FORWARDFASHION
HOLDINGS

Forward Fashion (International) Holdings Company Limited

尚晉(國際)控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 2528

ANNUAL REPORT 2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fan Wing Ting *(Chairman)*
Ms. Chen Xingyi *(Chief Executive Officer)*
Mr. Kevin Trantallis
Mr. Fong Yat Ming
Ms. Fan Tammy

Independent Non-executive Directors

Mr. Chau Kwok Keung
Mr. Yu Chun Kau
Mr. Cheung Chun Yue, Anthony

BOARD COMMITTEES

Audit Committee

Mr. Chau Kwok Keung *(Chairman)*
Mr. Yu Chun Kau
Mr. Cheung Chun Yue, Anthony

Remuneration Committee

Mr. Yu Chun Kau *(Chairman)*
Ms. Chen Xingyi
Mr. Cheung Chun Yue, Anthony

Nomination Committee

Mr. Fan Wing Ting *(Chairman)*
Mr. Yu Chun Kau
Mr. Cheung Chun Yue, Anthony

AUTHORISED REPRESENTATIVES

Mr. Kevin Trantallis
Ms. Fan Tammy

COMPANY SECRETARY

Mr. Kevin Trantallis

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

Suite 1204, 12/F., Tower 6
The Gateway, Harbour City
Tsim Sha Tsui, Kowloon
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
China Merchants Bank Co., Ltd.

COMPLIANCE ADVISOR

China Industrial Securities International Capital Limited
7/F, Three Exchange Square
8 Connaught Place
Central, Hong Kong

COMPANY WEBSITE

www.forward-fashion.com

STOCK CODE

02528

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

2020 was the most challenging year the Group has ever faced with the onset of the COVID-19 pandemic. The Macau market was particularly hard hit by the COVID-19 pandemic where the number of tourists dropped by over 85% in 2020. The number of tourists in Hong Kong has also dropped by more than 90%. Against these backdrops, the Group experienced a shrinkage of 41.6% yoy in revenue in 2020. Among the decrease in revenue of HKD629.3 million, Macau recorded a decrease of HKD486.2 million, or 77.3% of total decrease in revenue.

In the light of this tough business environment, the Group has been closely monitoring the market conditions and adjusted its business strategies and operations to minimise the negative impact, including proactive cost control measures on merchandise costs, rental expenses and staff costs to ensure that a healthy cashflow position is maintained.

With the launch of nationwide COVID-19 vaccination programme in early this year, we expect the impact of the COVID-19 pandemic would diminish and the economy will recover later this year. The retail value of apparels in the PRC in February 2021 recorded a yoy growth rate of 53.1% which is an encouraging signal. We are looking forward to the full opening of borders between Mainland China and Macau later this year to boost our sales in Macau which previously accounts for half of the total revenue. The Group will continuously take proactive measures to cope with this temporary slowdown in the retail environment.

I would like to take this opportunity to extend my deep gratitude to all members of the Board, our business partners and our colleagues for their contribution and dedicated efforts to the continuous business development of the Group.

Mr. Fan Wing Ting
Chairman

Hong Kong, 23 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group principally engages in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands in Mainland China, Macau, Hong Kong and Taiwan (collectively, "**Greater China**"). The Group adopts a multi-brand and multi-store business model. As at 31 December 2020, the Group operated 209 self-operated retail stores in Greater China, of which 181 retails stores are mono-brand stores operated under the brand name of the merchandise to cater for the brand's target customers and 28 retail stores are multi-brand stores that offer a broad assortment of the Group's selected fashion apparel and lifestyle merchandise from different international brands and the Group's own brands. As at 31 December 2020, the Group's brand portfolio had 124 brands, of which 121 brands were international brands owned by third-party brand owners or their master/authorised licensors and three were its own brands, namely, *UM*, *UM•IXOX* and *IXOX*.

The outbreak of COVID-19 pandemic ("**Pandemic**") in 2020 has severely impacted the economy of Greater China in which the Group operates. The GDP growth in Mainland China contracted from 6.1% in 2019 to 2.3% in 2020 and the growth rate of consumer goods consumption in 2020 recorded a negative growth of 3.4%. Among the consumer goods, the growth rate of retail value of apparel in 2020 dwindled by 8.1% comparing with 2019. The lockdown of borders between Mainland China and Hong Kong, Macau and Taiwan impacted seriously on the number of tourists visiting these areas. The number of visitors to Macau in 2020 diminished by 85.0% comparing with 2019 and the total visitor expenditure decreased by 78.5% year-over-year ("**yoy**") while the retail value of apparel of Hong Kong contracted 41.3% yoy in 2020.

Against these backdrops, the Group experienced a shrink of 41.6% yoy in revenue in 2020. Of the decrease in revenue of HKD629.3 million, Macau and Mainland China recorded a decrease of HKD486.2 million and HKD123.8 million, or 77.3% and 19.7% of total decrease in revenue, respectively. At present, non-Macau residents are still subject to various travel restrictions and this has significantly deterred visitors from visiting Macau.

In the light of this tough business environment, the Group has been closely monitoring the market conditions and adjusted its business strategies and operations to minimise the negative impact, including proactive cost control measures on merchandise costs, rental expenses and staff costs to ensure that a healthy cashflow position is maintained.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased to HKD884.5 million for 2020, representing a yoy 41.6% decrease. The negative growth rate of revenue of 2020 was mainly due to slowdown of economy in Greater China resulting from the social distancing and the curb on travelling as preventive measures of combating the Pandemic. Both mono-brand stores and multi-brand stores recorded a decrease of 39.5% and 39.3% yoy, respectively while the Group achieved a growth rate of 152.0% over the online sales through different media platforms. Both store management and consignment services and wholesale also recorded a shrinkage of 77.6% and 89.8% yoy, respectively. Notwithstanding the adverse consumption contraction during the Pandemic, the Group managed to increase the average sales floor area from 33,690 m^2 in 2019 to 35,025 m^2 in 2020, mainly in Hong Kong and Taiwan with expectation to capture the rebound of consumption upon the economic recovery and reopening of tourism by the end of the Pandemic. At the same time, the Group streamlined the store portfolio by closing those below average performance or high rental expenses without satisfactory concession from the landlords.

MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of revenue by sales channels:

	2020		2019		
	HKD million	**% of revenue**	HKD million	% of revenue	Change (%)
Retail					
Mono-brand stores	**717.6**	**81.2**	1,186.3	78.4	(39.5)
Multi-brand stores	**143.7**	**16.2**	236.7	15.6	(39.3)
Online sales	**6.3**	**0.7**	2.5	0.1	152.0
	867.6	**98.1**	1,425.5	94.1	(39.1)
Store management & consignment services	**14.4**	**1.6**	64.0	4.3	(77.6)
Wholesale	**2.5**	**0.3**	24.3	1.6	(89.8)
Total	**884.5**	**100.0**	1,513.8	100.0	(41.6)

Movement of number, floor area and same store growth rate of retail stores:

	No. of retail stores				Sales floor area (m^2)						
	As at 31/12/2019	Open	Close	As at 31/12/2020	As at 31/12/2019	Open	Close	As at 31/12/2020	Average	No of same stores	Same store growth %
Macau	64	12	(22)	54	10,290	2,300	(2,763)	9,727	10,059	35	(65.1)
Mainland China	143	27	(34)	136	21,799	4,539	(4,865)	21,473	21,636	96	(10.9)
HK & Taiwan	8	14	(3)	19	1,800	3,419	(359)	4,860	3,330	4	(38.8)
Total/Overall	215	53	(59)	209	33,889	10,258	(7,987)	36,160	35,025	135	(41.7)

Revenue by geographical areas:

	2020		2019		
	HKD million	**% of revenue**	HKD million	% of revenue	Change (%)
Macau	**382.9**	**43.3**	869.1	57.4	(55.9)
Mainland China	**447.7**	**50.6**	571.5	37.8	(21.7)
HK & Taiwan	**53.9**	**6.1**	73.2	4.8	(26.4)
Total	**884.5**	**100.0**	1,513.8	100.0	(41.6)

MANAGEMENT DISCUSSION AND ANALYSIS

Macau

The revenue generated from Macau for 2020 decreased to HKD382.9 million, representing a yoy decrease of 55.9%. The growth rate decelerated from that of 12.2% in 2019, which was mainly attributable to the decline of number of visitors to Macau in 2020 by 78.6% yoy while the total visitor expenditure dropped by 78.5% yoy. The Group managed to adopt proactive marketing strategies like competitive pricing, opening stores in attracting local consumers and active customer marketing to deter the cliff falling and cost-saving measures like closing unsatisfactory stores. As a result of opening 12 stores and closing 22 stores strategically, the Group achieved a lower decrease in revenue of 55.9% yoy comparing with the decrease in same store sales growth of 65.1%.

Mainland China

The revenue generated from Mainland China recorded HKD447.7 million in 2020, representing a yoy decrease of 21.7%. The apparel retail value in first half of 2020 in the PRC decreased 21.7% and recovered in slow pace ranging from 4.4% in August 2020 to 12.1% in October 2020 and then decreased to 1.9% in December 2020. The Group streamlined the store portfolio by retaining good performance stores to prevent loss of customers. As such, the number of same stores increased to 96 in 2020 comparing with 82 in 2019 and achieved a lower negative growth rate of 10.9%. The Group closed 34 stores and opened 27 stores in 2020 with a decrease in average floor area of 2.6% yoy. To meet the pressure on the shrinking demand in our luxury brands, the Group adopted competitive pricing and proactive customer calls to stimulate sales. All in all, the PRC retail revenue dropped 21.7% yoy.

Hong Kong and Taiwan

The revenue generated from the sales in Hong Kong and Taiwan recorded a yoy decrease of 27.7% and 10.1%, respectively. The value of retail sales of apparel in Hong Kong declined by 41.3% yoy in 2020 given the resistance of rent concession and drop of demand significantly during the Pandemic in 2020. The Group opened 8 stores while closed 1 store in Hong Kong during 2020 with an increase of average floor area of 271 m^2, representing 18.4% yoy growth. Taiwan area achieved a low-record of COVID-19 cases and GDP yoy growth rate of 3.1% in 2020 and therefore the Group experienced less impact from the Pandemic. The Group opened 6 stores while closed 2 stores in 2020 to expand our sales network in Taiwan. As such, the Group recorded a 10.1% yoy drop in revenue in 2020 given the number of tourists in 2020 recorded a yoy decrease of 98.2%.

Gross profit

The Group's cost of sales consisted of cost of inventory sold for the fashion apparel and lifestyle products and the cost of store management and consignment services rendered to the brand owners. The cost of sales decreased to HKD488.2 million in 2020, or a yoy decrease of 32.8%, primarily attributable to the decrease in sales.

As such, the gross profit in 2020 decreased by HKD391.6 million, or a yoy decrease of 49.7%, to HKD396.3 million and the gross profit margin decreased from 52.0% in 2019 to 44.8% in 2020. Among the Greater China areas, the gross profit margin of sales in the PRC in 2020 recorded an improvement of 340 basis points to 48.4% mainly due to rebound of sales in the second half of 2020 with less discount offer. The gross profit margins of sales in Macau, Hong Kong and Taiwan recorded a decrease of 1,650 basis points and 760 basis points respectively in 2020 resulting from pricing pressure suffered from the declining demands in these areas.

Other income and other gains and losses, net

The Group had other income of HKD12.1 million in 2020 mainly comprising government grants and subsidy from franchisor on operating loss, representing a yoy increase of 37.9%. The Group recorded net other losses of HKD1.2 million, compared with net other gains of HKD8.9 million in 2019, mainly attributable to increase in net loss on disposal of property, plant and equipment and provision for litigation expenses arising from lease dispute of HKD4.3 million and HKD2.3 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses

Selling and marketing expenses dwindled to HKD423.7 million in 2020, or a 28.9% yoy decrease, primarily due to rental concession received related to COVID-19 of HKD119.1 million and drop of employee benefit expenses of HKD54.2 million.

General and administrative expenses decreased to HKD92.5 million in 2020, or a yoy decrease of 28.2%, primarily due to decrease in listing expenses and employee benefit expenses of HKD25.4 million and HKD6.0 million, respectively.

Finance costs

Net finance costs decreased to HKD24.8 million in 2020, or a yoy decrease of 21.7%. The decrease was mainly due decrease in interest expenses on lease liabilities of HKD3.3 million mainly resulting from decrease in average sales floor area and decrease in interest on bank borrowing of HKD2.8 million mainly resulting from lower average balance of bank borrowing.

Income tax expenses

There were still income tax expenses of HKD2.5 million, albeit of operating loss suffered mainly due to unrecognised tax losses of HKD15.2 million.

(Loss)/profit for the year

The Group recorded a net loss of HKD136.4 million for 2020 comparing with profit of HKD37.8 million in 2019 mainly attributable to the drop in revenue of HKD629.3 million which exceeded the cost saving made in operation.

SEASONALITY

The Group's sales performance is subject to seasonal fluctuations and it normally generates higher revenue during winter season than summer season as winter apparel generally has a higher unit price than summer apparel. The Group records higher revenue in festive seasons such as Christmas and the month before Chinese New Year and the traditional peak season in Mainland China long holidays. Normally revenue recorded in first half and second half of the year are of equal weighting as they have similar festivals and holidays.

FINANCIAL

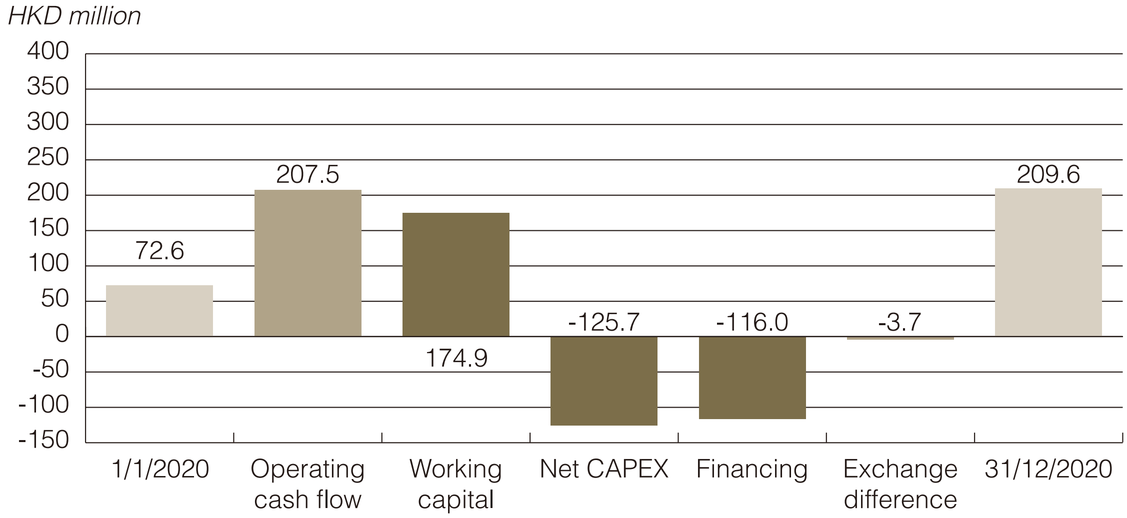
Working capital structure

The Group's net current assets amounted to HKD53.2 million as at 31 December 2020, representing an increase of HKD48.3 million from 31 December 2019. Such increase was primarily the result of the increase in current assets of HKD83.1 million mainly resulting from the increase in restricted cash, term deposits and cash and cash equivalents of HKD214.0 million mainly resulting from the IPO proceeds which were partially offset by the decrease in inventories, trade receivables, prepayment and other receivables and deposit of HKD86.2 million, HKD14.4 million and HKD30.4 million, respectively and offset by the increase in current liabilities of HKD34.8 million which comprised of increase in bank borrowing of HKD105.7 million which was partially offset by the decrease of other current liabilities of HKD70.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial management

The Group strives to maintain a healthy financial position and liquidity for its normal operation, development needs and ad hoc events. As at 31 December 2020, the cash and cash equivalents were HKD209.6 million, representing an increase of HKD137.0 million comparing with those of 31 December 2019, details are as follows:



The Group's current ratio was 1.1 times as at 31 December 2020, compared to that of 1.0 times as at 31 December 2019. The increase in current ratio was mainly attributable to the increase in cash and cash equivalent overweighted the increase in borrowings.

The gearing ratio of the Group, which is calculated as net debt divided by total capital, was 63% as at 31 December 2020 compared to that of 74% as at 31 December 2019.

Pledge of assets

As at 31 December 2020, a building with net book value of HKD61.1 million, restricted cash of HKD24.9 million and the investments in life insurance contract of HKD32.5 million were pledged for a first mortgage, credit loans and credit facilities of bank borrowings, respectively.

CAPITAL COMMITMENT

The Group had no material capital commitment contracted, but not provided for as at year end (2019: Nil).

CONTINGENT LIABILITIES

As of 31 December 2019 and 2020, the Group did not have any material contingent liabilities except pending litigation for which a provision of HKD2.3 million and HKD1.9 million for 2020 and 2019 was made, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK MANAGEMENT

Merchandise purchased by the Group is mainly denominated in Euros, United States Dollars (USD) and Renminbi (RMB) whereas the retail operation is mainly exposed to RMB, Macanese pataca (MOP), New Taiwan Dollars (TWD) and Hong Kong Dollars (HKD). However, the Group did not expect foreign currency fluctuations to materially impact its operation. The Group did not hedge foreign exchange fluctuation by forward contracts. The Group managed the foreign exchange risk by reviewing its net foreign exchange exposures regularly and endeavored to shrink these exposures through reviewing the exchange rates with the suppliers, the brand owners periodically.

OUTLOOK

The outbreak of the Pandemic occurred in Mainland China, Macau, Hong Kong, and others since January 2020 and later spread globally, which, from the Directors' point of view, has and would further hurt the apparel retail market in Greater China.

As disclosed in our 2019 annual report, the Group's business could be adversely affected by the Pandemic and/or other adverse public health developments in Greater China. Such events could severely disrupt the Group's business operations by having a negative impact on consumer sentiment, the macro-economic condition as well as the financial conditions of the stock markets.

With the launch of nationwide COVID-19 vaccination programme in early this year, the Group expect the impact of the Pandemic would diminish and the economy will be recovered later this year. The retail value of apparel in the PRC in February 2021 recorded a yoy growth rate of 53.1% which is an encouraging signal. The Group is looking forward to opening of borders between Mainland China and Macau later this year to boost our sales in Macau previously accounted for half of total revenue.

The Group is committed to implementing the following strategies to cope with the temporary slowdown in retail environment in Greater China and ride on the opportunity of subsequent recovery:

- To adopt progressive marketing approach for loyal customers by offering attractive package and arrangement of visit time to avoid crowdy shopping;
- To review the mix of our brand portfolio and adopt the pricing strategy to meet fast changing demands;
- Streamlining the store portfolio to optimise the store efficiency; and
- To further strengthen its digital marketing and online sales through existing e-shopping platform and group chat via social media.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE LISTING

The shares of the Company (the "**Shares**") were listed on the The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 January 2020 (the "**Listing Date**") and the net proceeds from the global offering of its Shares (the "**Global Offering**") amounted to HKD140.0 million.

As of 31 December 2020, the Company has used approximately 23.0% of the proceeds from the Global Offering and the net proceeds have been utilised in line with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 December 2019 (the "**Prospectus**").

The following sets forth a summary of the utilisation of the net proceeds from the Global Offering as of 31 December 2020:

- approximately 16.9% was used for expanding our retail stores
- approximately 1.2% was used for upgrading our existing retail stores
- approximately 2.6% was used for exploring new brands
- approximately 1.0% was used for the set up and implementation of our Centralised Retail Management System
- approximately 1.3% was used for strengthening of our online sales

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As disclosed in the announcement of the Company dated 15 July 2020 and the 2020 Interim Report of the Company, Fortune Fashion Limited, a direct wholly-owned subsidiary of the Company entered into an agreement to engage in the business of branded cosmetic and skincare products, namely "SwissPro", with the intention of expanding its merchandise portfolio and enhancing the capabilities and profitability of its business operation.

EMPLOYEES AND REMUNERATION POLICIES

The Group adopts a competitive emolument policy to attract, retain and motivate high quality individuals. Remuneration packages were reviewed regularly to reflect the market practice and employees' performance. As at 31 December 2020, the Group employed around 1,273 employees (31 December 2019: 1,564). The total staff costs for 2020 was HKD178.6 million (2019: HKD254.5 million), a yoy decrease of 29.8%.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this report, the Directors are not aware of any significant events related to the business or financial performance of the Group after reporting period.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Fan Wing Ting (范榮庭), aged 65, is the founder, Chairman, Executive Director and Controlling Shareholder of the Group. He was first appointed as a Director on 16 May 2019 and was re-designated as an Executive Director on 26 July 2019. He is also the Chairman of the Group's Nomination Committee. He is primarily responsible for the overall strategic planning and management, administration and overall direction of the Group's business operations.

Mr. Fan has served the Group for over 10 years. Mr. Fan is instrumental in the Group's business expansion and oversaw the integration of its multi-brand store strategy such as *UM, UM Junior* and *WF Fashion* that showcases an assortment of high-end fashion apparel and luxury lifestyle products selected from the Group's collection of international brands, designer labels and its in-house brand *UM*, *UM•IXOX* and *IXOX* apparel products. Under his leadership, the Group continues to expand its brand portfolio and retail network to increase the Group's market presence in Mainland China, Macau, Hong Kong and Taiwan.

Mr. Fan obtained an Individual Dental Practitioner Certificate of the Guangdong Province in the PRC in April 1986. He was admitted as a member of The American Chamber of Commerce in Macau in November 2017.

Mr. Fan is the father of Ms. Fan Tammy and the uncle of Mr. Fong Yat Ming.

Ms. Chen Xingyi (陳幸儀), aged 44, was appointed as an Executive Director on 26 July 2019. Ms. Chen is also the Chief Executive Officer of the Group and a member of the Group's Remuneration Committee. She is responsible for the overall strategic planning, management and administration of the Group's business operations.

Ms. Chen has served the Group for over 10 years. She joined the Group in March 2005 as an operation manager and also as Mr. Fan Wing Ting's secretary at the Shenzhen office of Wide Spread (China) Limited. She was subsequently promoted as the general manager of Shouwei Trading (Shenzhen) Co., Ltd in January 2011 and was further promoted as the chief operating officer of the Group in January 2013. Since January 2016, she has been the Chief Executive Officer of the Group.

Ms. Chen obtained an associate college academic credential in Business English from the Shenzhen Polytechnic (深圳職業技術學院) in the PRC in June 1998. She obtained her Business English Certificate 1 and Business English Certificate 2 from the University of Cambridge Local Examinations Syndicate in October 1996 and in September 1997, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Kevin Trantallis (陳漢榮), aged 46, was first appointed as a Director on 16 May 2019 and was re-designated as an Executive Director, the Chief Financial Officer and the Company Secretary of the Group on 26 July 2019. Mr. Trantallis joined the Group in April 2015 as a finance director of World First Holdings Limited (the "**World First Holdings**"). He is responsible for financial management of the Group's business operations.

Mr. Trantallis has over 15 years of experience in the fashion industry. From May 1996 to April 1999, he was employed at Barro Group Pty. Limited as an assistant accountant in Australia. From April 1999 to April 2001, he worked as a financial analyst at 7-Eleven Stores Pty. Ltd. in Australia. He also worked at Prada Asia Pacific Limited from November 2001 to September 2004, with his last position as a treasury analyst. From September 2004 to February 2011, he worked at Christian Dior Far East Limited initially as a business analyst and was subsequently promoted as a general manager (Guam & Saipan in the United States) in December 2007. From March 2011 to July 2013, he served as an executive officer to the chairman at i.t apparels Limited, a subsidiary of I.T Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 0999). Before joining the Group, he was the head of controlling at Hugo Boss Hong Kong Ltd. from October 2013 to October 2014.

Mr. Trantallis graduated from The University of Melbourne in Australia with a Bachelor of Commerce Degree in March 1996. He subsequently obtained a Master's Degree of Business Administration from The University of Melbourne in Australia in June 2002. In 2007, he further completed his Master's Degree of Arts in Fashion and Textiles (Global Fashion Management) (with credit) from The Hong Kong Polytechnic University. He was admitted as a certified practising accountant of CPA Australia in August 2001 and was admitted as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in July 2004.

Mr. Fong Yat Ming (方日明), aged 35, was appointed as an Executive Director on 26 July 2019. He is responsible for marketing strategy of the Group's business operations.

Mr. Fong has served the Group for over ten years. He joined the Group in August 2007 as an operation assistant of Macau Ieng Nam Limited ("**Macau Ieng Nam**") and was promoted as a senior buyer and a regional manager trainee in September 2009 and in March 2010, respectively. He was further promoted as a regional manager of Macau Ieng Nam in March 2011. Since March 2017, he has been a regional director and acting general manager of Macau Ieng Nam.

Mr. Fong graduated from The University of Nottingham in the United Kingdom with a Bachelor of Arts Degree with honours in Finance, Accounting and Management in July 2007.

Mr. Fong is the nephew of Mr. Fan Wing Ting and the cousin of Ms. Fan Tammy.

Ms. Fan Tammy (范麗君), aged 33, was appointed as an Executive Director on 26 July 2019. She is responsible for business development of the Group's business operations.

Ms. Fan has served the Group for over nine years. She joined the Group in July 2011 as the head of strategy of World First Holdings.

Ms. Fan completed the AEM Business Management Certificate Program from the Cornell University in the United States of America in July 2009. She subsequently obtained a Bachelor of Arts in Economics Degree from the University of Southern California in the United States of America in May 2010. Ms. Fan also completed her Fall 2010 and Spring 2011 semesters in Fashion Marketing from the Parsons School of Design in the United States of America.

Ms. Fan is the daughter of Mr. Fan Wing Ting and the cousin of Mr. Fong Yat Ming.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Chau Kwok Keung (鄒國強), aged 44, was appointed as an Independent Non-executive Director on 17 December 2019. Mr. Chau is the Chairman of the Group's Audit Committee. He is responsible for providing independent advice to the Board.

Mr. Chau joined BetterLife Holding Limited ("**BetterLife**") as its chief financial officer in September 2020 and was appointed as an executive director in December 2020. He is responsible for the overall financial planning and management, company secretarial affairs, coordination of investors relations and administrative work.

Prior to joining BetterLife, Mr. Chau has served as an executive director and the chief financial officer of Comtec Solar Systems Group Limited ("**Comtec Solar**"), a company listed on the Main Board of the Stock Exchange (stock code: 0712) from November 2007 to January 2020 and was the authorised representative and the company secretary of Comtec Solar from June 2008 to May 2020. Mr. Chau was responsible for its corporate financial and general management. He was also appointed as (i) an independent non-executive director and the chairman of the audit committee of Qingdao Port International Co., Ltd., a company dual-listed on the Main Board of the Stock Exchange (stock code: 6198) and the Main Board of the Shanghai Stock Exchange (stock code: 601298) from May 2014 to May 2019; (ii) an independent director of The9 Limited, whose shares are listed by way of American Depository Shares on the NASDAQ (NASDAQ: NCTY) since October 2015; (iii) an independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2779) since October 2017; (iv) an independent non-executive director of China Tobacco International (HK) Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 6055) since December 2018; and (v) an independent director of Bank of Zhangjiakou Co., Ltd* (張家口銀行股份有限公司) since April 2020. He also acted as a member of supervisory board of RIB Software SE (formerly known as RIB Software AG) (symbol: RIB), a software company in Germany, which was listed on the Frankfurt Stock Exchange from May 2010 to June 2013.

Mr. Chau has also served in various positions at China.com Inc. (currently known as Sino Splendid Holdings Limited), a company listed on the GEM of the Stock Exchange (stock code: 8006) from October 2005 to October 2007, including chief financial officer, company secretary, authorised representative and qualified accountant. Prior to joining China.com Inc., he was the deputy group financial controller of China South City Holdings Limited, a company listed on Main Board of the Stock Exchange (stock code: 1668) from August 2003 to April 2005 and the financial controller of Shanghai Hawei New Materials and Technology Company Limited from June 2002 to August 2003. Mr. Chau was employed by Arthur Andersen & Co. initially as an experienced staff accountant and then he was subsequently promoted to be a senior consultant in the Global Corporate Finance Division of Arthur Andersen & Co. in March 2002.

Mr. Chau has been a member of the Association of Chartered Certified Accountants (ACCA) since June 2002, a Chartered Financial Analyst of CFA Institute since September 2003 and a member of Hong Kong Institute of Certified Public Accountants (HKICPA) since July 2005. Mr. Chau also obtained a Certificate of Qualified Independent Director from the Shanghai Stock Exchange since August 2017 and was approved by China Banking Regulatory Commission as qualified director of banking institutions in China since March 2020. Mr. Chau has been a fellow member of the Institute of Public Accountants (IPA) of Australia and the Institute of Financial Accountants (IFA) since June 2020. Mr. Chau received a Bachelor's Degree in Business Administration from The Chinese University of Hong Kong in December 1998.

* *The English translation of the Chinese name of the relevant entity is for identification and reference only*

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu Chun Kau (余振球), aged 48, was appointed as an Independent Non-executive Director on 17 December 2019. He is the Chairman of the Group's Remuneration Committee and a member of the Group's Audit Committee and Nomination Committee. He is responsible for providing independent advice to the Board.

Mr. Yu has over 25 years of experience in the accounting, corporate finance, compliance and auditing. He started his career at a major international accounting firm in 1994 and then worked for various Hong Kong listed companies and multinational corporations as executive director, chief financial officer and company secretary. Mr. Yu has been an independent non-executive director of Ruifeng Power Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2025) since December 2017 and an independent non-executive director of JiaChen Holding Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1937) since December 2019. He is the chief financial officer of Jacobson Pharma Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2633) since January 2019 and has appointed as the Company Secretary since April 2021.

Mr. Yu graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree with first class honours in December 1994. In June 2005, he also obtained a Master of Corporate Governance Degree from The Open University of Hong Kong. Mr. Yu was admitted as a fellow member of The Association of Chartered Certified Accountants in November 2002. He was admitted as a fellow member and was registered as a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in July 2005 and in October 2002, respectively. In March 2007, he was admitted as a senior international finance manager in the International Financial Management Association. In April 2015, he was also admitted as a fellow member of The Institute of Chartered Accountants in England and Wales. In September 2016, he was admitted as both a fellow member of The Hong Kong Institute of Chartered Secretaries and as a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheung Chun Yue, Anthony (張振宇), aged 38, was appointed as an Independent Non-executive Director on 17 December 2019. He is a member of the Group's Audit Committee, Remuneration Committee and Nomination Committee. He is responsible for providing independent advice to the Board.

Mr. Cheung has over 15 years of experience in the finance and asset management industry and had served in renowned institutions, including BNP Paribas, Pictet Asset Management and Gartmore Investment Management.

Mr. Cheung has served as an independent non-executive director of IPE Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0929) since June 2017 and has served as an independent non-executive director of China Shineway Pharmaceutical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2877) since January 2019. He is currently an Executive Council member of The Hong Kong Independent Non-Executive Director Association.

Mr. Cheung graduated from the London School of Economics and Political Science, University of London with a Bachelor of Science in Economics Degree in July 2004 and completed the Postgraduate Certificate in Sustainable Business at the University of Cambridge Institute of Sustainability Leadership (CISL) in June 2020. He also obtained his Diploma in Company Direction from the Hong Kong Institute of Directors (HKIoD) in March 2017 and the Certified European Environmental, Social and Governance Analyst Diploma from the European Federation of Financial Analysts Societies (EFFAS) in March 2018. In September 2019, Mr. Cheung was admitted as a fellow of CPA Australia. He currently serves at the HKIoD as the deputy chairman of the Training Committee. He is also a member of the Board of Governors at Friends of the Earth (HK).

SENIOR MANAGEMENT

Ms. Fung Sze Nga, Dorothy (馮詩雅), aged 42, joined the Group in August 2017 as a Junior Human Resources Director. She is primarily responsible for the human resources and administrative operations of the Group.

Ms. Fung has over 10 years of experience in the human resources field in the apparel industry. From June 2000 to July 2006, she was employed at Giordano Limited, where she initially worked as a trainee and was subsequently promoted as a human resources officer. From July 2006 to February 2008, she worked at Swire Resources Limited, where she initially worked as a human resources officer and was subsequently promoted as a senior human resources officer. Before joining the Group, she worked at i.t apparels Limited, a subsidiary of I.T Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0999) with her last position as a senior human resources manager from February 2008 to July 2017.

Ms. Fung graduated from The Hong Kong University of Science and Technology with a Bachelor of Business Administration Degree in Marketing in November 2000. She subsequently obtained a Diploma in Legal Studies from The University of Hong Kong, School of Professional and Continuing Education in September 2005. In November 2011, she further obtained a Master of Strategic Human Resources Management Degree from Hong Kong Baptist University.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Choi Chin Chung (蔡展忠), aged 46, joined the Group in March 2016 as a senior IT manager. He is primarily responsible for the IT operations of the Group.

Mr. Choi has over 20 years of experience in various IT roles with regional exposure within Asia Pacific. From June 1997 to October 1998, he was employed at Christian Dior Far East Limited, with his last position as an EDP assistant. From October 1998 to January 1999, he worked as an IT support specialist at Bluebell (Asia) Limited. From February 1999 to June 2000, he worked at Louis Vuitton Pacific Limited, with his last position as an IT support specialist. From June 2000 to January 2001, he worked as a consultant at Delirium (HK) Limited.

From February 2001 to November 2001, Mr. Choi worked as a project consultant at Raymark Asia Limited. From September 2002 to May 2005, he worked as an ITM officer at Mercedes-Benz China Limited. From May 2005 to December 2011, he re-joined Christian Dior Far East Limited as an assistant ITM manager. From March 2012 to December 2013, he worked at J. Choo Limited in the United Kingdom as a project manager. Before joining the Group, he served as a business operations manager (Asia) at J.Choo (Asia) Limited from January 2014 to November 2015.

Mr. Choi graduated from The City University of Hong Kong with a Bachelor of Engineering (honours) Degree in Computer Engineering in December 1996. He has been certified as a Project Management Professional (PMP) by Project Management Institute since September 2005 and passed the Information Technology Infrastructure Library (ITIL) Version 3 Foundation Examination in March 2010.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure.

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Company so as to achieve effective accountability.

The Company has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules issued by Stock Exchange.

The Company had complied with the code provisions in the CG Code for the year ended 31 December 2020 except for deviations from CG Code A.1.5, A.1.8 and A.2.7, details are set out below:

- The draft and the final versions of the minutes of board meetings and meetings of board committees have only been circulated to the Chairmen of the meetings for their review and comment;
- The Company has completed the progress of reviewing the quotations and entering into an appropriate Directors' and Officers' Insurance in Mid-2020; and
- The Company did not hold a meeting among the Chairman and the Independent Non-executive Directors without the presence of other Directors during 2020.

To ensure compliance with the CG Code, the following actions have/will be taken:

- To circulate to the Directors the draft and the final versions of the minutes of board meetings and meetings of board committees for their comment and records respectively, within a reasonable time after the meeting;
- The Company has arranged an appropriate Directors' and Officers' Insurance in respect of legal action. The Company will ensure that the insurance policy will be renewed annually; and
- The Company has scheduled a meeting among the chairman and the Independent Non-executive Directors without the presence of other Directors during 2021. The Company will ensure that such meeting will be held annually.

The Company is committed to the objective that the Board should include a balanced composition of Executive Directors and Independent Non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the year ended 31 December 2020.

CORPORATE GOVERNANCE REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 38 of the Notes to the Consolidated Financial Statements, no contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2020 or at any time during the year ended 31 December 2020.

COMPETING INTEREST

For the year ended 31 December 2020, the Directors are not aware of any business or interest of the Directors, the Controlling Shareholders, the management, the shareholders and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters.

The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of eight Directors including five Executive Directors and three Independent Non-executive Directors. The biographical information of the Directors is set out under the section headed "Directors and Senior Management" in this report.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received a confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are considered to be independent pursuant to the Listing Rules.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Fan Wing Ting is the Chairman of the Board and Ms. Chen Xingyi is the Chief Executive Officer of the Company. Mr. Fan Wing Ting is in charge of the management of the Board and strategic planning of the Group. Ms. Chen Xingyi is responsible for the overall business operation and formulating business plans. The Company considered that the division of responsibilities between the Chairman and Chief Executive Officer is clearly established.

Non-executive Director and Independent Non-executive Directors

The Independent Non-executive Directors are appointed for a specific term and they are also subject to the retirement by rotation at least once every three years in accordance with the articles of association of the Company (the "**Articles of Association**").

The three Independent Non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of legal, accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board.

CORPORATE GOVERNANCE REPORT

Directors' Continuous Professional Development

All Directors participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains sound and advances. Directors provide their records of training to the Company from time to time. During the year, all Directors had read materials updating new practices, rules and regulations to keep themselves updated on the roles, functions and duties of a listed company director.

Board Diversity Policy

The Board adopted a Board Diversity Policy on 17 December 2019 (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. The Company believes that it will help strengthen the business development of the Company and enhance the effectiveness and performance of the Board. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Board delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Nomination Committee will review this Board Diversity Policy, as appropriate, to ensure the effectiveness of this Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Board Meetings

The Board intends to hold board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and propose matters to be discussed in the meeting agenda. The Board held a meeting on 23 March 2021 and, amongst other matters, considered and approved the 2020 Consolidated Financial Statements and Independent Auditor's Report.

The attendance record of each Director at the Board meeting and Board Committee meetings of the Company held during the year ended 31 December 2020 and up to the date of this annual report is set out in the table below:

Name of Directors	**Number of attendance**
Executive Directors	
Mr. Fan Wing Ting *(Chairman)*	4/4
Ms. Chen Xingyi *(Chief Executive Officer)*	4/4
Mr. Kevin Trantallis	4/4
Mr. Fong Yat Ming	4/4
Ms. Fan Tammy	4/4
Independent Non-executive Directors	
Mr. Chau Kwok Keung	4/4
Mr. Yu Chun Kau	4/4
Mr. Cheung Chun Yue, Anthony	4/4

General Meetings

One general meeting was held during the period from the Listing Date and up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the website of the Company (www.forward-fashion.com) and the website of the Stock Exchange (www.hkexnews.hk) and are available to the Shareholders upon request.

Audit Committee

The Audit Committee operates under the terms of reference approved by the Board. It is the Board's responsibility to ensure that an effective internal control and risk management framework exists within the entity. This includes internal controls, risk management to deal with both the effectiveness and efficiency of significant business processes, safeguarding of assets, maintenance of proper accounting records, and reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has delegated to the Audit Committee the responsibility for the establishment and the maintenance of a framework of internal controls, risk management and ethical standards for the Group's management. The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. Chau Kwok Keung, Mr. Yu Chun Kau and Mr. Cheung Chun Yue, Anthony and Mr. Chau Kwok Keung is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2020.

During the year ended 31 December 2020, three Audit Committee meetings were held. The attendance record of each member of the Audit Committee is set out in the table below:

Members of the Audit Committee	Number of attendance
Mr. Chau Kwok Keung *(Chairman)*	3/3
Mr. Yu Chun Kau	3/3
Mr. Cheung Chun Yue, Anthony	3/3

Remuneration Committee

The primary duties of the Remuneration Committee are to (i) develop and review the policies and the structure of the remuneration for the Directors and senior management; (ii) evaluate the performance of, and make recommendations on the remuneration packages and long-term incentive compensation or equity plans for, the Directors and senior management; and (iii) evaluate and make recommendations on employee benefit arrangements.

During the year ended 31 December 2020, two Remuneration Committee meeting was held. The attendance record of each member of the Remuneration Committee is set out in the table below:

Members of the Remuneration Committee	Number of attendance
Mr. Yu Chun Kau *(Chairman)*	2/2
Ms. Chen Xingyi *(Chief Executive Officer)*	2/2
Mr. Cheung Chun Yue, Anthony	2/2

CORPORATE GOVERNANCE REPORT

Nomination Committee

The primary functions of the Nomination Committee are to make recommendations to the Board in relation to the appointment and removal of Directors and senior management and on matters of succession planning. In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge, reputation and gender. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2020, one Nomination Committee meeting was held. The attendance record of each member of the Nomination Committee is set out in the table below:

Members of the Nomination Committee	**Number of attendance**
Mr. Fan Wing Ting *(Chairman)*	1/1
Mr. Yu Chun Kau	1/1
Mr. Cheung Chun Yue, Anthony	1/1

Nomination Policy

The Board has on 31 March 2020 adopted a Nomination Policy in accordance with the CG Code, which sets out the procedure for the election, appointment and re-appointment of Directors (the "**Nomination Policy**"). The Nomination Policy specifies certain selection criteria and the Board succession planning consideration.

The Nomination Policy is reproduced as follows.

1. In carrying out its duties, the Nomination Committee shall give adequate consideration to the following principles:

   (a) in relation to Board composition – the Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. It should include a balanced composition of Executive and Independent Non-executive Directors so that there is a strong independent element on the Board and independent judgment can be effectively exercised. Independent Non-executive Directors should be of sufficient calibre and number for their views to carry weight; and

   (b) in relation to appointment, re-election and removal of Directors – there should be a formal, considered and transparent procedure for selection, appointment and reappointment of Directors, as well as plans in place for orderly succession for appointments (if considered necessary). It should ensure that changes to the Board composition can be managed without undue disruption. All Directors should be subject to reelection at regular intervals in accordance with the Articles of Association.

CORPORATE GOVERNANCE REPORT

2. The criteria to be applied in considering whether a candidate is qualified shall be his/her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board (which includes but not limited to diversity in gender, age, experience, cultural and educational background, expertise, skills and know-how) as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

   (a) participating in Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

   (b) taking the lead where potential conflicts of interests arise as Independent Non-executive Directors;

   (c) serving on the Audit, Remuneration, Nomination and other governance committees, if invited;

   (d) giving the Board and any committees on which he/she serves the benefit of his/her skills, expertise, varied backgrounds and qualifications through attendance and participation;

   (e) monitoring or scrutinising the Company's performance in achieving agreed corporate goals and objectives;

   (f) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate; and

   (g) if the candidate is proposed to be appointed as an Independent Non-executive Director, his/her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

Director Nomination Procedure

Subject to the provisions of the Articles of Association and the Listing Rules, if the Board determines that an additional or replacement Director is required, the Nomination Committee will deploy multiple channels for identifying suitable candidates, including referral from Directors, the Shareholders, management, advisors of the Company and external executive search firms.

Where a retiring Director, being eligible, offers himself/herself for re-election, the Nomination Committee will consider and, if appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to the Shareholders prior to a general meeting in accordance with the Listing Rules.

Shareholders of the Company may nominate a person to stand for election as a Director at a general meeting in accordance with the Articles of Association and applicable laws and regulations. The procedures for such proposal are stated on page 26 of this annual report.

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the Independent Auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 47 to 53 of this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy which stated that in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder's value. The Board may determine and pay to the Shareholders such interim dividends as it considers appropriate and recommend the payment of final dividends which are required to be approved by the Shareholders of the Company in general meetings.

In determining/recommending the frequency, amount and form of any dividend in any financial year/period, the Board shall consider the following factors:

- the actual and expected financial performance of the Group;
- economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;
- the Group's business strategies and operations, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;
- the current and future liquidity position and capital requirements of the Group; and
- any other factors that the Board deems appropriate.

The Company does not have any pre-determined dividend payout ratio.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid or payable to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit and non-audit services provided to the Group for the year ended 31 December 2020 is set out below:

Services rendered	**Service Category Fees Paid/Payable** HKD'000
Audit service	2,556
Non-audit Services	286

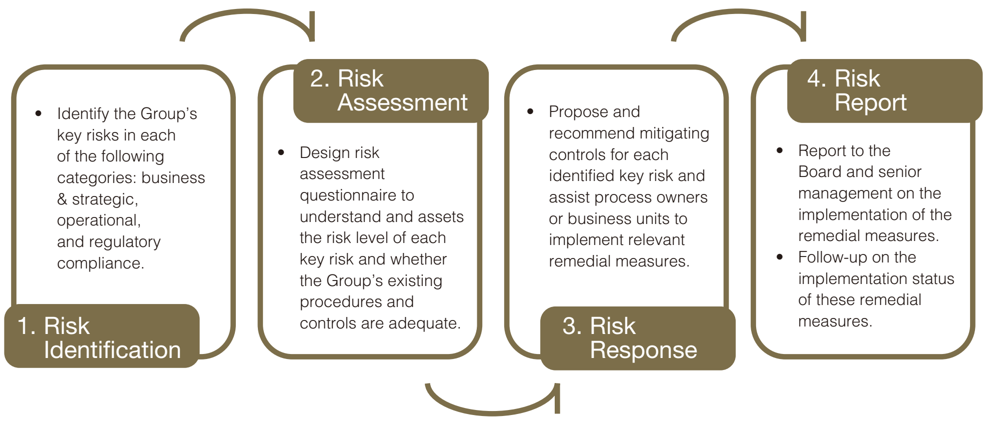
The non-audit services mainly include professional services on consultation services on employee stock ownership plans.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

A sound and effective system of risk management and internal control is designed to achieve the Group's strategic objectives and safeguard shareholder investments and the Group's assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve strategic objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board acknowledges its responsibility to establish, maintain, and review the effectiveness of the Group's risk management and internal control systems, where management is responsible for the design and implementation of the risk management and internal control systems to manage risk. With the support from the Audit Committee, the Board monitors the Group's risk exposures, oversees the actions of management and monitors the overall effectiveness of the risk management and internal control systems on an ongoing basis. Management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal control. Policies and procedures form the basis and set forth the control standards required for functioning of the Group's business entities. These policies and procedures covered various aspects, including operations, finance & accounting, human resources, regulatory & compliance, delegation of authority, etc.



An annual enterprise-wide risk assessment has been performed to evaluate the nature and extent of the risks to which the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified a number of key risks that may impact the Group's strategic objectives in responding to the changes in the business and external environment. These risks are prioritised according to the likelihood of their occurrence and the significance of their impact on the business of the Group.

INTERNAL AUDIT

The Group has engaged Internal Audit Function which reports to the Audit Committee. The Internal Audit Function is independent from operation management in performing internal audit reviews. Audits are conducted according to the internal audit plan approved by the Audit Committee to review the Group's major operational, financial, compliance and risk management controls. During the process of the internal audits, the Internal Audit Function will identify internal control deficiencies and weaknesses and proposed recommendations for improvements. Internal audit findings and control deficiencies are communicated to Internal Audit Function and the management, who is responsible for ensuring the deficiencies are rectified within a reasonable period. A follow-up review is also performed to ensure the remedial actions are implemented.

CORPORATE GOVERNANCE REPORT

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard shareholder investments and the Group assets. For the year ended 31 December 2020, the Board along with the Audit Committee has conducted a comprehensive review of the Company's risk management and internal control systems. The review has covered the fiscal year of 2020 and all material controls, including operational, financial and compliance controls, and considered the changes in the nature and extent of significant risks as well as the Company's ability to respond to changes in its business and the external environment. The Board considers that the Company has complied with the risk management and internal control provisions of the CG Code, and considers such systems are effective and sufficient. The Board has also reviewed the resources of accounting, internal audit and financial reporting functions, staff qualifications and experience, training programs and related budgets, as well as procedures related to financial reporting and compliance with the Listing Rules, and considered them effective and sufficient.

INSIDE INFORMATION

The Group is aware of its obligation under relevant sections of the Securities and Futures Ordinance and Listing Rules. The Company has implemented procedures and internal controls for the handling and dissemination of inside information, including:

- having its own procedures in place to preserve the confidentiality of price-sensitive and/or inside information relating to the Group;
- communicating such procedures to all Directors, senior management and relevant employees who are likely to have access to price-sensitive and/or inside information, and reminding them from time to time that they are required to comply with such procedures; and
- conducting its affairs with close regard to the disclosure requirement under the Listing Rules and the related guidance.

COMPANY SECRETARY

Mr. Kevin Trantallis, who is the Company Secretary of the Company, reports directly to the Board and is responsible for, inter alia, providing updated and timely information to all Directors from time to time. During the year ended 31 December 2020, he has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings and other extraordinary general meetings.

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The website of the Company (www.forward-fashion.com) provides comprehensive and accessible news and information of the company to the Shareholders, other stakeholders and investors. The Company will also update the website information from time to time to inform the shareholders and investors of the latest development of the Company.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the website of the Company and the website of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 58 of the Articles of Association, any one or more 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 written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board shall fail to proceed to convene such meeting 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 to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or Companies Law of the Cayman Islands for the Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

CORPORATE GOVERNANCE REPORT

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, the Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Suite 1204, 12/F., Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. (For the attention of the Board of Directors)

Email: ir@forward-fashion.com

For the avoidance of doubt, the Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CONSTITUTIONAL DOCUMENTS

During the year, there have been no changes to the constitutional documents of the Company.

REPORT OF THE DIRECTORS

The directors of the Company (the "**Directors**") are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and it subsidiaries (together the "**Group**") are principally engaged in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands through our multi-brand and multi-store business model in Mainland China, Macau, Hong Kong and Taiwan. Particulars of the principal subsidiaries of the Company are set out in Note 42 to the consolidated financial statements respectively.

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

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statements of profit or loss and the consolidated statements of comprehensive income on pages 54 to 55.

DIVIDEND

The board of the Company (the "**Board**") does not recommend the declaration of a final dividend for the year ended 31 December 2020 (2020 interim dividend (in lieu of a final dividend): Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Thursday, 24 June 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Friday, 18 June 2021 to Thursday, 24 June 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 17 June 2021.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in the section headed "Message from the Chairman" as well as the section headed "Management Discussion and Analysis" of this report respectively. Discussions on the Group's relationships with its key stakeholders are also set out in the section headed "Message from the Chairman" of this report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material respects with the applicable laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its adverse environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

The environment, social and governance report of the Company for the year ended 31 December 2020 containing the information required under Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") will be published on the website of the Company and the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in accordance with the provisions of the Listing Rules.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past five years ended 31 December 2020 are set out on page 138 of this report.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 26 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity, Note 27 and Note 41 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 December 2020, the reserves of the Company available for distribution to the shareholders of the Company amounted to approximately HKD264 million (2019: HKD239 million).

RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with the relevant rules and regulations in the Mainland China, Macau, Hong Kong and Taiwan.

TAX RELIEF AND EXEMPTION

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements has been entered into by the Company during the year ended 31 December 2020 or subsisted at the end of the year.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors
Mr. Fan Wing Ting *(Chairman)*
Ms. Chen Xingyi *(Chief Executive Officer)*
Mr. Kevin Trantallis
Mr. Fong Yat Ming
Ms. Fan Tammy

Independent Non-executive Directors
Mr. Chau Kwok Keung
Mr. Yu Chun Kau
Mr. Cheung Chun Yue, Anthony

EMOLUMENTS POLICY

The Group remunerates its employees, including the Directors, on the basis of their merit, qualifications and competence. The Group's employees are subject to regular job performance reviews which determine their promotion prospects and compensation. Subject to the Group's profitability, the Group may also provide discretionary bonuses to its employees as an incentive for their contribution to the Group.

Details of the remuneration of the Directors for year ended 31 December 2020 are set out in Note 39 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors and Independent Non-executive Directors, has entered into a service contract or an appointment letter with the Company for a term of three years, commencing from the Listing Date until terminated by enter party giving not less than three months' notice in writing to the other. All of them are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Memorandum of Association. Their emoluments were determined by the Board by reference to their experience, responsibilities and duties with the Company and shall be reviewed annually by the Remuneration Committee.

DIRECTOR' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this report, the Directors are not aware of any business or interest of Directors (other than the Independent Non-executive Directors) nor controlling shareholder of the Company nor any of their respective associates (as defines in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Memorandum of Association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") pursuant to the written resolutions of the Company's shareholders and Directors passed on 17 December 2019 which took effect upon on 13 January 2020 (the "**Listing Date**"). The following is a summary of the principal terms of the Share Option Scheme:

1. *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide an incentive or reward for the Grantees (as defined below) for their contribution or potential contribution to the Group.

2. *Participants of the Share Option Scheme and the basis of determining the eligibility of the participants*

The Board may, subject to and in accordance with the provisions of the Share Option Scheme and the Listing Rules, at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including Directors) of the Company or any of its subsidiaries, and any suppliers, customers, consultants, agents and advisors who, in the sole opinion of the Board has contributed or will contribute to the Group (collectively, the "**Eligible Participants**") and whom the Board may in its absolute discretion select and subject to such conditions as it may think fit.

3. *Life of the Share Option Scheme*

The Share Option Scheme shall be valid and effective for a period ending on the tenth anniversary of the Listing Date (the "**Scheme Period**"), after which time no further option will be granted, but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

4. *Grant of options*

(a) Making of offer

An offer shall be made to an Eligible Participant by an offer document in such form as the Board may from time to time determine (the "**Offer Document**"), requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

(b) Acceptance of offer

An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Eligible Participant (the "**Grantee(s)**") and to have taken effect upon the issue of an option certificate after the duplicate Offer Document comprising acceptance of the option duly signed by the Grantee, together with a remittance in favour of the Company of HKD1.00 by way of consideration for the grant of the option is received by the Company on or before the last day for acceptance set out in the Offer Document. The remittance is not in any circumstances refundable and shall be deemed as part payment of the Exercise Price (as defined below). Once accepted, the option is granted as from the date on which it was offered to the Grantee (the "**Offer Date**").

REPORT OF THE DIRECTORS

(c) Restrictions on time of grant

(i) No grant of options shall be made after any inside information has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

(1) the date of the Board meeting as shall have been notified to the Stock Exchange for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the actual date of the results announcement for such year, half year, quarterly or interim period (as the case may be). The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(3) For so long as the shares of the Company (the "**Share(s)**") are listed on the Stock Exchange, no options may be granted to a Director on any day which financial results of the Company are published and:

(4) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(5) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year.

(d) Grant to connected persons

Any grant of options to a connected person must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is also a proposed Grantee (as defined below) of the options, the vote of such independent non-executive Director shall not be counted for the purposes of approving the grant).

REPORT OF THE DIRECTORS

(e) Grant to substantial shareholders and independent non-executive directors

Without prejudice to sub-paragraph 4(c) above, any grant of options to a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates shall be subject to, in addition to the approval of the Company's independent non-executive Directors in sub-paragraph (d) above, the issue of a circular by the Company to its shareholders and the approval of the Company's shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) under the Share Option Scheme or any other scheme in the twelve (12) month period up to and including the Offer Date:

(i) would represent in aggregate more than 0.1%, or such other percentage as may from time to time be provided under the Listing Rules, of the Shares in issue on the Offer Date; and

(ii) would have an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date, in excess of HKD5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

(f) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under sub-paragraph 4(e) above, the Grantee, his associates and all core connected persons of the Company must abstain from voting. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the Articles and the relevant provisions of the Listing Rules.

(g) Performance target

The Board has the discretion to require a particular Grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There is no specific performance targets stipulated under the terms of the Share Option Scheme and the Board currently has no intention to set any specific performance targets on the exercise of any options granted or to be granted under the Share Option Scheme.

5. *Exercise price*

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "**Exercise Price**") shall, subject to any adjustment pursuant to paragraph 7 below, be determined by the Board in its sole discretion but in any event shall be at least the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(iii) the nominal value of a Share;

provided that for the purpose of determining the Exercise Price under sub-paragraph 5(ii) above where the Shares have been listed on the Stock Exchange for less than five business days preceding the Offer Date, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each business day falling within the period before the listing of the Shares on the Stock Exchange.

REPORT OF THE DIRECTORS

6. *Maximum number of Shares available for subscription*

(a) Scheme limit

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue upon Listing upon Listing (the "**Scheme Limit**"). For the purpose of calculating the Scheme Limit, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(b) Renewal of scheme limit

The Company may seek approval by the Company's shareholders in general meeting for renewing the Scheme Limit provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of the Company under the Scheme Limit as renewed from time to time must not exceed 10% of the total number of Shares in issue as at the date of the Company's shareholders' approval. Options previously granted under the Share Option Scheme, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed. For the purpose of seeking the approval of the Company's shareholders under this sub-paragraph 6(b), a circular containing the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to the Company's shareholders.

(c) Grant of options beyond scheme limit

The Company may seek separate approval by the Company's shareholders in general meeting for granting options beyond the Scheme Limit provided that the options in excess of the Scheme Limit are granted only to Eligible Participants who are specifically identified by the Board before such approval is sought.

For the purpose of seeking the approval of the Company's shareholders under this sub- paragraph (6)(c), the Company must send a circular to the Company's shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

REPORT OF THE DIRECTORS

(d) Maximum number of Shares issued pursuant to the Share Option Scheme

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted under any schemes of the Company or subsidiaries if such grant will result in this 30% limit being exceeded.

(e) Grantee's maximum holding

Unless approved by the Company's shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his options during any twelve (12) month period up to the Offer Date exceed 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any twelve (12) month period up to and including the date of such further grant exceed 1% of the total number of Shares in issue, such further grant must be separately approved by the Company's shareholders in general meeting with such Grantee and his close associates (or associates if the Grantee is a connected person) abstaining from voting. The Company must send a circular to the Company's shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Exercise Price) of the options to be granted to such Grantee must be fixed before the Company's shareholders' approval. The date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Exercise Price.

(f) Adjustment

The number of Shares subject to the Share Option Scheme shall be adjusted in such manner as the Company's independent financial advisor shall certify to the Board to be appropriate, fair and reasonable in accordance with paragraph 7 below but in any event shall not result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and the other schemes exceed the limit set out in sub-paragraph 6(d).

REPORT OF THE DIRECTORS

7. *Capital restructuring*

(a) Adjustment of options

In the event of any capitalisation issue, rights issue, open offer (if there is a price dilutive element), sub-division or consolidation of Shares, or reduction of capital of the Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

(i) the number of Shares subject to any outstanding option;

(ii) the Exercise Price; and/or

(iii) the number of Shares subject to the Share Option Scheme;

as the approved independent financial advisor shall at the request of the Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable provided that any such alterations shall be made on the basis that a Grantee shall have as near as possible the same proportion of the equity capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all the issuers relating to share option scheme) as that to which the Grantee was previously entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate Exercise Price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustment to the Exercise Price and number of Shares should be made to the advantage of the Eligible Participants without specific prior approval of the Company's shareholders.

(b) Independent financial advisor confirmation

On any capital reorganisation, independent financial advisor shall certify in writing to the Board that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes and/or such other requirement prescribed under the Listing Rules from time to time.

8. *Cancellation of options*

Any cancellation of options granted but not exercised must be approved in writing by the Grantees of the relevant options. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph 9. Where the Company cancels options, the grant of new options to the same Grantee may only be made under the Share Option Scheme within the limits set out in sub-paragraphs 6(a), 6(b), and 6(e).

9. *Assignment of options*

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or attempt to do so (except that the Grantee may nominate a nominee, in whose name the Shares issued pursuant to the Share Option Scheme may be registered).

REPORT OF THE DIRECTORS

10. *Rights attached to the Shares*

Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of issue. Accordingly, such Shares will entitle the holders to have the same voting, dividend, transfer and other rights, and to participate in all dividends or other distributions paid or made on or after the date on which the allottee is registered as a member (the "**Registration Date**") other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until completion of registration of the Grantee or his nominee as the holder of such Share on the register of members of the Company.

Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

11. *Exercise of options*

Unless otherwise provided in the respective Grantee's Offer Document, an option may be exercised by a Grantee at any time or times during the period notified by the Board during which the Grantee may exercise his option(s) (the "**Option Period**") provided that:

(a) in the event of the Grantee ceasing to be an Eligible Participant for any reason other than his death, ill-health, injury, disability or the termination of his relationship with the Company and/or any of its subsidiaries on one or more of the grounds specified in sub-paragraph 12(v) below, the Grantee may exercise the option up to his entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of thirty (30) days (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a Grantee who is an Eligible Participant by reason of his employment with the Company or any of its subsidiaries, the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not);

(b) in the case of a Grantee ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of its subsidiaries under sub-paragraph 12(e) has occurred, the Grantee or the personal representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise his option in full (to the extent not already exercised);

(c) if a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), the Company shall use its best endeavours to procure that such offer is extended to all the Grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them as Shareholders). If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes, or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within fourteen (14) days after the date on which such general offer becomes or is declared unconditional;

REPORT OF THE DIRECTORS

(d) if a compromise or arrangement between the Company and the Company's shareholders and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Law, the Company shall give notice thereof to all the Grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to Shareholders and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to noon (Hong Kong time) on the Business Day immediately preceding the date of the general meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there is more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension; and

(e) in the event a notice is given by the Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees and thereupon, each Grantee (or in the case of the death of the Grantee, his personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already lapsed or exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid.

REPORT OF THE DIRECTORS

12. *Lapse of options*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of the periods referred to in sub-paragraphs 11(b) to (e) above;

(iii) the date of the commencement of the winding-up of the Company in respect of the situation contemplated in sub-paragraph 11(e);

(iv) the date the scheme or compromise referred to in sub-paragraph 11(d) above becomes effective;

(v) the date on which the Grantee ceases to be an Eligible Participant by reason of his resignation or dismissal, or by reason of the termination of his relationship with the Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of the Company and/or any of its subsidiaries (if so determined by the Board) on any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of the Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;

(vi) the date that is thirty (30) days after the date on which a Grantee is terminated by the Company and/or any of its subsidiaries by reasons other than termination of employment on grounds under sub-paragraph 12(v);

(vii) the date on which a Grantee commits a breach of paragraph 9 above or the options are cancelled in accordance with paragraph 8 above; or

(viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Document, if any.

REPORT OF THE DIRECTORS

13. *Alteration of the Share Option Scheme*

The terms and conditions of the Share Option Scheme and the regulations for the administration and operation of the Share Option Scheme may be altered in any respect by resolution of the Board except that:

(a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be), in respect of matters contained in Rule 17.03 of the Listing Rules, including without limitation, the definitions of "Eligible Participant", "Expiry Date", "Grantee" and "Option Period" contained in the Share Option Scheme; or

(b) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme), or any change to the authority of the Board in respect of alternation of the Share Option Scheme, must be made with the prior approval of the Company's shareholders in general meeting at which any persons to whom or for whose benefit the Shares may be issued under the Share Option Scheme and their respective associates shall abstain from voting provided that no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with:

(i) the consent in writing of the Grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or

(ii) the sanction of a special resolution.

Written notice of any alterations made in accordance with this paragraph shall be given to all Grantees.

14. *Termination*

The Company may by ordinary resolution in general meeting or the Board at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered or granted. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year set out in Note 38 to the financial statements included transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied with.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Group had entered into the following continuing connected transactions:

Cooperation Services Agreement

Name of related party	Nature of transaction	**2020** **HKD'000**	2019 HKD'000
Sao Hang Investment Company Limited (首恒投資有限公司) ("**Sao Hang Investment (Macau)**")	Provision of retail stores and management services to the Group in Macau	**11,247**	22,385
Total transaction amount		**11,247**	22,385

The Directors confirm that the service fees payable to Sao Hang Investment (Macau) are on normal commercial terms or better to the Group and are determined after arm's length negotiations.

Sao Hang Investment (Macau) is a company incorporated in Macau which is principally engaged in the operation of shopping malls in Macau and is owned as to 96% by Mr. Fan and 4% by Ms. Fan Po Yuk, the sister of Mr. Fan. Mr. Fan is an Executive Director and the Controlling Shareholder. By virtue of Mr. Fan holding over 30% interest in Sao Hang Investment (Macau), Sao Hang Investment (Macau) is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

Renovation Services Agreement

Name of related party	Nature of transaction	**2020** **HKD'000**	2019 HKD'000
SJ Synergy Engineering Company Limited (晟杰工程有限公司) ("**SJ Synergy Engineering**")	Provision of fitting-out services to the Group in Macau	**1,369**	16,264
SJ Synergy Holdings Limited (晟杰集團有限公司) ("**SJ Synergy Holdings**")	Provision of fitting-out services to the Group in Hong Kong	**63**	1,308
Total transaction amount		**1,432**	17,572

The Directors considered that the transactions have been arrived at after arm's length negotiation and that the terms of the transactions are fair and reasonable and in the interest of the Company and the shareholders as a whole.

REPORT OF THE DIRECTORS

SJ Synergy Engineering is a limited company incorporated in Macau which is principally engaged in the provision of fitting-out works and is owned as to 96% by Mr. Fan Rongxiong, the brother of Mr. Fan, and 4% by Ms. Zhang Xiaoming, the spouse of Mr. Fan Rongxiong. Mr. Fan is an Executive Director and the Controlling Shareholder. By virtue of Mr. Fan Rongxiong holding over 50% interest in SJ Synergy Engineering, SJ Synergy Engineering is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

SJ Synergy Holdings is a limited company incorporated in Hong Kong which is principally engaged in the provision of fitting-out works and is owned as to 100% by Mr. Fan Rongxiong, the brother of Mr. Fan. Mr. Fan is an Executive Director and the Controlling Shareholder. By virtue of Mr. Fan Rongxiong holding over 50% interest in SJ Synergy Holdings, SJ Synergy Holdings is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

Review of Continuing Connected Transactions

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) on normal commercial terms or better; and (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

One-off Transactions

The following transactions have been entered into by the Group which constitute one-off transactions prior to the Listing.

Tenancy Agreement

Name of related party	**Term of lease agreements**	**Monthly rent**	**Annual rent**
Office Tenancy Agreement			
Mr. Fan and Ms. Cheng King Ling	1/2/2019 – 31/1/2024	RMB159,130	RMB1,909,560
Warehouse Tenancy Agreement			
Ms. Cheng King Ling	1/3/2015 – 28/2/2020	RMB12,140	RMB145,680
	29/2/2020 – 28/2/2023	RMB10,117	RMB121,404

The Directors confirmed that the rents in respect of the above tenancy agreements (the "**Tenancy Agreements**") have been determined after arm's length negotiations between the parties with reference to the then prevailing market conditions and rental rate of similar properties in the vicinity. In this connection, the Company has engaged an independent property valuer, to assess the fairness of the rent and the terms of the Tenancy Agreements. The independent property valuer is of the opinion that the terms of the Tenancy Agreements (including rental and duration) are fair and reasonable and the rents payable thereunder reflected the prevailing market rate as at the date of commencement of the respective tenancy agreement.

Mr. Fan is the Company's Executive Director and Controlling Shareholder, and Ms. Cheng is the spouse of Mr. Fan. As such, each of Mr. Fan and Ms. Cheng is a connected person of the Company under Chapter 14A of the Listing Rules.

In accordance with IFRS 16 "Leases", the Group has recognised the value of the right-of-use assets on its balance sheet in connection with the transactions contemplated under the Tenancy Agreements, as such, the transactions contemplated thereunder would be regarded as acquisitions for the purposes of the Listing Rules.

REPORT OF THE DIRECTORS

The transactions contemplated under the Tenancy Agreements are one-off transactions entered into by Shenzhen Shouwei prior to Listing. Such transaction will not, following the Listing, constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules, and will not be subject to further requirements under the Listing Rules. The Group will comply with the relevant requirements under Chapter 14A of the Listing Rules should there be any material change to the terms thereof if the Group enters into any other connected transaction in relation thereto after the Listing.

OTHER INFORMATION

Disclosure of Interests

Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange were as follows:

Name of Director	**Nature of interest**	**Number of Shares held/ interested**	**Approximately percentage of shareholding in the Company**
Mr. Fan Wing Ting ("**Mr. Fan**") *(Note 1)*	Interest in controlled corporation	300,000,000	75%

Note:

1. Mr. Fan owns the entire issued share capital of Gold Star Fashion Limited and he was deemed to be interested in the 300,000,000 Shares held by Gold Star Fashion Limited by virtue of the SFO.

REPORT OF THE DIRECTORS

Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

So far as the Directors and chief executive of the Company are aware, as at 31 December 2020, the following shareholders of the Company (other than the interests of the Directors and the chief executives of the Company) had interests in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Shareholders	Capacity/Nature of interest	Number of Shares held/ interested	Approximately percentage of shareholding in the Company
Gold Star Fashion Limited *(Note 1)*	Beneficial owner	300,000,000	75%
Ms. Cheng King Ling *(Note 2)*	Interest of spouse	300,000,000	75%

Notes:

1. Mr. Fan owns the entire issued share capital of Gold Star Fashion Limited.

2. Ms. Cheng King Ling is the spouse of Mr. Fan. Therefore, she is deemed to be interested in all the 300,000,000 Shares in which Mr. Fan has interest in under the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the year ended 31 December 2020, neither the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company has been entered into or existed during the year ended 31 December 2020.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group acknowledges the importance to maintain good relationship with its employees and customers for the achievement of its short-term and long-term business objectives.

For the year ended 31 December 2020, there was no serious and material dispute between the Group and its employees, customers and suppliers.

REPORT OF THE DIRECTORS

MAJOR SUPPLIERS AND CUSTOMERS

The Group's customers are primarily retail customers in Greater China. None of the Group's customers accounted for 5% or more of the Group's total revenue for the year ended 31 December 2020 and the Group did not rely on any single customer.

During the year ended 31 December 2020, the Group's largest supplier and five largest suppliers accounted for 25.2% (2019: 19.7%) and 58.1% (2019: 63.5%) of the Group's total purchases respectively. None of the Directors or any of their respective associates or any shareholder which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers during the year ended 31 December 2020.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company or any of its subsidiaries was a party and in which any controlling shareholders had a material interest subsisted at the end of the year or at any time during the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

USE OF PROCEEDS FROM THE LISTING

Details of the use of proceeds from the Listing is set out in the section headed "Management Discussion and Analysis – Use of Proceeds" of this report.

CHARITABLE DONATION

During the year ended 31 December 2020, the Group did not made any charitable donation (2019: HKD1.3 million).

CORPORATE GOVERNANCE

Save as disclosed in the Corporate Governance Report, the Company had complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 of the Listing Rules during the year ended 31 December 2020.

Details of the corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section of this report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float as required under the Listing Rules.

REPORT OF THE DIRECTORS

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Mr. Chau Kwok Keung, Mr. Yu Chun Kau, Mr. Cheung Chun Yue, Anthony. Mr. Chau Kwok Keung is the chairman of the Audit Committee. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2020.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. Fan Wing Ting
Chairman

Hong Kong, 23 March 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Forward Fashion (International) Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What We Have Audited

The consolidated financial statements of Forward Fashion (International) Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 137, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss 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 statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). 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 International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT

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:

- Valuation of inventories
- Impairment of property, plant and equipment and right-of-use assets
- Acquisition of the SwissPro brand

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of inventories	
Refer to Critical Estimates and Judgements in Note 4.1(a) and Note 18 "Inventories" to the consolidated financial statements. As at 31 December 2020, the net inventory balance was HKD297,674,000 which represented approximately 23.3% of the Group's total assets. As described in the Accounting Policies in Note 2.13 to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value. Management determined the net realisable value of the inventories based upon the ageing analysis of the inventories focusing on seasonality and market conditions, which involved significant management judgement and was difficult to estimate in the apparel industry. We focused on the evaluation of management's valuation assessment of inventories because of the significant balance of the Group's inventories, and the fact that the estimation of net realisable value is subject to high degree of estimation uncertainty. The inherent risk in relation to the valuation of inventories is considered significant due to subjectivity of significant assumptions used.	Our procedures in relation to management's valuation assessment of inventories included: • Understood and evaluated the management's internal control and assessment process of valuation of inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Tested on a sample basis, the inventory items categorised into different seasons of the year to gain comfort over the categorisation and ageing of inventory, and recalculated the mathematical accuracy of the provision percentage applied; • Assessed the reasonableness of the provisions by challenging management's projections on current trends and demand for the remaining inventories, with reference to historical sales experience. We also assessed the reasonableness of the inventory provisions by comparing inventory items to actual post year end sales, on sample basis. Based on the procedures performed, we considered the management's judgement in estimating the valuation of inventories at 31 December 2020 to be supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment and right-of-use assets	
Refer to Accounting policies Note 2.8 and Note 2.26, Critical estimates and judgements in Note 4.1(b), Note 13 "Property, plant and equipment" and Note 14 "Right-of-use assets" to the consolidated financial statements. As at 31 December 2020, the Group had property, plant and equipment and right-of-use assets of HKD141,369,000 and HKD285,421,000 which represented approximately 11.0% and 22.3% of the Group's total assets, respectively. The Group has material operational leasehold improvements and right-of-use assets used in the retail stores which are subject to impairment test when there are impairment indicators, including when trading performance of the retail stores is below expectation. The Group considered each retail store to be a cash generating unit ("CGU") and determined the recoverable amount of a CGU using the value in use model. Value in use was calculated by preparing discounted cash flows for the CGU, which involved significant management judgement with respect to the assumptions used including revenue growth rates, gross margins and store costs such as rent, employment costs and general operating costs and the discount rate. We focused on the evaluation of management's impairment assessment of property, plant and equipment and right-of-use assets due to the size of the Group's property, plant and equipment and right-of-use assets and the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment of property, plant and equipment and right-of-use assets is considered significant due to subjectivity of significant assumptions used.	Our procedures in relation to management's impairment assessment of property, plant and equipment and right-of-use assets included: • Understood and evaluated management's key controls over the Group's impairment assessment; • Challenged the appropriateness of the impairment indicators set by management based on our knowledge of the business and market information; • Discussed with management the possibility that the retail stores within expectation may be subject to impairment loss and corroborated management's position by comparing to the historical performance of these retail stores and understanding of their business plan; • Checked, on a sample basis, whether retail stores with impairment indicators were identified for impairment testing; • Checked for consistency between the cash flow forecasts and the Board approved budgets; • Reconsidered the appropriateness of the impairment assessment methodology used by management; and • Challenged the key assumptions used in the value-in-use calculations by applying our knowledge of the business and industry, comparing the cash flow forecasts with the historical actual performance results of the stores, discussing business plans with senior management, performing market research on revenue growth rates, gross margins and store costs, and involving our valuation experts to evaluate the discount rate. Based on the procedures performed, we considered that the management's judgement and assumptions made in relation to impairment assessment of property, plant and equipment and right-of-use assets to be supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matter

Acquisition of the SwissPro brand

Refer to Note 4 "Critical accounting estimates and assumptions" and Note 37 "Business combination" to the consolidated financial statements.

In 15 July 2020, the Company entered into agreement to acquire of 80% equity interests of the SwissPro brand ("the Acquisition") with the cash and contingent consideration of HKD6,660,000 and HKD2,517,000 respectively. The Acquisition was accounted for a business combination.

Management determined of the fair values of identifiable assets and liabilities assumed at date of acquisition including the use of applicable methodologies with the assistance of the independent external valuer. Fair value of identifiable net assets of HKD10,611,000 and goodwill of HKD688,000 were recognized respectively. Significant management's judgements and assumptions were involved in determining the fair value of identifiable net assets (including discount rate, revenue growth rate, gross margin, terminal growth rate and royalty rate) and the contingent consideration (including possible outcomes of the performance guarantee).

We considered this a key audit matter because the significant management's judgements and estimates involved in the purchase price allocation and the contingent consideration, and the inherent risk in relation to the purchase price allocation and the contingent consideration were considered significant due to subjectivity of significant assumptions used.

How our audit addressed the Key Audit Matter

Our procedures in relation to the Acquisitions included:

- Interviewed management to understand the commercial rationales of the Acquisition.
- Evaluated the key terms of the sale and purchase agreements of the Acquisition and evaluated the appropriateness of the accounting treatment including the date of completion of acquisition and the percentage of equity interest acquired, corroborated with legal opinion.
- Assessed the competency, capabilities and objectivity of the independent external valuer.
- Assessed the methodologies adopted for the determination of fair values of identifiable assets or liabilities and the contingent consideration with the involvement of internal valuation experts.
- Assessed the reasonableness of the key assumptions such as revenue growth rate, gross margin. terminal growth rate, and royalty rate by comparing them against historical data of the acquiree, approved budget, orders on hand and relevant market data and industry information.
- Evaluated the discount rate by reference to external data including the risk factors of comparable companies and market risk premium.
- Evaluated the key terms of performance guarantee arrangement and assessed the reasonableness of key assumption in determine the fair value of the contingent consideration including various scenarios of the possible outcomes of the performance guarantee based on historical performance and approved budget.

Based on available evidence and our work performed, we found the management's judgements and estimates used in the purchase price allocation and the contingent consideration for the Acquisition were supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in corporate information, management discussion and analysis, directors and senior management, corporate governance report, report of the directors (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the message from the chairman and the five years financials, which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the the message from the chairman and five years financials, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND 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 IFRSs 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.

INDEPENDENT AUDITOR'S REPORT

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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 Mr. Lam Sung Wan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2020	2019
	Notes	**HKD'000**	HKD'000
Revenue	*5*	**884,463**	1,513,817
Cost of sales	*5,8*	**(488,177)**	(725,950)
Gross profit		**396,286**	787,867
Selling and marketing expenses	*8*	**(423,704)**	(596,118)
General and administrative expenses	*8*	**(92,521)**	(128,943)
Other income	*5,6*	**12,057**	8,745
Other (losses)/gains – net	*5,7*	**(1,217)**	8,934
Operating (loss)/profit		**(109,099)**	80,485
Finance income	*10*	**1,109**	380
Finance costs	*10*	**(25,885)**	(32,033)
Finance costs – net		**(24,776)**	(31,653)
(Loss)/profit before income tax		**(133,875)**	48,832
Income tax expenses	*11*	**(2,485)**	(11,061)
(Loss)/profit for the year		**(136,360)**	37,771
(Loss)/profit is attributable to:			
Equity holders of the Company		**(131,144)**	37,170
Non-controlling interests		**(5,216)**	601
		(136,360)	37,771
(Losses)/earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (losses)/earnings per share (HKD)	*12*	**(0.33)**	0.12

The notes on pages 61 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2020	2019
	Notes	**HKD'000**	HKD'000
(Loss)/profit for the year		**(136,360)**	37,771
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	*27*	**7,856**	(2,419)
Other comprehensive income/(loss) for the year, net of tax		**7,856**	(2,419)
Total comprehensive (loss)/income for the year		**(128,504)**	35,352
Total comprehensive (loss)/income for the year is attributable to:			
Equity holders of the Company		**(122,934)**	34,723
Non-controlling interests		**(5,570)**	629

The notes on pages 61 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of 31 December	
		2020	2019
	Notes	**HKD'000**	HKD'000
Assets			
Non-current assets			
Property, plant and equipment	*13*	**141,369**	168,191
Right-of-use assets	*14*	**285,421**	374,953
Intangible assets	*15*	**18,730**	8,635
Investment in insurance contract	*16*	**32,486**	31,355
Deferred tax assets	*17*	**27,551**	15,756
Prepayment	*21*	**309**	1,306
Other receivables and deposit	*22*	**26,082**	42,955
Total non-current assets		**531,948**	643,151
Current assets			
Inventories	*18*	**297,674**	383,831
Trade receivable	*20*	**56,118**	70,494
Prepayment	*21*	**25,404**	54,018
Other receivables and deposit	*22*	**44,561**	46,359
Restricted cash	*24*	**24,892**	37,908
Term deposits with initial term of over three months	*25*	**90,027**	–
Cash and cash equivalents	*23*	**209,639**	72,605
Total current assets		**748,315**	665,215
Total assets		**1,280,263**	1,308,366
Equity			
Share capital	*26*	**4,000**	–
Share premium	*26*	**859,232**	691,000
Reserves	*27*	**(584,052)**	(592,532)
Accumulated losses/retained earnings		**(11,188)**	140,226
Capital and reserve attributable to equity holders of the Company		**267,992**	238,694
Non-controlling interest in equity		**(4,082)**	(634)
Total equity		**263,910**	238,060

The notes on pages 61 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of 31 December 2020 HKD'000	2019 HKD'000
Liabilities			
Non-current liabilities			
Borrowings	*28*	**111,741**	156,408
Lease liabilities	*29*	**149,474**	223,211
Provisions	*30*	**1,934**	2,255
Financial liabilities at fair value through profit or loss	*31*	**5,026**	5,883
Other non-current liabilities	*32*	**34,083**	13,571
Deferred tax liabilities	*17*	**3,556**	2,923
Other payables	*33*	**15,422**	5,784
Total non-current liabilities		**321,236**	410,035
Current liabilities			
Trade and other payables	*33*	**192,149**	217,810
Amount due to related parties	*38*	**60,818**	134,292
Other current liabilities	*32*	**36,981**	9,451
Contract liabilities	*34*	**4,685**	1,333
Lease liabilities	*29*	**166,344**	179,984
Provisions	*30*	**8,771**	4,116
Financial liabilities at fair value through profit or loss	*37*	**2,970**	–
Income tax liabilities		**19,010**	15,596
Borrowings	*28*	**203,389**	97,689
Total current liabilities		**695,117**	660,271
Total liabilities		**1,016,353**	1,070,306
Net assets		**263,910**	238,060

The notes on pages 61 to 137 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 54 to 137 were approved by the Board of Directors on 23 March 2021 and were signed on its behalf.

Mr. Fan Wing Ting	**Ms. Chen Xingyi**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company						
	Notes	Share capital HKD'000	Share premium HKD'000	Reserve HKD'000	Retained earnings HKD'000	Sub-total HKD'000	Non-controlling interests HKD'000	Total equity HKD'000
Balance at 1 January 2019		–	–	100,237	104,697	204,934	(1,263)	203,671
Total comprehensive income for the year								
Profit for the year		–	–	–	37,170	37,170	601	37,771
Other comprehensive loss for the year	*27*	–	–	(2,447)	–	(2,447)	28	(2,419)
		–	–	(2,447)	37,170	34,723	629	35,352
Transactions with equity holders of the Company:								
Capital injection from shareholders		–	–	10	–	10	–	10
Effect of reserve in relation to Reorganisation		–	691,000	(691,000)	–	–	–	–
Dividends and distribution	*35*	–	–	–	(973)	(973)	–	(973)
Appropriation to reserve	*27*	–	–	668	(668)	–	–	–
		–	691,000	(690,322)	(1,641)	(963)	–	(963)
Balance at 31 December 2019		–	691,000	(592,532)	140,226	238,694	(634)	238,060

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company						
	Notes	Share capital HKD'000	Share premium HKD'000	Reserve HKD'000	Accumulated losses HKD'000	Sub-total HKD'000	Non-controlling interests HKD'000	Total equity HKD'000
Balance at 1 January 2020		–	691,000	(592,532)	140,226	238,694	(634)	238,060
Total comprehensive loss for the year								
Profit for the year		–	–	–	(131,144)	(131,144)	(5,216)	(136,360)
Other comprehensive income for the year	*27*	–	–	8,210	–	8,210	(354)	7,856
		–	–	8,210	(131,144)	(122,934)	(5,570)	(128,504)
Transactions with equity holders of the Company:								
Capitalisation of share premium		3,000	(3,000)	–	–	–	–	–
Issuance of ordinary shares		1,000	171,232	–	–	172,232	–	172,232
Dividends and distribution	*35*	–	–	–	(20,000)	(20,000)	–	(20,000)
Appropriation to reserve	*27*	–	–	270	(270)	–	–	–
Non-controlling interests recognised upon business combination	*37*	–	–	–	–	–	2,122	2,122
		4,000	168,232	270	(20,270)	152,232	2,122	154,354
Balance at 31 December 2020		4,000	859,232	(584,052)	(11,188)	267,992	(4,082)	263,910

The notes on pages 61 to 137 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2020 HKD'000	2019 HKD'000
Cash flows from operating activities			
Cash generated from operations	*36*	**391,672**	354,868
Income tax paid		**(9,242)**	(15,938)
Net cash generated from operating activities		**382,430**	338,930
Cash flows from investing activities			
Investment in deposit with maturity over 3 months		**(90,027)**	–
Purchase of subsidiaries	*2.4*	**(6,660)**	–
Interest income received		**1,109**	380
Proceeds from disposal of property, plant and equipment		**2,929**	995
Purchase of intangible assets		**(2,147)**	(5,606)
Purchase of property, plant and equipment		**(30,888)**	(120,615)
Net cash used in investing activities		**(125,684)**	(124,846)
Cash flows from financing activities			
Proceed from Initial Public Offering		**172,232**	–
Proceeds from borrowings		**346,620**	246,366
Interest paid		**(10,834)**	(13,641)
Dividends paid to company's shareholders		**(20,000)**	(973)
Repayment of loans from related parties		**(91,125)**	(46,407)
Repayment of borrowings		**(287,496)**	(202,073)
Loans from related parties		**28,587**	43,605
Payment for listing fee		**(1,852)**	(6,769)
Payment of lease liabilities		**(252,128)**	(248,088)
Net cash used in financing activities		**(115,996)**	(227,980)
Net increase/(decrease) in cash and cash equivalents		**140,750**	(13,896)
Cash and cash equivalents at beginning of the year		**72,605**	85,731
Effect on exchange rate difference		**(3,716)**	770
Cash and cash equivalents at end of the year	*23*	**209,639**	72,605

The notes on pages 61 to 137 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

Forward Fashion (International) Holdings Company Limited (the "**Company**") was incorporated in the Cayman Islands on 16 May 2019. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the "**Group**") are principally engaged in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands through our multi-brand and multi-store business model (the "**Business**") in Mainland China, Macau, Hong Kong and Taiwan.

The ultimate holding company of the Company is Gold Star Fashion Limited, a company incorporated in the British Virgin Islands (the "**BVI**") and is wholly-owned by Mr. Fan Wing Ting ("**Mr. Fan**"), the ultimate controlling shareholder (the "**Controlling shareholder**") of the Group.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 January 2020.

The financial statements for the year ended 31 December 2020 are presented in Hong Kong dollars ("**HKD**") and all values are rounded to the nearest thousand (HKD'000), unless otherwise stated. The financial statements for the year ended 31 December 2020 have been approved for issue by the board of directors of the Company (the "**Board**") on 23 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with IFRS and Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by International Accounting Standards Board ("**IASB**") and requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial liabilities – measured at fair value
- investment in insurance contracts – measured at cash surrender value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The group also elected to adopt the following amendments early.

- Annual Improvements to HKFRS Standards 2018–2020 Cycle
- Covid-19-Related Rent Concessions – amendments to IFRS 16

Most of the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the Amendment to IFRS 16 set out above.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

The Group has early adopted Amendment to IFRS 16 – Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions (see note below). Rent concessions totalling HKD119,081,000 have been accounted for as negative variable lease payments and recognised in administrative expenses in the statement of profit or loss for the half-year ended 30 June 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power 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.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.4).

Inter-company transactions, balances and unrealised gains/losses on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business combinations (Continued)

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2.5 Separate financial statements

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

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 of the investee's net assets including goodwill in the consolidated financial statements.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currency translation

(i) Transactions and balances

The consolidated financial statements are presented in HKD, which is the Company's functional currency and presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates. The Company's primary subsidiaries were incorporated in the PRC, Macau and Hong Kong, and these subsidiaries considered Renminbi ("**RMB**"), Macau Patacas ("**MOP**") and HKD as their functional currency, respectively.

(ii) 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

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

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

- income and expenses for each consolidated statement of profit or loss 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

- all resulting currency translation differences are recognised in other comprehensive income/(loss).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currency translation (Continued)

(iii) Group companies (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset 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 consolidated statements of profit or loss during the periods in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter
Building	50 years
Vehicle	5 years
Office furniture and equipment	3–5 years
Computer and electric equipment	3–4 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in the consolidated statements of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets

(i) Software

Costs associated with maintaining the software programs are recognised as an expense as incurred. Separately acquired software are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(ii) License rights

License rights have a definite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any. They are initially measured at fair value of the consideration given to acquire at the time of the acquisition. The consideration given represents the capitalised present values of the fixed minimum periodic payments to be made in subsequent years in respect of the acquisition of the license rights.

(iii) Goodwill

Goodwill is measured as described in note 2.4. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(iv) Trademarks

Trademark acquired in a business combination is recognised at fair value at the acquisition date. It has an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. Therefore, the trademark would not be amortised until its useful life is determined to be finite. It would be tested for impairment annually or whenever there is an indication that it may be impaired.

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Software	4–5 years
License rights	3–7 years

The useful life of license rights are determined based on the contract term of the license granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Investments and other financial assets

(i) Classification

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at 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 OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on 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 the risks and rewards of ownership.

(iii) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(iii) Measurement (Continued)

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. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: 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 profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

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 OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(iv) Impairment

The Group has the following types of financial assets subject to expected credit loss model:

- trade receivables for sales of goods or provision of services
- other receivables and deposit
- amount due from related parties
- restricted cash
- cash and cash equivalents

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

Impairment of other receivables and amount due from related parties is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Inventories consist mainly of retail goods and the net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Trade and other receivables

Trade receivables are amounts due from customers for services performed or merchandise sold in the ordinary course of business. Majority of other receivables are rental deposits, staff advance and value-added tax recoverable. 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 the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment. See Note 3.1 for a description of the Group's impairment policy for trade and other receivables.

2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash at bank and in hand, and term deposits with financial institutions that with original maturity less than 3 months are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital

Ordinary shares are classified as equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Trade and other payables

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

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

2.18 Borrowings and borrowing cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss 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. In this case, 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax

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

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income 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 income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts 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 Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income 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 balances on a net basis, or to relies the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits

(i) Short-term benefit obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees rendered the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(ii) Pension obligations

In accordance with the rules and regulations in the PRC, the employees of the Group based in the PRC participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired employees based in the PRC payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

For other defined contribution plans, 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 expense 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.

(iii) Housing funds, medical insurances and other social insurances

The employees of the Group based in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(iv) Employee leave entitlement

Employee entitlement to annual leave are recognised when they have accrued 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 each reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(v) Bonus plan

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Provisions

Provisions for legal claims are recognised when the Group has a present legal 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 can be reliably estimated. Provisions are not recognised for future operating losses.

Make good provisions has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, when the Group is required to restore the leased premises of its retail stores to their original condition at the end of the respective lease terms.

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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates, returns and discounts and after eliminating sales within the Group. The Group recognises revenue when it transfers control of the goods or services to a customer.

(i) Sales of goods – retail

The Group operates a chain of retail outlets for selling a lot of different brands of luxury apparel and accessories. Sales are recognised when the Group sells the apparel and accessories to the customer.

Payment of the transaction price is due immediately when the customer purchases the apparel and accessories and takes delivery in store. Although the end customer has a right of return within 7 days, based on accumulated experience, the returns were insignificant for years and it is highly unlikely that a significant reversal in the cumulative revenue recognised will occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(ii) Sales of goods – wholesale

The Group sells limited brands of luxury apparel and accessories in the wholesale market. Sales are recognised when control of the apparel and accessories has been transferred, being when the goods are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the wholesalers' acceptance of the goods.

Delivery occurs when the wholesaler has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

A 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.

Costs to obtain a contract as incurred are expensed as the expected amortisation period is one year or less.

(iii) Store management and consignment service

The Group provides store management service to other retail customers over a specific period of time and earns a variable fee calculated based on an agreed percentage of the store turnover. There is no minimum management fee entitled by the Group, e.g. fixed per day. The management fee is recognised and billed to customers based on the actual store turnover in that month. The Group also earns consignment fee as calculated based on a percentage of each sales transaction for sale of consignment goods placed in its retail stores to end customers. The Group has no legal ownership of consignment goods and is an agent to sell the goods for the owners.

As a practical expedient, the Group elects not to disclose the information for remaining performance obligation of store management and consignment service as the contract have an original expected duration of less than one year or the portion with variable consideration.

2.23 Contract liabilities

Certain wholesale customers are required to pay down deposit upon entering into a contract, and such advance payment from customers are classified as contract liabilities and are recognised as revenue at the point in time when the good are transferred to the wholesale customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Subsidies and rebates from suppliers, franchisers and shopping malls

Cash discount and on time payment discounts for purchase from suppliers is recognised as a reduction in cost of inventories or cost of sales when the inventory is sold.

Subsidies from the franchisers for reimbursement of rental and stores decoration without any commitment of future purchases from franchisers are included in other current/non-current liabilities and are credited to profit or loss under "cost of sales" on a straight-line basis over the expected leasing term of related stores or franchise period.

Subsidies from the shopping malls for reimbursement of stores decoration are included in other current/non-current liabilities and are credited to profit or loss under "selling and marketing expenses" on a straight-line basis over the expected leasing term of related stores.

2.25 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The subsequent changes in fair value are recognised in profit or loss as no derivative is designated as a hedging instrument.

2.26 Leases

The Group leases various properties. Rental contracts are typically made for fixed periods of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Leases (Continued)

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

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

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

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

Payments associated with leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise information technology equipment and small items of office furniture with value below HKD10,000.

2.27 Dividend distribution

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 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 consolidated statements of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment, and other non-current assets are included in the current liabilities and are credited to consolidated statements of profit or loss on a straight-line basis over the expected lives of the related assets.

2.29 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

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

2.30 Investment in insurance contract

The management life insurance contracts of the Group include both investment and insurance elements. The investment insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the corresponding insurance contract (cash surrender value) at the end of each reporting period, with changes in value being recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is HKD whereas functional currency of the subsidiaries operate in the PRC is RMB and the subsidiaries operate in Macau is MOP. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

The Group's subsidiaries in PRC operate mainly in PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities that are denominated in the currencies other than RMB.

The Group's Hong Kong and Macau subsidiaries are exposed to foreign exchange risk arising from recognised financial assets and liabilities denominated in USD and EUR. For the years ended 31 December 2020, if HKD had strengthened/weakened by 5% against USD and EUR with all other variables held constant, post-tax profit for the years would have been HKD3,168,498 higher/lower (2019: HKD1,239,000 higher/lower), and HKD1,796,238 higher/lower (2019: HKD552,476 higher/lower), respectively, mainly as a result of foreign exchange gains on translation of USD-denominated and EUR-denominated borrowings, accounts payable and cash and cash equivalents.

The Group did not hedge against any fluctuation in foreign currencies during the years ended 31 December 2019 and 2020.

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than interest-bearing short-term deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of short-term deposits are not expected to change significantly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

For the years ended 31 December 2019 and 2020, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the post-tax profit would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year end 31 December	
	2020	2019
	HKD'000	HKD'000
(Decrease)/increase in post-tax profit		
– 0.5% higher	**(909)**	(949)
– 0.5% lower	**909**	949

The interest rates and terms of repayment of borrowings of the Group are disclosed in Note 28.

(b) Credit risk

Credit risk arises from cash and cash equivalents, term deposits with initial term of over three months, restricted cash as well as credit exposures to wholesale and retail customers, including outstanding receivables.

(i) Risk management

To manage this risk, deposits are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions.

For trade receivables, the Group has policies in place to ensure that sale of goods are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

For other receivables and amount due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and amount due from related parties. Based on historical settlement records and past experience, the directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables and amount due from related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 *Financial risk factors (Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets

Trade receivables, contract assets, amount due from related parties and other receivables are subject to the expected credit loss ("**ECL**") model. While cash and cash equivalents and pledged bank deposits, are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Impairment of trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and ageing. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the ageing profiles of trade receivable. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables:

31 December 2020	**Within 3 months**	**Over 3 months and within 6 months**	**Over 6 months and within 1 year**	**Over 1 year**	**Total**
Expected loss rate	0.33%	0.49%	13.63%	100.00%	
Gross carrying amount (HKD'000)					
– Trade receivables	55,545	326	501	304	56,676
Loss allowance (HKD'000)					
– Trade receivables	(184)	(2)	(68)	(304)	(558)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Impairment of trade receivables (Continued)

	Trade receivables 2020 HKD'000
Opening loss allowance at 1 January	–
Increase in loan loss allowance recognised in profit or loss during the year	558
Closing loss allowance at 31 December	558

In 2019, the expected credit loss rate for financial assets measured at amortised cost is close to zero.

Trade receivables is written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Impairment losses on trade receivables and contract assets are presented as net impairment losses charged against operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 *Financial risk factors (Continued)*

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the business of the Group, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below set out the Group's financial liabilities grouped into relevant maturity groupings based on their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total	Carrying amount
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
As of 31 December 2020						
Trade and other payables (excluding other taxes payable, salaries payable)	**148,368**	**2,590**	**12,832**	**–**	**163,790**	**163,790**
Amount due to related parties	**61,939**	**–**	**–**	**–**	**61,939**	**60,818**
Borrowings	**211,722**	**40,643**	**33,307**	**56,279**	**341,951**	**315,130**
Lease liabilities	**175,726**	**105,979**	**48,896**	**–**	**330,601**	**315,818**
As of 31 December 2019						
Trade and other payables (excluding other taxes payable, salaries payable)	164,111	3,627	2,157	–	169,895	169,895
Amount due to related parties	134,292	–	–	–	134,292	134,292
Borrowings	103,061	25,533	70,179	90,846	289,619	254,097
Lease liabilities	206,153	119,923	98,912	–	424,988	403,195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital Management

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

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

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing, lease liabilities, loan from third parties and loan from related parties less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debts. For the years ended 31 December 2019 and 2020, the gearing ratio of the Group were as follows:

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Net debt *(Note 36)*	**449,137**	675,053
Total capital	**713,047**	913,113
Gearing ratio	**63%**	74%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements **At 31 December 2019**	Level 3 HKD'000
Financial liabilities	
Call opinion	5,883

Recurring fair value measurements **At 31 December 2020**	**Level 3** **HKD'000**
Financial liabilities	
Call opinion	**5,026**
Contingent consideration	**2,970**
Financial liabilities at fair value through profit or loss	**7,996**

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices
- the Monte Carlo simulation
- discounted cash flow analysis

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 December 2019 and 2020:

	Call opinion	Contingent consideration	Total
	HKD'000	HKD'000	HKD'000
Opening balance as at 1 January 2019	11,630	–	11,630
Gains recognised in other losses *(Note 7)*	(5,747)	–	(5,747)
Closing balance as at 31 December 2019	5,883	–	5,883
Acquisition	**–**	**2,517**	**2,517**
(Gains)/losses recognised in other (losses)/gains *(Note 7)*	**(857)**	**453**	**(404)**
Closing balance as at 31 December 2020	**5,026**	**2,970**	**7,996**
Net unrealised (gains)/losses for the year 2020	**(857)**	**453**	**(404)**
Net unrealised gains for the year 2019	(5,747)	–	(5,747)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(iv) Valuation processes

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every year. External valuation experts will be involved when necessary.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a post-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset or liability.

- Enterprise value (EV)/Earnings before interest, taxes, depreciation and amortisation (EBITDA) multiples are based on the information of comparable companies.

- Drift rates of EBITDA multiples are estimated based on the entity's knowledge of the business and how the current economic environment is likely to impact it.

- EBITDA multiples and EBITDA volatilities are based on the respective historical measures of comparable companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(v) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see (ii) above for the valuation techniques adopted):

Description	Fair value at 31 December		Unobservable inputs	As at 31 December		Relationship of unobservable inputs to fair value	Sensitivity analysis
	2020	2019		**2020**	2019		
	HKD'000	HKD'000		**HKD'000**	HKD'000		
Financial liabilities at fair value through profit/loss	**7,996**	5,883	Discount rate	**16.5%**	15%	The higher the discount rate, the lower the fair value.	As at 31 December 2020, an increase in the discount rate by 100 bps would decrease the FV by HKD149,000 (2019: HKD231,000).
							As at 31 December 2020, a decrease in the discount rate by 100 bps would increase the FV by HKD153,000 (2019: HKD240,000).
			Annualized EBITDA Drift	**20%**	10%	The higher the annualized EBITDA Drift, the higher the fair value.	As at 31 December 2020, an increase in the annualized EBITDA drift by 5% would increase the FV by HKD728,000 (2019: HKD1,350,000).
							As at 31 December 2020, a decrease in the annualized EBITDA drift by 5% would decrease the FV by HKD777,000 (2019: HKD1,012,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(v) Valuation inputs and relationships to fair value (Continued)

Description	Fair value at 31 December		Unobservable inputs	As at 31 December		Relationship of unobservable inputs to fair value	Sensitivity analysis
	2020	2019		**2020**	2019		
	HKD'000	HKD'000		**HKD'000**	HKD'000		
			EBITDA multiple	**7.0**	6.0	The higher the EV/EBITDA multiple, the higher the fair value.	As at 31 December 2020, an increase in the EV/EBITDA multiple by 1.0 would increase the FV by HKD815,000 (2019: HKD1,136,000). As at 31 December 2020, a decrease in the EV/EBITDA multiple by 1.0 would decrease the FV by HKD916,000 (2019: HKD1,183,000).
			EV/EBITDA volatility	**40%**	25%	The higher the EV/EBITDA volatility, the higher the fair value.	As at 31 December 2020, an increase in the EV/EBITDA volatility by 10% would increase the FV by HKD500,000 (2019: HKD84,000). As at 31 December 2020, a decrease in the EV/EBITDA volatility by 10% would decrease the FV by HKD149,000 (2019:HKD108,000).

Note: the EBITDA volatility is not a sensitive input.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Net realisable value of inventories

The Group makes provision for inventories based on an assessment of the net realisable value, which was determined based upon ageing analysis of the inventories focusing on seasonality and market conditions. Provision for inventories is recorded where events or changes in circumstances indicate that the carrying amount of inventories will not be fully realised. The identification and quantification of inventory provisions requires the use of judgement and estimates. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and write-downs of inventories in the year in which such estimates have been changed. Management reassesses these estimates at the end of each period.

(b) Impairment on property, plant and equipment and right-of-use assets

At the end of each period, the Group reviews the internal and external sources of information to identify indications that property, plant and equipment and right-of-use assets may be impaired. The Group considered each retail store to be a cash generating unit ("**CGU**") and determined the recoverable amount of a CGU using the value in use model. Management judgment is required in the area of impairment on property, plant and equipment and right-of-use assets, particularly in assessing whether: (1) an event has occurred that may affect asset values; (2) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (3) the cash flow is discounted using an appropriate rate. An impairment loss of property, plant and equipment and right-of-use assets is established when there is objective evidence that the carrying amount of property, plant and equipment and right-of-use assets exceeds its recoverable amount.

The Group has material operational leasehold improvements and right-of-use assets used in the retail stores which are subject to impairment test when there is impairment indicator. In assessing whether there is any indication that an asset might be impaired, management considers both the external and internal sources of information including that trading performance of the retail stores is below expectation. Management has performed discounted cash flow analysis on the retail stores with impairment indicators and the recoverable amounts were determined based on value-in-use calculations of these retails stores. Key assumptions used in the calculations including the revenue growth rate, gross margin, store costs such as rent, payroll costs and general operating costs and discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ESTIMATES AND JUDGEMENTS (Continued)

(c) Current and deferred income taxes

The Group is subject to income taxes in certain 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. The Group recognises liabilities for anticipated tax 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 and deferred income tax assets and liabilities in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognised based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

(d) Fair value measurement of financial instruments

The fair value assessment of financial instruments that are measured at level 3 fair value hierarchy requires significant estimates, which include annualised EBITDA drift, annualised EBITDA volatility, EV/EBITDA multiple, EV/EBITDA volatility, discount rate and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these financial instruments.

(e) Estimation in acquisition accounting

The Group accounts for business combinations in accordance with the accounting policy stated in Note 2.4. The fair value of liability resulting from a contingent consideration arrangement, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination at the acquisition date requires the use of estimates and valuation techniques. When applying valuation technique, the Group relies on a number of factors and judgements, including, among others, historical results, business plans, forecasts and market data.

5 SEGMENT INFORMATION

The Group is principally engaged in the retailing and wholesale of luxury and fashion clothes and products in the PRC, Macau, Hongkong and other places. The performance of the Group's retail stores is subject to seasonal fluctuations and certain holiday seasons.

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The CODM considers the business from geographic perspective and assesses the performance of the geographical segments mainly based on segment revenues and segment result. Assets and liabilities are regularly reviewed on a consolidated basis.

The revenues from external customers reported to CODM are measured as segment revenues, which are the revenues derived from customers of each segment.

Segment result is equal to revenue from external customers deducted by cost of sales and selling and marketing expenses from each segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

The segment information for the years ended 31 December 2019 and 2020 are as follows:

	Year ended 31 December 2020			
	Mainland China HKD'000	Macau HKD'000	HK and others HKD'000	Total HKD'000
Segment revenue	455,248	387,280	96,684	939,212
Inter-segment revenue	(7,538)	(4,359)	(42,852)	(54,749)
Revenue from external customers	447,710	382,921	53,832	884,463
Cost of sales	(230,872)	(230,680)	(26,625)	(488,177)
Selling and marketing expenses	(176,128)	(211,225)	(36,351)	(423,704)
Segment result	40,710	(58,984)	(9,144)	(27,418)
General and administrative expenses				(92,521)
Other income				12,057
Other losses				(1,217)
Finance income				1,109
Finance costs				(25,885)
Finance costs – net				(24,776)
Loss before income tax expenses				(133,875)
Income tax expense				(2,485)
Loss for the year				(136,360)
Depreciation and amortisation	(71,595)	(196,762)	(27,455)	(295,812)
Provision for impairment of property, plant and equipment and right-of-use assets	(6,475)	(14,878)	–	(21,353)
Provision for impairment of inventories	(1,439)	(4,964)	(410)	(6,813)
Segment non-current assets	119,134	350,021	62,793	531,948
Segment current assets	214,476	332,234	201,605	748,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

	Year ended 31 December 2019			
	Mainland China HKD'000	Macau HKD'000	HK and others HKD'000	Total HKD'000
Segment revenue	586,185	872,563	142,014	1,600,762
Inter-segment revenue	(14,699)	(3,498)	(68,748)	(86,945)
Revenue from external customers	571,486	869,065	73,266	1,513,817
Cost of sales	(314,474)	(380,870)	(30,606)	(725,950)
Selling and marketing expenses	(213,251)	(337,051)	(45,816)	(596,118)
Segment result	43,761	151,144	(3,156)	191,749
General and administrative expenses				(128,943)
Other income				8,745
Other gains				8,934
Finance income				380
Finance costs				(32,033)
Finance costs – net				(31,653)
Profit before income tax expenses				48,832
Income tax expense				(11,061)
Profit for the year				37,771
Depreciation and amortisation	(85,767)	(175,556)	(27,865)	(289,188)
Provision for impairment of property, plant and equipment and right-of-use assets	(5,245)	(2,022)	(116)	(7,383)
Reversal/(provision) for impairment of inventories	2,327	392	(139)	2,580
Segment non-current assets	144,838	460,225	38,088	643,151
Segment current assets	251,713	364,456	49,046	665,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

(a) Revenue by business line and nature

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Retail	**867,625**	1,425,489
Store management and consignment service	**14,361**	63,953
Wholesale	**2,477**	24,375
Total	**884,463**	1,513,817

(b) Timing of Revenue Recognition

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Revenue at a point in time	**870,102**	1,449,864
Revenue over time	**14,361**	63,953
Total	**884,463**	1,513,817

(c) Information about unsatisfied performance obligation

As disclosed in Note 2.22 (iii), the Group elects not to disclose the information for remaining performance obligation of contracts as the contracts have an original expected duration of less than one year or the portion with variable consideration as a practical expedient.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 OTHER INCOME

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Government grants (a)	**8,861**	252
Sale of exhibition materials	**–**	203
Subsidy from franchisor on operating loss (b)	**3,161**	7,783
Others	**35**	507
	12,057	8,745

(a) Government grants represent subsidies received from government for anti-epidemic assistance.

(b) In 2019 and 2020, franchisers of the Group agreed to grant certain amount of subsidies to the Group in relation to the operating loss of certain stores for the purpose of maintaining long term cooperation relationship.

7 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Net changes in cash surrender value of investment in insurance contracts *(Note 16)*	**1,125**	1,105
Elimination of liabilities (a)	**935**	6,392
Gains on the derecognition of right-of-use assets and lease liabilities	**1,893**	768
Donation	**–**	(1,304)
Exchange gains/(losses)	**2,518**	(2,608)
Fair value gains on financial liabilities at fair value through profit or losses – net	**404**	5,747
Net loss on disposal of property, plant and equipment	**(5,269)**	(986)
Provision for litigation expenses (b)	**(2,328)**	–
Others	**(495)**	(180)
	(1,217)	8,934

(a) It represents the gains due to the elimination of contract liabilities as well as the remission of other payables. The early termination of contract by some counterparty result in the elimination of contract liabilities, and the remission of other payables mainly result from the operating support fund from landlord.

(b) In 2020, a claim was lodged against a subsidiary of the Group by one shopping mall in relation to violation of right of use and occupation agreement. The subsidiary has disclaimed liability and is defending the action. No judgement has been handed down by the date of this report. The Group considers it to be probable that the judgement will not be in its favor and has therefore recognised a provision in relation to this claim.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Change in inventories	**465,113**	668,570
Depreciation of right-of-use assets *(Note 14)*	**229,546**	225,291
Employee benefit expenses *(Note 9)*	**178,623**	254,472
Depreciation of property, plant and equipment *(Note 13)*	**61,188**	60,445
Operating lease expenses *(Note 14)*	**42,118**	69,424
Utilities and electricity expenses	**24,681**	27,930
Property management fee	**22,026**	18,133
Advertising and promotion expenses	**17,192**	19,447
Payment processing fee	**8,833**	13,563
Labour cost	**4,346**	12,408
Provision/(reversal) of inventories impairment	**6,813**	(2,580)
Provision for bad debts	**837**	–
Travelling, entertainment and communication expenses	**3,935**	10,733
Impairment loss on property, plant and equipment *(Note 13)*	**5,056**	4,843
Repair and maintenance	**6,187**	3,731
Amortisation of intangible assets *(Note 15)*	**5,078**	3,452
Delivery expenses	**2,127**	6,029
Office expenses	**3,785**	2,520
Impairment loss on right-of-use assets *(Note 14)*	**16,297**	2,540
Professional service fees	**4,342**	2,642
Auditor's remuneration	**3,044**	2,611
Listing expenses	**2,025**	27,393
Rent concession related to covid-19	**(119,081)**	–
Other expenses	**10,291**	17,414
	1,004,402	1,451,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Salaries, wages and bonuses	**163,585**	224,856
Other social security costs, housing benefits and other employee benefits	**9,068**	14,911
Pension costs – defined contribution plan	**5,970**	14,705
	178,623	254,472

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 include four (2019: three) directors whose emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining one (2019: two) individuals during the year are as follows:

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**1,114**	1,961
Contribution to pension scheme	**25**	22
Total	**1,139**	1,983

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2020	2019
HKD 0–500,000	**–**	–
HKD 500,001–1,000,000	**–**	2
HKD 1,000,001–1,500,000	**1**	–
	1	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Finance income		
– Interest income	**1,109**	380
Finance costs		
– Interest and finance charges paid/payable for lease liabilities	**(15,051)**	(18,392)
– Other interest cost	**(10,834)**	(13,641)
	(25,885)	(32,033)
Finance costs – net	**(24,776)**	(31,653)

11 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Current income tax	**12,656**	12,633
Deferred income tax related to the temporary differences *(Note 17)*	**(10,171)**	(1,572)
	2,485	11,061

The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its shareholders.

British Virgin Islands

The Group's entities incorporated in the British Virgin Islands are not subject to tax on income or capital gains.

Hong Kong

The entities within the Group incorporated and operated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the years ended 31 December 2019 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE (Continued)

(a) Income tax expense (Continued)

Mainland China corporate income tax ("**CIT**")

CIT was made on the estimated assessable profits of the entities within the Group incorporated and operated in Mainland China and was calculated in accordance with the relevant tax rules and regulations of Mainland China. The general CIT rate is 25% for the years ended 31 December 2019 and 2020.

Macau

The entities within the Group incorporated and operating in Macau are subject to Macau profits tax at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP 300,000, and thereafter at a fixed rate of 12%. In addition, a special tax incentive has provided to effect that tax free income threshold amounting to MOP600,000 for the years ended 31 December 2019 and 2020.

Taiwan

The entities within the Group operating in Taiwan are subject to Taiwan profits tax at the rate of 20% for the year ended 31 December 2020.

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since 1 January 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE (Continued)

(b) *Numerical reconciliation of income tax expense*

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
(Loss)/profit before income tax	**(133,875)**	48,832
Tax calculated at applicable statutory tax rate of respective entities	**(13,420)**	9,517
Effect of progressive tax rate before statutory tax rate	**–**	(69)
Tax preference	**(16)**	(1,022)
Withholding income tax on the profits to be distributed by the group companies in the mainland China	**(510)**	289
Tax effect of unrecognised tax losses	**15,211**	542
Utilisation of previously unrecognised tax losses	**(405)**	–
Items not deductible for tax purposes	**1,625**	1,804
Income tax expense	**2,485**	11,061

The weighted average applicable tax rate is influenced by the change in the profitability of the Group's subsidiaries in the respective regions. There is no change of the tax rate of the respective regions during for the years ended 31 December 2019 and 2020.

12 (LOSSES)/EARNINGS PER SHARE

(a) *Basic (losses)/earnings per share*

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in outstanding during the financial year.

	Year ended 31 December	
	2020	2019
(Loss)/profit attributable to equity holders of the Company (HKD'000)	**(131,144)**	37,170
Weighted average number of ordinary shares in issue	**395,833,333**	300,000,000
Basic (losses)/earnings per share (HKD) *(note)*	**(0.33)**	0.12

Note: Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. The weighted average number of shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation and the effect of the capitalisation of reserves in January 2020.

(b) No diluted earnings per share is presented as the Group has no dilutive potential ordinary shares during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings HKD'000	Leasehold improvements HKD'000	Vehicle HKD'000	Office furniture and equipment HKD'000	Computer and electronic equipment HKD'000	Total HKD'000
At 31 December 2018						
Cost	17,324	230,864	4,084	21,833	7,974	282,079
Accumulated depreciation and impairment provision	(2,226)	(144,180)	(2,795)	(15,117)	(5,849)	(170,167)
Net book amount	15,098	86,684	1,289	6,716	2,125	111,912
Year ended 31 December 2019						
Opening net book amount	15,098	86,684	1,289	6,716	2,125	111,912
Additions	66,253	50,264	361	2,668	4,843	124,389
Depreciation	(1,419)	(52,973)	(427)	(3,918)	(1,708)	(60,445)
Impairment provision	–	(4,417)	–	(400)	(26)	(4,843)
Exchange differences	–	(692)	–	(87)	(62)	(841)
Disposals	–	(1,711)	(223)	(38)	(9)	(1,981)
Net book amount	79,932	77,155	1,000	4,941	5,163	168,191
At 31 December 2019						
Cost	83,577	275,064	4,128	22,070	12,525	397,364
Accumulated depreciation and impairment provision	(3,645)	(197,909)	(3,128)	(17,129)	(7,362)	(229,173)
Net book amount	79,932	77,155	1,000	4,941	5,163	168,191
Year ended 31 December 2020						
Opening net book amount	**79,932**	**77,155**	**1,000**	**4,941**	**5,163**	**168,191**
Additions	**–**	**43,397**	**–**	**69**	**1,834**	**45,300**
Depreciation	**(1,640)**	**(53,892)**	**(208)**	**(2,987)**	**(2,461)**	**(61,188)**
Impairment provision	**–**	**(5,056)**	**–**	**–**	**–**	**(5,056)**
Exchange differences	**–**	**2,030**	**–**	**136**	**154**	**2,320**
Disposals	**–**	**(6,954)**	**(516)**	**(338)**	**(390)**	**(8,198)**
Net book amount	**78,292**	**56,680**	**276**	**1,821**	**4,300**	**141,369**
At 31 December 2020						
Cost	**83,577**	**292,646**	**3,172**	**20,889**	**13,849**	**414,133**
Accumulated depreciation and impairment provision	**(5,285)**	**(235,966)**	**(2,896)**	**(19,068)**	**(9,549)**	**(272,764)**
Net book amount	**78,292**	**56,680**	**276**	**1,821**	**4,300**	**141,369**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2020, the Group performed impairment test on the property, plant and equipment used in the retail stores with discounted cash flow analysis and recognised impairment loss of HKD5,056,000 (2019: HKD4,843,000).

As at 31 December 2020, a building with carrying amount of approximately HKD61,068,000 is pledged for first mortgage of bank borrowings (2019: HKD62,365,000).

Depreciation of the Group's property, plant and equipment has been recognised in the consolidated statements of profit or loss as follows:

	Years ended 31 December	
	2020	2019
	HKD'000	HKD'000
Selling and marketing expenses	**56,810**	55,892
Administrative expenses	**4,378**	4,553
	61,188	60,445

14 RIGHT-OF-USE ASSETS

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Retail stores	**262,799**	360,617
Vehicle	**1,481**	2,734
Office	**21,141**	11,602
	285,421	374,953

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 RIGHT-OF-USE ASSETS (Continued)

	Retail stores	Vehicle	Office	Total
	HKD'000	HKD'000	HKD'000	HKD'000
At 31 December 2018				
Cost	654,616	3,341	31,238	689,195
Accumulated depreciation and impairment	(320,477)	(2,039)	(17,124)	(339,640)
Net book amount	334,139	1,302	14,114	349,555
Year ended 31 December 2019				
Opening net book amount	334,139	1,302	14,114	349,555
Additions	259,955	2,938	2,998	265,891
Depreciation	(218,838)	(1,366)	(5,087)	(225,291)
Provision for impairment loss	(2,540)	–	–	(2,540)
Early termination	(10,515)	(140)	(330)	(10,985)
Exchange differences	(1,584)	–	(93)	(1,677)
Closing net book amount	360,617	2,734	11,602	374,953
At 31 December 2019				
Cost	666,175	4,414	30,092	700,681
Accumulated depreciation and impairment	(305,558)	(1,680)	(18,490)	(325,728)
Net book amount	360,617	2,734	11,602	374,953
Year ended 31 December 2020				
Opening net book amount	**360,617**	**2,734**	**11,602**	**374,953**
Additions	**172,641**	**–**	**16,443**	**189,084**
Depreciation	**(220,731)**	**(1,253)**	**(7,562)**	**(229,546)**
Provision for impairment loss	**(16,297)**	**–**	**–**	**(16,297)**
Early termination	**(36,251)**	**–**	**–**	**(36,251)**
Exchange differences	**2,820**	**–**	**658**	**3,478**
Closing net book amount	**262,799**	**1,481**	**21,141**	**285,421**
At 31 December 2020				
Cost	**545,165**	**4,415**	**35,129**	**584,709**
Accumulated depreciation and impairment	**(282,366)**	**(2,934)**	**(13,988)**	**(299,288)**
Net book amount	**262,799**	**1,481**	**21,141**	**285,421**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 RIGHT-OF-USE ASSETS (Continued)

The statement of profit or loss shows the following amounts relating to leases:

	Years ended 31 December	
	2020	2019
	HKD'000	HKD'000
Expense relating to variable lease payments not included in lease liabilities *(Note 8)*	**42,118**	69,424
Depreciation charge of right-of-use assets	**229,546**	225,291
Interest expenses (included in finance cost) *(Note 10)*	**15,051**	18,392

The Group leases various properties to operate its businesses and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. No extension option and no residual value guarantee are included in such property and equipment leases across the Group.

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

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

A 5% increase in sales across all stores in the Group with such variable lease contracts, for the years ended 31 December 2020 would increase total lease payments by approximately HKD2,105,900, respectively (2019: HKD3,328,000).

The total cash outflows for leases payment including lease liabilities, interest expenses on leases and variable lease payment, for the years ended 31 December 2020 were HKD278,697,000, respectively (2019: HKD315,772,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS

	Goodwill *(Note 37)* HKD'000	Trademark *(Note 37)* HKD'000	Software HKD'000	License rights HKD'000	Total HKD'000
At 31 December 2018					
Cost	–	–	1,977	19,447	21,424
Accumulated amortisation	–	–	(814)	(13,559)	(14,373)
Net book amount	–	–	1,163	5,888	7,051
Year ended 31 December 2019					
Opening net book amount	–	–	1,163	5,888	7,051
Additions	–	–	3,800	1,200	5,000
Amortisation	–	–	(402)	(3,050)	(3,452)
Exchange differences	–	–	36	–	36
Net book amount	–	–	4,597	4,038	8,635
At 31 December 2019					
Cost	–	–	5,790	10,702	16,492
Accumulated amortisation	–	–	(1,193)	(6,664)	(7,857)
Net book amount	–	–	4,597	4,038	8,635
Year ended 31 December 2020					
Opening net book amount	**–**	**–**	**4,597**	**4,038**	**8,635**
Additions	**688**	**7,966**	**194**	**6,264**	**15,112**
Amortisation	**–**	**(266)**	**(1,128)**	**(3,684)**	**(5,078)**
Disposals	**–**	**–**	**(2)**	**–**	**(2)**
Exchange differences	**–**	**–**	**63**	**–**	**63**
Net book amount	**688**	**7,700**	**3,724**	**6,618**	**18,730**
At 31 December 2020					
Cost	**688**	**7,966**	**6,071**	**16,966**	**31,691**
Accumulated amortisation	**–**	**(266)**	**(2,347)**	**(10,348)**	**(12,961)**
Net book amount	**688**	**7,700**	**3,724**	**6,618**	**18,730**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS (Continued)

Amortisation of the Group's intangible assets has been recognised in the consolidated statements of profit or loss as follows:

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Cost of sales	**3,684**	3,050
Administrative expenses	**1,394**	402
	5,078	3,452

16 INVESTMENT IN INSURANCE CONTRACT

	Investment in insurance contract
	HKD'000
Balance as at 1 January 2019	30,407
Foreign exchange loss	(157)
Net increase in cash surrender value credited to profit or loss	1,105
Balance as at 31 December 2019	31,355
Foreign exchange gain	6
Net increase in cash surrender value credited to profit or loss	1,125
Balance as at 31 December 2020	32,486

The investment in insurance contract represents the investments in life insurance product issued by HSBC Life (International) Limited to one director, Ms. Fan Tammy, of the Company, at the amount of USD 4million (equivalent to approximately HKD 31 million). It is pledged for the bank loans of Macau Ieng Nam (a subsidiary of the Group) from the Hongkong and Shanghai Banking Corporation Limited. The effective date of the insurance was 22 September 2015 with a sum insured of USD 11,200,000. A guaranteed minimum crediting rate of 2% applies to the insurance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 DEFERRED INCOME TAX

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

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Deferred income tax assets		
– to be recovered after more than 12 months	**10,092**	10,909
– to be recovered within 12 months	**17,459**	4,847
	27,551	15,756
Deferred income tax liabilities		
– to be recovered after more than 12 months	**3,556**	2,415
– to be recovered within 12 months	**–**	508
	3,556	2,923
	23,995	12,833

The net movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
At beginning of the year	**12,833**	11,417
Credited to consolidated statement of profit or loss *(Note 11)*	**10,171**	1,572
Exchange differences	**991**	(156)
At end of the year	**23,995**	12,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 DEFERRED INCOME TAX (Continued)

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

Deferred income tax assets

	Depreciation and amortisation HKD'000	Inventory-provision HKD'000	Other current/ non-current liabilities HKD'000	Lease liabilities HKD'000	Tax losses HKD'000	Legal provision HKD'000	Total HKD'000
At 1 January 2019	–	2,917	2,675	56,492	1,220	487	63,791
(Credit)/charge to consolidated statement of profit or loss	–	(961)	3,205	4,454	1,463	–	8,161
Exchange differences	–	(43)	(124)	(480)	(56)	(12)	(715)
At 31 December 2019	–	1,913	5,756	60,466	2,627	475	71,237
Charge/(credit) to consolidated statement of profit or loss	**26**	**448**	**8,380**	**(11,929)**	**3,815**	**(479)**	**261**
Exchange differences	**–**	**143**	**683**	**1,063**	**232**	**4**	**2,125**
At 31 December 2020	**26**	**2,504**	**14,819**	**49,600**	**6,674**	**–**	**73,623**

Deferred income tax liabilities

	Withholding tax on undistributed profits HKD'000	Right-of-use assets HKD'000	Depreciation and amortisation HKD'000	Total HKD'000
At 1 January 2019	355	50,756	1,263	52,374
Charge to consolidated statement of profit or loss	289	5,142	1,158	6,589
Exchange differences	(101)	(417)	(41)	(559)
At 31 December 2019	543	55,481	2,380	58,404
(Credited)/charge to consolidated statement of profit or loss	**(510)**	**(10,339)**	**939**	**(9,910)**
Exchange differences	**9**	**930**	**195**	**1,134**
At 31 December 2020	**42**	**46,072**	**3,514**	**49,628**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities (Continued)

The Group has the following unrecognised tax losses:

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Unused tax losses for which no deferred tax asset has been recognised – without expiration date	**22,437**	18,828
Unused tax losses for which no deferred tax asset has been recognised – with expiration date	**104,505**	1,617
Potential tax benefit	**18,108**	3,302

Tax losses carried forward with expiration date expire in the following years:

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
2021	**282**	282
2022	**1,335**	1,335
2023	**88,549**	–
2024	**–**	–
2025	**14,339**	–
	104,505	1,617

18 INVENTORIES

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Fashion wears and accessories	**321,728**	407,169
Electronic devices	**3,598**	–
Skincare and cosmetic products	**3,060**	–
Less: provision for impairment	**(30,712)**	(23,338)
	297,674	383,831
Inventory measured at cost	**229,577**	335,228
Inventory measured at net realisable value	**68,097**	48,603
	297,674	383,831

Provision for impairment was recognised for the amount by which the carrying amount of the inventories exceeds its net realisable value, and was recorded in "cost of sales" in the consolidated statements of profit or loss.

For the years ended 31 December 2020, the cost of inventories recognised as expense and included in "cost of sales" amounted to HKD471,926,000 (2019: HKD665,990,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As of 31 December	
		2020	2019
	Notes	**HKD'000**	HKD'000
Financial assets			
Financial assets at amortised cost			
Trade receivable	*20*	**56,118**	70,494
Other receivables and deposit (excluding value-added tax recoverable)	*22*	**61,358**	77,272
Term deposits with initial term of over three months	*25*	**90,027**	–
Cash and cash equivalents	*23*	**209,639**	72,605
Restricted cash	*24*	**24,892**	37,908
		442,034	258,279
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables (excluding other taxes payable, salaries payable)	*33*	**163,790**	169,895
Amount due to related parties	*38*	**60,818**	134,292
Borrowings	*28*	**315,130**	254,097
Lease liabilities	*29*	**315,818**	403,195
		855,556	961,479
Financial liabilities at fair value			
Financial liabilities at fair value through profit or loss		**7,996**	5,883
		863,552	967,362

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE RECEIVABLE

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Trade receivables		
Due from third parties	**56,676**	70,494
Less: provision for impairment of trade receivables	**(558)**	–
Net trade receivables	**56,118**	70,494

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance increased by HKD 558,000 for trade receivables during the current reporting period. Information about the impairment of trade receivables and the Group's exposure to credit risk and foreign currency risk can be found in Note 3.1.

Trade receivables are denominated in the following currencies:

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
RMB	**39,493**	49,612
MOP	**11,555**	15,020
HKD	**5,070**	3,258
TWD	**–**	2,604
	56,118	70,494

The credit terms of trade receivables granted by the Group are generally 1–3 months. For the years ended 31 December 2019 and 2020, the ageing analysis of the trade receivables based on invoice date is as follows:

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Within 3 months	**55,545**	69,960
Over 3 months and within 6 months	**326**	278
Over 6 months and within 1 year	**501**	256
Over 1 year	**304**	–
	56,676	70,494

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 PREPAYMENTS

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Included in current assets		
– Prepayments to supplier	**20,426**	37,099
– Capitalised listing expense	**–**	8,178
– Other prepayments	**4,978**	8,741
	25,404	54,018
Included in non-current assets		
– Prepayments for leasehold improvement and furniture	**309**	1,306
	25,713	55,324

22 OTHER RECEIVABLES AND DEPOSIT

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Included in current assets		
– Rental deposits	**24,364**	12,181
– Value-added tax recoverable	**9,285**	12,042
– Compensation receivables	**–**	9,618
– Staff advance	**860**	875
– Construction allowance receivables	**–**	4,904
– Others	**10,052**	6,739
	44,561	46,359
Included in non-current assets		
– Rental deposits	**26,082**	42,955
	70,643	89,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 CASH AND CASH EQUIVALENTS

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Cash at bank and in hand	**209,639**	72,605

Cash and cash equivalents are denominated in the following currencies:

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Cash at bank and in hand		
– HKD	**110,373**	21,625
– RMB	**67,432**	33,900
– MOP	**24,202**	16,092
– EUR	**723**	163
– USD	**2,273**	314
– TWD	**4,636**	511
	209,639	72,605

24 RESTRICTED CASH

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Restricted cash	**24,892**	37,908

Restricted cash mainly includes the security deposits for issuance of letters of credit by banks denominated in HKD and the security deposits for bank loans denominated in HKD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Term deposits with initial term of over three months	**90,027**	–

26 SHARE CAPITAL

	Number of shares	Nominal value of shares HKD'000	Share premium HKD'000
Ordinary shares Issued and fully paid:			
As at 1 January 2019	–	–	–
At 16 May 2019 (date of incorporation)	1	–	–
Issuance of ordinary shares	599	–	691,000
As at 31 December 2019	600	–	691,000
Issuance of ordinary shares	**100,000,000**	**1,000**	**171,232**
Capitalisation of share premium	**299,999,400**	**3,000**	**(3,000)**
As at 31 December 2020	**400,000,000**	**4,000**	**859,232**

On 13 January 2020, the shares of the Company were listed on the Stock Exchange. In connection with the listing completed on 13 January 2020, the Company issued a total of 100,000,000 ordinary shares at a price of HKD2.0 per share for a total proceeds of HKD200,000,000.

Upon completion of the IPO, the Company issued a total of 100,000,000 ordinary shares at par value of HKD0.01 each for cash consideration of HKD2.0 each, and raised gross proceeds of approximately HKD200,000,000. The respective share capital amount was approximately HKD1,000,000 and share premium arising from the issuance was approximately HKD171,232,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB27,767,000 were treated as a deduction against the share premium arising from the issuance.

On 13 January 2020, a total of 299,999,400 shares were allotted and issued, credited as fully paid, at par to the holder of shares on the register of members of the Company in proportion to their shareholdings by way of capitalisation of the sum of HKD2,999,994 standing to the credit of the share premium account of the Company, and the shares allotted and issued rank pari passu in all respects with the existing issued shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 RESERVES

	Capital reserve HKD'000	Statutory reserve HKD'000	Currency translation differences HKD'000	Total HKD'000
At 1 January 2019	108,194	1,932	(9,889)	100,237
Capital injection from equity holders	10	–	–	10
Transfer to statutory reserves (a)	–	668	–	668
Effect of Reorganisation	(691,000)	–	–	(691,000)
Currency translation differences	–	–	(2,447)	(2,447)
At 31 December 2019	(582,796)	2,600	(12,336)	(592,532)
At 1 January 2020	**(582,796)**	**2,600**	**(12,336)**	**(592,532)**
Transfer to statutory reserves (a)	**–**	**270**	**–**	**270**
Currency translation differences	**–**	**–**	**8,210**	**8,210**
At 31 December 2020	**(582,796)**	**2,870**	**(4,126)**	**(584,052)**

(a) *Statutory reserve*

In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

Also, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their Respective Reserve Fund. The percentage of net profit to be appropriated to the Reserve Fund is not less than 10% of the net profit. When the balance of the Reserve Fund reaches 50% of the registered capital, such transfer needs not be made. With approvals obtained from respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

In addition, in accordance with Macau Commercial Code, the entity incorporated in Macau should set aside a minimum of 25% of the entity's profit after tax to the legal reserve until the balance of the reserve reaches a level equivalent to 50% of the entity's capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BORROWINGS

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Non-current		
Bank loans (a)	**111,741**	156,408
Current		
Bank loans (a)	**107,144**	52,187
Letter of credit loans (b)	**96,245**	45,502
	203,389	97,689
	315,130	254,097

(a) All borrowings are guaranteed and pledged as shown below:

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Guaranteed by Mr. Fan and pledged by his properties	**139,894**	66,443
Guaranteed by Mr. Fan and pledged by his properties and time deposit	**52,450**	22,590
Guaranteed by Mr. Fan and pledged by his properties, time deposit and insurance contract *(Note 16)*	**79,511**	119,312
Pledged by buildings *(Note 13)*	**43,275**	45,752
	315,130	254,097

(b) Letter of credit loans represent loans granted by banks in connection with inward cargoes.

(c) The Group's bank borrowings for the years ended 31 December 2019 and 2020 are denominated in the following currencies:

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
RMB	**17,062**	29,708
HKD	**252,155**	190,056
USD	**26,489**	23,431
EURO	**19,424**	10,902
	315,130	254,097

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BORROWINGS (Continued)

(d) The weighted average effective interest rates at the balance sheet dates are set out as follows:

	As of 31 December	
	2020	2019
Bank borrowings	**4.40%**	3.85%

(e) The following tables sets forth the ranges of the effective interest rate on our bank borrowings as of the dates indicated:

	As of 31 December	
	2020	2019
	%	%
Fixed-rate bank borrowings	**4.00-5.00**	4.00–5.88
Floating-rate bank borrowings	**HIBOR+1.75; LIBOR+1.25; 2.63–3.88**	HIBOR+1.75– HIBOR+3.00; LIBOR+1.25– LIBOR+3.00; 3.00–3.88

(f) The borrowings were repayable by repayment day as follows:

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Within 1 year	**203,389**	97,689
Between 1 and 2 years	**37,504**	22,883
Between 2 and 5 years	**27,693**	61,358
Over 5 years	**46,544**	72,167
	315,130	254,097

(g) The fair values of the Group's borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

(h) *Compliance with loan covenants*

The Group complied with the financial covenants of its borrowing facilities throughout the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 LEASE LIABILITIES

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Current	**166,344**	179,984
Non-current	**149,474**	223,211
	315,818	403,195

Liabilities arising from a lease are initially measured on a present value basis. Leases of entities operating in Mainland China are discounted at the rate of 6.0% and leases of entities operating in Macau and Hongkong are discounted at the rate of 3.5%. The finance cost of leases is charged to profit or loss over the lease period at the same rate.

30 PROVISIONS

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Non-current		
Make good provision	**1,934**	2,255
Current		
Make good provision	**6,443**	2,212
Legal claim (a)	**2,328**	1,904
	8,771	4,116
	10,705	6,371

(a) In 2020, a claim was lodged against a subsidiary of the Group by one shopping mall in relation to violation of lease agreement. The subsidiary has disclaimed liability and is defending the action. No judgement has been handed down by the date of this report. The Group considers it to be probable that the judgement will not be in its favor and has therefore recognised a provision in relation to this claim.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Call option

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
At the beginning of the year	**5,883**	11,630
Fair value gains on the financial liabilities at fair value through profit or losses *(Note 3.3)*	**(857)**	(5,747)
At the end of the year	**5,026**	5,883

Pursuant to the cooperation arrangement of NB China Limited ("**NB China**") came into in 2015, a subsidiary of the Group, the Group agrees to grant to the minority shareholder of NB China the right to exercise a first call option of nine percentage of the shares held by the Group in NB China on the seventh year counted from 2015. The price of buy back will be calculated on full year earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") and basing on a twice multiple of EBITDA (in Hong Kong Dollars). The Group agrees to grant to the minority shareholder of NB China the right to exercise a second call option of the balance or a percentage of the shares held by the Group in NB China on the ninth year counted from 2015. The percentage of the second call option should be discussed by both parties in order to be mutually agreed on the amount of percentage of the number of shares. The price of buy back will be calculated on full year EBITDA and basing on a three and a half times multiple of EBITDA (in Hong Kong Dollars).

The Group designated the call option as financial liabilities at fair value through profit or loss and initially recognised the call option at fair value. In subsequent period, such call option are measured at fair value with changes in fair values recognised in profit or loss. Transactions costs relating to the issuance of the call option is charged to profit or loss immediately.

The fair value of the call option were determined by an independent valuer based on the Monte Carlo Model, with the following key assumption:

	As of 31 December 2020	As of 31 December 2019
Annualised EBITDA drift	**20.00%**	10.00%
Annualised EBITDA volatility	**30.00%**	25.00%
EV/EBITDA multiple	**7**	6
EV/EBITDA volatility	**40.00%**	25.00%
Discount rate	**16.50%**	14.50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 OTHER CURRENT AND NON-CURRENT LIABILITIES

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
At 1 January	**23,022**	10,700
Receipt (a)	**63,532**	18,486
Recognised in consolidated statements of profit or loss	**(18,226)**	(5,665)
Exchange difference	**2,736**	(499)
At 31 December	**71,064**	23,022
Current	**36,981**	9,451
Non-current	**34,083**	13,571

(a) The other current and non-current liabilities include decoration subsidy received from the franchisors and shopping malls, plus rental support for Bose stores. All the subsidy is amortized on a straight-line basis over the rental periods.

33 TRADE AND OTHER PAYABLES

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Current		
Trade payables (a)	**70,389**	102,310
Salaries payable	**40,054**	52,123
Variable lease payable	**36,028**	20,478
Listing expense payable	**–**	6,221
Other taxes payable	**3,727**	1,576
License fee payable	**7,779**	2,290
Operating support fund	**2,237**	11,722
Renovation service fee payables	**17,805**	5,268
Other payables	**14,130**	15,822
	192,149	217,810
Non-current		
Operating support fund (b)	**12,832**	5,046
License fee payables (c)	**2,590**	738
	15,422	5,784
	207,571	223,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables primarily represent payables for inventories. The ageing analysis of the trade payables based on invoice date is as follows:

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Within 3 months	**50,262**	100,784
Over 3 months and within 1 year	**20,127**	1,526
	70,389	102,310

(b) Operating support fund is provided by the shopping malls for the Group to operate its retail stores. The fund shall be repaid upon the earlier of the date when the store meets specific operating condition agreed and the date when the leases expire.

(c) License fee payables in respect of the acquisition of license rights are initially recognised at fair value of the consideration given to acquire the license at the time of the acquisition, which represent the present values of the fixed minimum periodic payments to be made in subsequent years. They are subsequently stated at amortised cost using the effective interest method less amounts paid.

Interest is accreted and represents changes in the license fee payables due to passage of time calculated by applying an effective interest rate to the amount of license fee payables at the beginning of the period.

The corresponding intangible assets are amortised on a straight-line basis over the term of the franchise agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 CONTRACT LIABILITIES

Contract liabilities primarily comprise advance payments received from wholesalers for goods that have not yet been delivered to the wholesaler.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Wholesale contract	**1,333**	3,203

35 DIVIDENDS

The payment of dividends in 2020 relates to the final dividend for the year ended 31 December 2019, totalling HKD 20,000,000 (HKD 0.05 per share). No dividend was paid in 2019 and no dividend in respect of the year ended 31 December 2020 is to be proposed.

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Interim dividend paid of HKD nil (2019: HKD nil) per ordinary share	**–**	–
Proposed final dividend of HKD nil (2019: HKD0.05) per ordinary share	**–**	20,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 NET CASH GENERATED FROM OPERATIONS

(a) Reconciliation from (loss)/profit before income tax to cash generated from operating activities:

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Profit before income tax expense	**(133,875)**	48,832
Adjustment for:		
Depreciation and amortisation *(Note 8)*	**295,812**	289,188
Finance expense *(Note 10)*	**25,885**	32,033
Impairment of property, plant and equipment and right-of-use assets *(Note 8)*	**21,353**	7,383
Impairment provision/(reversal) for inventories *(Note 8)*	**6,813**	(2,580)
Loss on disposals of property, plant and equipment *(Note 7)*	**5,269**	986
Interest income *(Note 10)*	**(1,109)**	(380)
Gains on the derecognition of right-of-use assets and lease liabilities *(Note 7)*	**(1,893)**	(768)
Fair value gains on financial liabilities at fair value through profit or losses *(Note 7)*	**(404)**	(5,747)
Net changes in cash surrender *(Note 7)*	**(1,125)**	(1,105)
	216,726	367,842
Decrease/(increase) in other receivables and deposit	**17,109**	(14,339)
(Decrease)/increase in trade and other payables	**(66,209)**	7,862
Increase/(decrease) in contract liabilities	**3,310**	(1,818)
Reversal in provision	**(1,116)**	(2,982)
Increase/(decrease) in amount due to related parties	**17,592**	(20,245)
Increase in other current/non-current liabilities	**45,306**	12,821
Decrease/(increase) in trade receivables	**17,265**	(4,834)
Decrease/(increase) of restricted cash	**13,133**	(2,044)
Decrease/(increase) in inventories	**90,278**	(43,320)
Decrease in prepayment	**38,278**	31,658
Decrease in amount due from related parties	**–**	24,267
Cash generated from operations	**391,672**	354,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 NET CASH GENERATED FROM OPERATIONS (Continued)

(a) (Continued)

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Net book amount	**8,198**	1,981
Net loss on disposal of property, plant and equipment *(Note 7)*	**(5,269)**	(986)
Proceeds from disposal of property, plant and equipment	**2,929**	995

For the years ended 31 December 2019 and 2020, the Group did not have any material non-cash investing and financing activities.

(b) This section sets out an analysis of net debt and the movements in net debt for each of the periods presented:

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Cash	**209,639**	72,605
Loan from related parties *(Note 38(e)(i))*	**(27,828)**	(90,366)
Borrowing – repayable within one year	**(203,389)**	(97,689)
Borrowing – repayable after one year	**(111,741)**	(156,408)
Lease liabilities- repayable within one year	**(166,344)**	(179,984)
Lease liabilities – repayable after one year	**(149,474)**	(223,211)
Net debt	**(449,137)**	(675,053)
Cash	**209,639**	72,605
Gross debt – fixed interest rates	**(526,288)**	(551,108)
Gross debt – variable interest rates	**(132,488)**	(196,550)
Net debt	**(449,137)**	(675,053)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 NET CASH GENERATED FROM OPERATIONS (Continued)

(c) Reconciliation of liabilities arising from financing activities is as follows:

	Other assets	Liabilities from financing activities					
	Cash	Loan from related parties – due within 1 year	Borrowing – due within 1 year	Borrowing – due after 1 year	Lease liabilities – due within 1 year	Lease liabilities – due after 1 year	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
As at 1 January 2019	85,731	(117,199)	(77,216)	(133,112)	(157,783)	(226,001)	(625,580)
Cash flows	(13,896)	4,311	9,943	(42,104)	248,088	–	206,342
Foreign exchange adjustments	770	37	359	–	976	1,239	3,381
Addition in lease	–	–	–	–	–	(262,860)	(262,860)
Interest expense	–	(1,674)	(4,622)	(7,345)	–	(18,392)	(32,033)
Early termination	–	–	–	–	–	11,538	11,538
Other non-cash movement	–	24,159	(26,153)	26,153	(271,265)	271,265	24,159
As at 31 December 2019	72,605	(90,366)	(97,689)	(156,408)	(179,984)	(223,211)	(675,053)
As at 1 January 2020	**72,605**	**(90,366)**	**(97,689)**	**(156,408)**	**(179,984)**	**(223,211)**	**(675,053)**
Cash flows	**140,750**	**63,112**	**(78,301)**	**29,437**	**252,128**	**–**	**407,126**
Foreign exchange adjustments	**(3,716)**	**–**	**(1,909)**	**–**	**(2,137)**	**(2,073)**	**(9,835)**
Addition in lease	**–**	**–**	**–**	**–**	**–**	**(201,653)**	**(201,653)**
Interest expense	**–**	**(574)**	**(4,511)**	**(5,749)**	**–**	**(15,051)**	**(25,885)**
Early termination	**–**	**–**	**–**	**–**	**14,057**	**42,106**	**56,163**
Other non-cash movement	**–**	**–**	**(20,979)**	**20,979**	**(250,408)**	**250,408**	**–**
As at 31 December 2020	**209,639**	**(27,828)**	**(203,389)**	**(111,741)**	**(166,344)**	**(149,474)**	**(449,137)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BUSINESS COMBINATION

In July 2020, the Group entered into an sales and purchase agreement with an independent third party, pursuant to which the Group will pay a total sum of RMB11.8 million to acquire a business engaging in the production, development, import and sale of skincare and cosmetic products business ("**SwissPro business**") to its newly formed subsidiary as to 80% owned by the Group.

Upon the completion of the acquisition of SwissPro business, the identifiable assets and liabilities of SwissPro business were recognised and measured at fair value. The excess of the fair value of the consideration over the identifiable net assets of SwissPro business at fair value was recognised as goodwill in the consolidated statement of financial position at the acquisition date.

The effects of the acquisition of SwissPro business are disclosed below.

(i) Purchase consideration

	HKD'000
Cash consideration paid in 2020	6,660
Present value of contingent consideration *(Note (iv))*	2,517
Total purchase consideration	9,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BUSINESS COMBINATION (Continued)

(ii) Identifiable assets acquired and liabilities assumed of:

	August 2020 At fair value HKD'000
Intangible assets	7,966
Property, plant and equipment	878
Inventories	1,767
Total identifiable net assets	10,611
Less:	
Non-controlling interests	(2,122)
Add:	
Goodwill	688
Total purchase consideration	9,177

(iii) Effect on cash flows of the Group

	RMB'000
Cash paid in 2020 (as above)	6,660

(iv) Contingent consideration

As stipulated in the purchase agreement in relation to the acquisition of SwissPro business, there was a performance guarantee arrangement in respect of the contribution of Mr. Yip and Forward Fashion can deduct the amount paid to Mr. Yip in the event that the performance guarantee were not satisfied. The contingent consideration, amounted to HKD2,517,000 recognised as a financial liability at fair value through profit or loss in the consolidated financial statements of the Group upon completion of the acquisition, was the estimated financial compensation made by the management. In determining the fair value of the financial compensation, various scenarios of possible outcomes for the performance guarantee were estimated. The fair value of the financial compensation was calculated with reference to the probability-weighted average of the three scenarios of possible outcomes. The management reassessed that the fair value of the contingent consideration as at 31 December 2020 was HKD2,970,000, the HKD453,000 difference was recognised as loss in profit or loss (Note 3.3).

(v) The goodwill arising from the acquisition of SwissPro business is attributable to the synergies expected to be achieved from integrating its operations into the Group's existing business. It will not be deductible for tax purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 RELATED PARTY TRANSACTIONS

(a) *Parent entity*

The Group is controlled by the following entity:

Name	Type	Place of incorporation	Ownership interest 2020	2019
Gold Star Fashion Limited	Immediate/ultimate parent company	BVI	**75%**	100%

(b) *Subsidiaries*

Interests in subsidiaries are set out in note 42.

(c) *Key management compensation*

Key management includes directors (executive and non-executive) and the senior management of the Group.

The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December 2020 HKD'000	2019 HKD'000
Salaries, wages and bonus	**6,841**	5,475
Pension cost – defined contribution plan	**116**	95
Other social security costs, housing benefits and other employee benefits	**56**	132
	7,013	5,702

(d) *Transactions with other related parties*

The following transactions occurred with related parties:

	Year ended 31 December 2020 HKD'000	2019 HKD'000
Purchase of goods		
Company with significant influence over a subsidiary	**697**	2,079
Purchase of decoration services		
Controlled by a close family member of Mr. Fan	**1,433**	17,572
Purchase of rental services (with variable lease payment)		
Fellow subsidiaries	**6,356**	6,161
Purchase of management, promotion and administration services		
Fellow subsidiary	**6,645**	16,224
Interest expense		
Controlling shareholder of the Company	**573**	3,164

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 RELATED PARTY TRANSACTIONS (Continued)

(e) Year end balances with related parties

(i) Due to related parties

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Loans from related parties – non-trade		
Mr. Fan	**7,882**	90,366
Ying Yu Investment Company Ltd	**2,640**	–
Bo Jian Company Ltd	**7,997**	–
Shun Ao Co. Ltd.	**9,309**	–
Amount due to related parties – non-trade		
Ieng Nam Singapore Pte. Ltd.	**–**	767
Amount due to related parties – trade		
SJ Synergy Engineering Company Limited	**30,196**	35,999
Sao Hang Investment Company Limited	**2,794**	7,160
	60,818	134,292

Loans from Mr. Fan were unsecured with term of one year and an interest rate of 4%.

Loans from related parties were unsecured with term of one year and an interest rate of 4%.

Amount due to related parties represents unsecured, interest-free and repayable on demand amount paid on behalf of the Group by related parties.

In December 2019, the Group and Bank of China Macau came into an agreement with a total facilities of HKD120,000,000 and an initial term of six months. In January 2020, the Group has drawn a total amount of HKD90,000,000 to repay the loans from related parties and cleared all the amount due to Mr. Fan before its listing on on the Main Board of The Stock Exchange of Hong Kong Limited on 13 January 2020.

(f) Guarantees

Guarantees provided by the controlling shareholder to the Group are set out in Note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 RELATED PARTY TRANSACTIONS (Continued)

(g) Leases as lessee with other related parties

The following amounts of leases are related to related parties:

	As of 31 December	
	2020	2019
	HKD'000	HKD'000
Lease liabilities		
Controlling shareholder of the Company	**8,880**	7,350

	Year ended 31 December	
	2020	2019
	HKD'000	HKD'000
Addition in right-of-use assets		
Controlling shareholder of the Company	**1,479**	1,812
Interest of lease liabilities		
Controlling shareholder of the Company	**479**	460
Fellow subsidiaries	**–**	1
	479	461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Remuneration of every director and chief executive is set out below:

	Year ended 31 December 2020					
	Fees HKD'000	Salaries, wages and bonus HKD'000	Pension cost-defined contribution plan HKD'000	Other social security costs, housing benefits and other employee benefits HKD'000	Share-based compensation expense HKD'000	Total HKD'000
Chairman:						
Mr. Fan Wing Ting	–	2,100	17	–	–	2,117
Executive directors:						
Ms. Chen Xingyi	–	1,114	28	21	–	1,163
Mr. Kevin Trantallis	–	1,050	18	–	–	1,068
Mr. Fong Yat Ming	–	973	11	–	–	984
Ms. Fan Tammy	–	525	17	–	–	542
Independent non-executive directors:						
Mr. Chau Kwok Keung *(Note a)*	–	202	–	–	–	202
Mr. Yu Chun Kau *(Note a)*	–	202	–	–	–	202
Mr. Cheung Chun Yue *(Note a)*	–	202	–	–	–	202
Chief executive:						
Ms. Fung Sze Nga	–	739	18	–	–	757
Mr. Choi Chin Chung	–	733	18	–	–	751
	–	7,840	127	21	–	7,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Year ended 31 December 2019					
	Fees HKD'000	Salaries, wages and bonus HKD'000	Pension cost-defined contribution plan HKD'000	Other social security costs, housing benefits and other employee benefits HKD'000	Share-based compensation expense HKD'000	Total HKD'000
Chairman:						
Mr. Fan Wing Ting	–	440	15	–	–	455
Executive directors:						
Ms. Chen Xingyi	–	2,053	11	40	–	2,104
Mr. Kevin Trantallis	–	1,116	18	–	–	1,134
Mr. Fong Yat Ming	–	1,281	12	–	–	1,293
Ms. Fan Tammy	–	457	18	–	–	475
Independent non-executive directors:						
Mr. Chau Kwok Keung *(Note a)*	–	–	–	–	–	–
Mr. Yu Chun Kau *(Note a)*	–	–	–	–	–	–
Mr. Cheung Chun Yue *(Note a)*	–	–	–	–	–	–
Chief executive:						
Ms. Fung Sze Nga	–	739	18	–	–	757
Mr. Choi Chin Chung	–	733	18	–	–	751
	–	6,819	110	40	–	6,969

Notes:

(a) Appointed on 17 December 2019.

(b) No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2019 and 2020, respectively.

(c) No loans, quasi-loans or other dealings were entered into by the Company in favor of directors, controlled body corporates by and connected entities with such directors for the years ended 31 December 2019 and 2020, respectively.

(d) Save as disclosed in Note 38, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2019 and 2020.

(e) No consideration was provided to third parties for making available directors' services during the years ended 31 December 2019 and 2020.

40 CONTINGENT LIABILITIES

As of 31 December 2019 and 2020, the Group did not have any material contingent liabilities except pending litigation have made provision in Note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As of 31 December 2020 HKD'000	As of 31 December 2019 HKD'000
Assets		
Non-current assets		
Investment in subsidiaries	**691,000**	691,000
Total non-current assets	**691,000**	691,000
Current assets		
Cash and cash equivalents	**1,877**	115
Term deposits with initial term of over three months	**20,027**	–
Prepayment	**313**	8,178
Amount due from group companies	**157,797**	–
Total current assets	**180,014**	8,293
Total assets	**871,014**	699,293
Equity		
Equity attributable to equity holders of the Company		
Share capital	**4,000**	–
Share premium	**859,232**	691,000
Accumulated losses	**(35,958)**	(28,860)
Total equity	**827,274**	662,140
Liabilities		
Current liabilities		
Trade and other payables	**1,961**	37,153
Amount due to group companies	**41,779**	–
Total current liabilities	**43,740**	37,153
Total liabilities	**43,740**	37,153
Total equity and liabilities	**871,014**	699,293

The balance sheet of the Company was approved by the Board of Directors on 23 March 2021 and were signed on its behalf.

Mr. Fan Wing Ting	**Ms. Chen Xingyi**
Director	*Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium HKD'000	Accumulated losses HKD'000
At 16 May 2019 (date of incorporation)	–	–
Effect of reserve in relation to reorganisation of the Group	691,000	–
Loss for the year	–	(28,860)
At 31 December 2019	691,000	(28,860)
Capitalisation of reserve	**(3,000)**	**–**
Issue of new shares	**171,232**	**–**
Dividends	**–**	**(20,000)**
Profit for the year	**–**	**12,902**
At 31 December 2020	**859,232**	**(35,958)**

42 SUBSIDIARIES

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

Name of entity	Place of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2020 **%**	2019 %	**2020** **%**	2019 %
World First International Holdings Limited	BVI, limited liability company	Investment holding company	USD1,000	**100%**	100%	**–**	–
Fortune Fashion Limited	BVI, limited liability company	Investment holding company	USD10	**100%**	100%	**–**	–
Frontline Fashion Limited	BVI, limited liability company	Investment holding company	USD10	**100%**	100%	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUBSIDIARIES (Continued)

Name of entity	Place of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2020	2019	**2020**	2019
				%	%	**%**	%
NB China Limited (盈冠商貿有限公司)	HK, limited liability company	Procurement of fashion apparel	HKD105,000	**60%**	60%	**40%**	40%
Yingnan Asia Limited (盈南中華有限公司)	HK, limited liability company	Investment holding company	HKD1	**100%**	100%	**–**	–
World First Holdings Limited (科盈集團有限公司)	HK, limited liability company	Investment holding company	HKD103,000,000	**100%**	100%	**–**	–
Wide Spread (China) Limited (康弘(中國)有限公司)	HK, limited liability company	Retail of fashion apparel	HKD5,000,000	**100%**	100%	**–**	–
Ying Yi Hong Kong Limited (盈奕商貿有限公司)	HK, limited liability company	Retail of skincare and cosmetic products	HKD1	**100%**	–	**–**	–
Yuan Zhi Holdings Limited (媛芝商貿有限公司)	HK, limited liability company	Wholesale of skincare and cosmetic products	HKD1	**100%**	–	**–**	–
Macau Ieng Nam Limited (澳門盈南有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP100,000	**100%**	100%	**–**	–
Sao Wai Investment Company Limited (首威投資有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	**100%**	100%	**–**	–
Ieng Weng Company Limited (盈榮有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	**100%**	100%	**–**	–
Ieng Leong Company Limited (盈亮有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	**100%**	100%	**–**	–
Lan Yuan Company Limited (蘭媛有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	**100%**	100%	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 SUBSIDIARIES (Continued)

Name of entity	Place of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2020	2019	**2020**	2019
				%	%	**%**	%
Macau Ieng Kun Company Limited (澳門盈冠有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	**62%**	62%	**38%**	38%
Sao Wai Limited (首威商貿有限公司)	HK, limited liability company	Investment holding company	HKD10,000	**100%**	100%	**-**	–
首威貿易(深圳)有限公司(a)	PRC, limited liability company	Retail of fashion apparel	HKD100,000,000	**100%**	100%	**-**	–
蘭媛商貿(上海)有限公司(a)	PRC, limited liability company	Retail of fashion apparel	HKD15,000,000	**100%**	100%	**-**	–
盈昭商貿(上海)有限公司(a)	PRC, limited liability company	Retail of fashion apparel	HKD16,500,000	**60%**	60%	**40%**	40%
盈亮貿易(深圳)有限公司(a)	PRC, limited liability company	Retail of fashion apparel	HKD50,000,000	**100%**	100%	**-**	–
媛芝商貿(深圳)有限公司(a)	PRC, limited liability company	Wholesale and retail of skincare and cosmetic products	HKD25,000,000	**100%**	–	**-**	–
珠海橫琴盈華商貿有限公司(a)	PRC, limited liability company	Retail of fashion apparel	HKD4,000,000	**100%**	100%	**-**	–
Sao Hang Limited (首恆商貿有限公司)	HK, limited liability company	Investment holding company	HKD10,000	**100%**	100%	**-**	–

Note:

(a) Registered as wholly foreign owned enterprises under PRC law.

(i) Significant restrictions

Cash and short-term deposits held in PRC are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

For the years ended 31 December 2020, the carrying amount of the assets included within the consolidated financial statements to which these restrictions apply was HKD69,605,000 (2019: HKD 33,875,000).

FIVE YEARS FINANCIALS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December				
	2016	2017	2018	2019	**2020**
	HKD'000	HKD'000	HKD'000	HKD'000	**HKD'000**
Results					
Revenue	950,148	1,066,630	1,344,865	1,513,817	**884,463**
Gross Profit	495,279	590,018	730,355	787,867	**396,286**
Profit/(loss) for the year	5,782	60,160	108,577	37,771	**(136,360)**
Adjusted net profit/(loss) for the year	5,782	60,160	110,689	65,164	**(134,335)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2016	2017	2018	2019	**2020**
	HKD'000	HKD'000	HKD'000	HKD'000	**HKD'000**
Total assets	1,016,886	1,048,869	1,222,844	1,308,366	**1,280,263**
Total liabilities	942,276	936,988	1,019,173	1,070,306	**1,016,353**
Total equity	74,610	111,881	203,671	238,060	**263,910**

Note: Adjusted net profit is derived by adding listing expenses from the net profit for the year.