in investing activities	(1,884)	(3,153)
Cash flows (used in)/generated from financing activities	(50,675)	37,858

No dividend was paid to the material non-controlling interests during the year ended 31 December 2022 (2021: Nil).

Glossary

In this annual report, unless the context states otherwise, the following expression have the following meanings:

"Board"	the board of Directors
"Company"	Win Hanverky Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 13 December 2005
"Director(s)"	the director(s) of the Company
"Group" or "we" or "our" or "us"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of Mainland China
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange (for avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange)
"Mainland China"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"OEM"	acronym for original equipment manufacturing, a business that manufactures or purchases from other manufacturers and possibly modifies goods or equipment for branding and resale by others
"RMB"	Renminbi, the lawful currency of Mainland China
"Share(s)"	the share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	shareholders of the Company
"Shine Gold"	Shine Gold Limited, a wholly owned subsidiary of the Company
"Shine Gold Group"	Shine Gold and its subsidiaries
"Sport Field"	Sport Field Limited, a non-wholly owned subsidiary of the Company
"Sport Field Group"	Sport Field and its subsidiaries
"Stock Exchange"	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"US"	the United States of America

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