GROWN UP GROUP

GROWN UP GROUP INVESTMENT HOLDINGS LIMITED
植華集團投資控股有限公司

(incorporated in the Cayman Islands with limited liability)
stock code: 1842

Annual Report 2021

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Thomas Berg *(Chairman)*
Mr. Morten Rosholm Henriksen
Mr. Cheng Wai Man
Ms. Shut Ya Lai *(Chief Executive Officer)*
(appointed on 12 January 2022)
Mr. Brian Worm (resigned on 12 January 2022)

NON-EXECUTIVE DIRECTOR

Mr. Fung Bing Ngon Johnny

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Mr. Wong Kai Hing

AUDIT COMMITTEE

Mr. Tang Tin Lok Stephen *(Chairman)*
Mr. Lau Ning Wa Ricky
Mr. Wong Kai Hing

NOMINATION COMMITTEE

Mr. Thomas Berg *(Chairman)*
Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Mr. Wong Kai Hing

REMUNERATION COMMITTEE

Mr. Lau Ning Wa Ricky *(Chairman)*
Mr. Tang Tin Lok Stephen
Mr. Wong Kai Hing
Mr. Thomas Berg

JOINT COMPANY SECRETARIES

Ms. Shut Ya Lai
Mr. Ngai Tsz Hin Michael (appointed on 24 March 2022)

AUTHORISED REPRESENTATIVES

Mr. Thomas Berg
Ms. Shut Ya Lai

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat D, 7/F, Block 2
Tai Ping Industrial Centre
55 Ting Kok Road, Tai Po
New Territories
Hong Kong

COMPANY'S WEBSITE

www.grown-up.com

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

PRINCIPAL BANKER

Hang Seng Bank Limited

STOCK CODE

1842

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2021	2020
Financial Results on continuing operation	**HK$'000**	HK$'000
Revenue	**304,716**	276,644
Profit for the year	**5,256**	70
Basic earning per share (HK cent)	**0.53**	0.01
Diluted earning per share (HK cent)	**0.53**	0.01

	As at 31 December	
	2021	2020
Statement of Financial Position	**HK$'000**	HK$'000
Non-current assets	**46,748**	82,871
Current assets	**182,135**	212,149
Total assets	**228,883**	295,020
Current liabilities	**122,948**	176,031
Non-current liabilities	**1,206**	11,085
Total liabilities	**124,154**	187,116
Net assets	**104,729**	107,904
Ratio Analysis		
Current ratio (times)	**1.5**	1.2
Gearing ratio	**35.3%**	79.6%

Notes:

1. Current ratio is calculated by dividing current assets by current liabilities.

2. Gearing ratio is calculated by dividing total debt by total equity multiplied by 100%. Total debt is defined as the sum of lease liabilities and bank borrowings.

CHAIRPERSON'S STATEMENT

Dear Valued Shareholders,

On behalf of the board of directors (the "Directors") (the "Board") of Grown Up Group Investment Holdings Limited (the "Company"), together with its subsidiaries (collectively, the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2021 (the "Reporting Period").

The COVID-19 pandemic (the "COVID-19 Pandemic") continued to affect the Group's performance during the Reporting Period. To alleviate its impact on our business operation, the management had persistently explored options in diversifying the Group's business strategies. In 2021, with our supply chain and production footprint expansion out of the People's Republic of China (the "PRC") and our reinforced sales presence in the United States (the "U.S."), we witnessed a growth in our private label product business, resulting in an increase in revenue from approximately HK$276.6 million for the year ended 31 December 2020 to approximately HK$304.7 for the Reporting Period. As more countries are gradually relaxing and easing their COVID-19 social distancing and quarantine measures, we foresee that the sales in our private label product business will thrive in the coming years.

Despite our efforts in expanding our business footprint, our branded products business, which mainly focuses on the distribution of school bags and travel luggage, remained weak during the Reporting Period due to prolonged travel restrictions and school suspensions to combat the COVID-19 Pandemic worldwide. During the Reporting Period, the revenue from the Branded Label Products Business increased by approximately HK$50.0 million or 70.7% from approximately HK$70.7 million for the year ended 31 December 2020. The supply of a new licensed brand since late 2020 has resulted in increase in turnover but with lower marginal benefit on gross and net profit margin contributions. The Branded Label Products Business reported loss of approximately HK$8.3 million and approximately HK$14.5 million for the Reporting Period and for the year ended 31 December 2020, respectively. Given the weak performance in the Reporting Period, the Company entered into a sale and purchase agreement in October 2021 to dispose of the entire issued share capital of Grown-Up Licenses Limited ("GPL HK"), an indirect wholly-owned subsidiary of the Company that oversees the branded products business of the Group. We believe that the disposal of our branded product business can reduce our investment in market positioning, thereby allocating more resources to expand our private label product business.

The year 2021 is nonetheless challenging to the Company. While we have been striving to maintain our business presence and enhance our edge in the industry, our first priority was always to protect the health, safety and well-being of our employees, whom are valuable to our business operations. We have consistently followed guidelines implemented by the governments and adopted social distancing guidelines in our working environment to support our employees. The success of the Company lies in the collaboration of our employees, shareholders and management.

Moving forward, the COVID-19 Pandemic will remain affect the Group's business operations on an ongoing basis. The recent Russia-Ukraine war is also likely to pose a threat to the Group's performance with rising petroleum price and raw material costs, which may lead to an increase in our production cost. The Company will continue to monitor the situations, and carry out practicable measures to adapt to the ever-changing environment. We remain confident in sustaining long-term growth in our business.

CHAIRPERSON'S STATEMENT

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my sincere gratitude to our partners, the Group's management teams and employees for their unwavering commitment, dedication and support. We would like to thank all parties who have contributed to our performance in 2021, and extend our appreciation to our stakeholders, including our shareholders, customers, suppliers and government authorities for the continued support and trust in us. We are looking forward to bringing value to our shareholders and sharing our greater success with you all.

Thomas Berg
Chairman and executive Director

Hong Kong
24 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

We are one of the leading global corporates with nearly three decades of experience in the industry of designing, developing, sourcing, manufacturing and selling and distributing a full range of bags, luggage and accessories as well as medical related products, tool storage and tool accessories. Leveraging on the Group's design and development competence and advanced manufacturing knowhow with multiple geographical manufacturing capabilities, the Group has been able to offer comprehensive supply chain solutions which ensure a stable and quality supply with product design optimisation to our diverse and global customer portfolio.

The Group recorded total revenue from continuing operation of approximately HK$304.7 million for the Reporting Period, representing an increase of approximately HK$28.1 million or approximately 10.2% as compared to the revenue from continuing operation of approximately HK$276.6 million for the year ended 31 December 2020. The loss for the Reporting Period (including continuing and discontinued operation) amounted to approximately HK$3.0 million as compared to approximately HK$14.5 million for the year ended 31 December 2020. The Group reported its annual results for the Reporting Period in two segments, namely: (i) private label products business ("Private Label Products Business") from continuing operation; and (ii) branded label products business ("Branded Label Products Business") from discontinued operation.

Private Label Products Business from continuing operation

Our Private Label Products Business continued to grow despite the continuing threat of the COVID-19 pandemic (the "COVID-19 Pandemic") as the Group has strongly reinforced its sales presence with certain well-known reputable and sizable corporates in the U.S., especially in the tools products industry with proven resistance to the negative impacts of the COVID-19 Pandemic and a relatively high demand of tools products. In addition, the on-going transformative changes of expanding its supply chain and production footprint out of the PRC for production of products sold in the U.S. market allows the Group to mitigate the negative impact of the U.S. tariffs on its sales, and becomes more competitive and preferable than other manufacturers in the PRC. As a result, the Group recorded a substantial growth in sales of tool bags in the U.S. during the Reporting Period.

Furthermore, our Private Label Products Business mainly focuses on the supply of functional products, namely tool bags, sports bags, technical and medical related products, of which the demand was not as heavily affected as that of our Branded Label Products Business by the COVID-19 Pandemic during the Reporting Period.

The revenue of our Private Label Products Business for the Reporting Period was approximately HK$304.7 million, representing an increase of approximately 10.2%, from approximately HK$276.6 million for the year ended 31 December 2020. The increase in revenue was primarily due to (i) the significant increase in sale of tool bags in the U.S. and (ii) the increasing demand from European customers for bags and backpack products; which offset the low demand of luggage products, as well as the decrease in demand of the isolation gowns due to the saturation of supply in the global market during the Reporting Period. The Private Label Products Business reported profit of approximately HK$5.3 million and approximately HK$0.1 million for the Reporting Period and for the year ended 31 December 2020 respectively. The breakdown of the revenue by product portfolio and product category are set out as below:

	Year ended 31 December			
	2021		2020	
	Revenue HK$'000	**%**	Revenue HK$'000	%
Private label products				
Backpack and others	**101,366**	**33**	70,791	25
Tool bags	**130,961**	**43**	65,460	24
Luggage	**6,893**	**2**	35,115	13
Medical bags and related supplies	**65,496**	**22**	105,278	38
Total	**304,716**	**100**	276,644	100

With a view to improving our profitability, we gradually shift our business focus to Private Label Products Business by entering into a sale and purchase agreement to dispose of the Branded Label Products Business in October 2021 (the "Disposal") for a consideration of HK$30.5 million. The proceeds incurred from the Disposal will be used for business operation and development of our Private Label Products Business. The details of the Disposal is set out in the section headed "Connected Transactions" below in this section.

Branded Label Products Business from discontinued operation

During the Reporting Period, the recurring waves of the COVID-19 Pandemic continued to pose challenges to the Group' s operations. With the worldwide implementation of travel restrictions and quarantine measures, and school suspensions to prevent the transmission of COVID-19, the overall performance in the Branded Label Product Business, which mainly distributes schoolbags and travelling luggage via retail and department stores, remained weak during the Reporting Period. In addition, the surging ocean freight with shortage in shipping equipment and high logistics and warehousing costs due to the COVID-19 Pandemic had rendered the Company in delaying its certain delivery schedules.

Although some countries began to lift travel restrictions and social distancing measures in late 2021 and early 2022, the Group viewed that it would require substantial investment and time to have its Branded Label Products Business to resume to its performance as that in the pre-COVID-19 Pandemic circumstance and proceeded with the Disposal on 29 October 2021. The Disposal was completed on 31 December 2021.

During the Reporting Period, the revenue of the Branded Label Products Business increased by approximately HK$50.0 million or approximately 70.7% from approximately HK$70.7 million for the year ended 31 December 2020 to approximately HK$120.7 million for the Reporting Period. The increase in sales was mainly due to the supply of a new licensed brand since late 2020 but with lower marginal benefit on gross and net profit margin contributions and high design and development costs. The Branded Label Products Business reported loss of approximately HK$8.3 million and approximately HK$14.5 million for the Reporting Period and for the year ended 31 December 2020, respectively.

Cost of Sales

Our cost of sales from continuing operation increased by approximately HK$24.8 million or approximately 11.3% from approximately HK$220.0 million for the year ended 31 December 2020 to approximately HK$244.8 million for the Reporting Period. Such increase was primarily due to the increase in cost of inventories sold which was in line with our increased revenue. Our overall gross profit margin slightly decreased from approximately 20.4% for the year ended 31 December 2020 to approximately 19.6% for the Reporting Period. The decrease of gross profit margin was mainly driven by (i) an increase in sale of tool bags that with lower gross profit margin and (ii) the general increase in production costs during the Reporting Period.

Selling and Distribution Expenses

Our selling and distribution expenses from continuing operation increased by approximately HK$5.2 million from approximately HK$7.3 million for the year ended 31 December 2020 to approximately HK$12.5 million for the Reporting Period. Such increase was mainly due to (i) the increase in sale and marketing expenses and (ii) our design and development expenses to maintain our competitiveness among the industry.

Administrative Expenses

Our administrative expenses from continuing operation decreased by approximately HK$5.0 million from approximately HK$44.5 million for the year ended 31 December 2020 to approximately HK$39.5 million for the Reporting Period. Such decrease was mainly due to (i) the decrease in depreciation of right-of-use assets by approximately HK$3.1 million and (ii) the decrease in corporate expenses by approximately HK$1.3 million during the Reporting Period.

Finance Costs

Our finance costs from continuing operation, net decreased by approximately HK$1.8 million from approximately HK$3.7 million for the year ended 31 December 2020 to approximately HK$1.9 million for the Reporting Period. Such decrease was mainly due to the decrease in the average outstanding balance for interest bearing debts for the Reporting Period.

Income Tax

For the Reporting Period, the Group's income tax credit from continued operation amounted to approximately HK$15,000, as compared with approximately HK$2.0 million income tax expenses for the year ended 31 December 2020. The income tax credit was primarily attributed to the tax refund from tax authority in China for over-payment of tax in prior years.

Loss for the year

The Group reported an increase from profit of approximately HK$0.1 million from continuing operation for the year ended 31 December 2020 to approximately HK$5.3 million for the Reporting Period. If including the loss from discontinued operations of approximately HK$8.3 million (2020: HK$14.6 million) for the Reporting Period, we reported loss for the year of approximately HK$3.0 million for the Reporting Period as compared to loss of approximately HK$14.5 million for the year ended 31 December 2020.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Group funds its business and working capital requirements by using a balanced mix of internal resources, bank borrowings and a partial portion of the proceeds from the initial public offering. The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

As at 31 December 2021, the Group had net current assets of approximately HK$59.1 million (31 December 2020: HK$36.1 million), cash and bank balances and pledged deposits amounted to approximately HK$58.2 million (31 December 2020: HK$77.2 million) and bank borrowings amounted to approximately HK$32.4 million (31 December 2020: HK$79.0 million). The Group's cash and bank balances as at 31 December 2021 were mainly denominated in Renminbi ("RMB"), Hong Kong Dollars ("HK$") and United Stated Dollars ("USD"). The Group's borrowings carried interest at rates ranging from 1.8% to 5.8% per annum during the Reporting Period (31 December 2020: 1.2% to 5.8%).

The Group's gearing ratio as at 31 December 2021 was approximately 35.3% (31 December 2020: 79.6%), calculated by dividing total debt by total equity multiplied by 100%. Total debt is defined as the sum of lease liabilities and bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Save for the entering into the Supplemental Agreement on 1 March 2022 as disclosed in the paragraph headed "Connected Transactions" below, the Group had no material events after the Reporting Period and up to the date of this annual report.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2021 and 2020.

EMPLOYEE INFORMATION

As at 31 December 2021, the Group had approximately 410 employees. Salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis. Remuneration is reviewed annually. Staff benefits include contribution to mandatory contribution fund, discretionary bonus and share options. As at the date of this annual report, no share option has been granted or agreed to be granted to employees of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

Save for the Disposal as disclosed in the paragraph headed "Connected Transactions" below, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group for the Reporting Period (31 December 2020: nil).

SIGNIFICANT INVESTMENT HELD

As at 31 December 2021, the Group did not make any significant investments (31 December 2020: nil).

CHARGE ON ASSETS

As at 31 December 2021 and 2020, the following assets were pledged to banks to secure general banking facilities granted to the Group:

(i) Land and buildings with carrying values of approximately HK$1.1 million (2020: HK$1.2 million);

(ii) Pledged deposits of approximately HK$48.8 million (2020: HK$48.8 million);

(iii) Inventories and trade receivables of approximately HK$30.6 million as at 31 December 2020 and no such pledge as at 31 December 2021; and

(iv) Financial assets at fair value through profit or loss of approximately HK$7.0 million (2020: HK$7.0 million).

FOREIGN CURRENCY EXPOSURE

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and RMB. Any significant fluctuation in the exchange rates between USD and RMB may affect the profitability. The Group currently does not have a foreign currency hedging policy. The Group will continue to monitor its foreign currency exposure closely and consider hedging significant foreign currency exposure should the need arise.

DIVIDEND

The Board did not recommend the payment of a final dividend by the Company for the Reporting Period (2020: nil).

USE OF PROCEEDS FROM LISTING

The net proceeds (the "Net Proceeds") received by the Group, after deducting related expenses, were approximately HK$49.9 million. During the Reporting Period, the Group has amended its use of proceeds. For details on the changes in the use of proceeds and the reasons and benefits for such changes, please refer to the Company's announcement dated 26 March 2021. As at 31 December 2021, the unutilised Net Proceeds amounted to approximately HK$1.8 million ("Unutilised Net Proceeds").

During the Reporting Period, the net proceeds had been applied as follows:

	Original Amount of Net Proceeds (HK$'000)	Revised allocation of Net Proceeds (HK$'000)	Revised allocation of unutilised Net Proceeds brought forward from 31 December 2020 (HK$'000)	Net Proceeds utilised during the Reporting Period (HK$'000)	Unutilised Net Proceeds as at 31 December 2021 (HK$'000)	Expected timeline on utilisation of Unutilised Net Proceeds
Intensifying design and development efforts	8,088	8,088	1,469	1,469	–	N/A
Enhancing design and development capabilities	5,738	5,738	1,245	1,245	–	N/A
Expanding sales and marketing network	7,194	11,554	4,360	4,360	–	N/A
Expanding and enhancing manufacturing capabilities	11,800	940	–	–	–	N/A
Enhancing information technology management system	4,634	4,634	2,250	446	1,804	To be utilised by 31 December 2022
Repaying outstanding bank loans	7,500	14,000	6,500	6,500	–	N/A
Working capital	4,900	4,900	–	–	–	N/A
	49,854	49,854	15,824	14,020	1,804	

The Unutilised Net Proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong as at the date of this annual report.

Particulars of the Net Proceeds applied during the Reporting Period are set out below:

Intended use of Net Proceeds	Description of the Net Proceeds utilised during the Reporting Period
Intensifying design and development efforts	• Supported the product design and development operations in Hong Kong, the PRC and Denmark for licensed brand products.
Enhancing design and development capabilities	• Engaged certain product designers and service providers for product design and development.
Expanding sales and marketing network	• Engaged a market unit to provide a range of marketing services to promote the Group's licensed branded products. • Strengthened the Group's sales team to reinforce the Group's presence among customers in the U.S. and identify new distributors/distribution channels in the PRC market.
Enhancing information technology management system	• Upgraded IT facility and system.
Repaying outstanding bank loans	• Repayment of bank loans.

CONNECTED TRANSACTIONS

Major and Connected Transaction

On 29 October 2021, Grown-Up Group Holdings Limited ("GHL HK"), an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with GP Brand & Licensing Holdings Limited ("GP Brand"), a company solely owned by Vking Industry Limited ("Vking"), of which the entire issued share capital of Vking is owned by Mr. Berg, pursuant to which GHL HK agreed to sell and GP Brand agreed to acquire the entire issued share capital of one of our subsidiaries, Grown-Up Licenses Limited ("GPL HK") (the "Disposal"), for a consideration of HK$30,500,000. GP Brand is considered as a connected party under Chapter 14A of the Listing Rules, and therefore the Disposal constituted a connected transaction of the Company.

The consideration shall be payable by GP Brand to GHL HK in cash in the following manner:

(1) HK$1,525,000 shall be payable upon signing of the Sale and Purchase Agreement, being deposit and part payment of the consideration (the "Deposit"); and

(2) the remaining part of the consideration, after netting off the Deposit and the unpaid payables at completion (the "Remaining Consideration"), shall be payable within sixty (60) days after completion.

The proceeds incurred from the Disposal will be used for the business operations and development of our Private Label Products Business. The Deposit was received by the Group and the Sale and Purchase Agreement was completed on 31 December 2021. Subsequently, a supplemental sale and purchase agreement (the "Supplemental Agreement") was entered into between the two parties on 1 March 2021 to revise the payment schedule of the Remaining Consideration. For details of the Supplemental Agreement, please refer to the Company's announcement on 1 March 2022. As at the date of this annual report, the Remaining Consideration has not been settled.

The Disposal constituted an one-off major and connected transaction under Chapter 14 and 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Stock Exchange"). For details of the Disposal, please refer to the Company's announcements dated 29 October 2021, 31 December 2021 and 1 March 2022, respectively.

Continuing Connected Transaction

Upon completion of the Sale and Purchase Agreement on 31 December 2021, a framework supply agreement (the "Framework Supply Agreement") was also entered into between one of our subsidiaries, Grown-Up Manufactory Limited, and GPL HK on the same date in relation to the supply of bags and luggage products (the "Products") to GPL HK and its subsidiaries (the "Supply"). The terms of the Framework Supply Agreement lasts from 31 December 2021 to 31 December 2024. The annual caps for the three years ending 31 December 2024 are HK$70,000,000, HK$70,000,000 and HK$70,000,000, respectively. The basis of determination of the annual caps were determined with reference to (i) the historical sales figures of the sale of the Products and (ii) the actual/projected order requirements of the Products for the year ended 31 December 2021. The Framework Supply Agreement shall constitute a continuing connected transaction for the year ending 31 December 2022 under Chapter 14A of the Listing Rules. The Company will comply with Chapter 14A of the Listing Rules with reference to the disclosure requirements accordingly. For details of the Framework Supply Agreement, please refer to the Company's announcement dated 29 October 2021 and 31 December 2021, respectively.

Save as disclosed above, the Group had not entered into any connected transaction during the Reporting Period, which is required to be disclosed under Chapter 14A of the Listing Rules.

OUTLOOK AND PROSPECTS

The Group is dedicated to maintain its leading position in the bags and luggage industry. During the Reporting Period, the COVID-19 Pandemic had no doubt casted a shadow over the Group's business operations, we never stopped perusing ideas to expand our business footprint worldwide. We will keep on enhancing our design, research and development capabilities and keeping abreast of the latest trend to meet the needs of our customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Our Group's Private Label Products Business managed to grow despite the adverse impacts caused by the COVID-19 Pandemic social distancing and quarantine measures. Looking ahead to 2022, we will place our emphasis on our Private Label Product Business and continue to seek for new customers. As some countries began to ease their social distancing policies and travel bans in late 2021 and early 2022, it is estimated that the global economy will gradually revive in the near future, and will inevitably benefit the Group's business. In view of the gradual revival of the global economy, the Group is proactively seeking for potential business opportunities.

Subject to the ever-changing market conditions, namely (i) the recent Russia-Ukraine war which led to surging petroleum prices and raw material costs; (ii) the revival of the COVID-19 Pandemic in Hong Kong and China in early 2022; (iii) the depreciation of RMB against USD in early 2022; and (iv) the expensive ocean freights, shortage of shipping equipment and high logistics costs, the Group will stay cautious in 2022 in realising its business goals and needs by constantly monitoring the latest circumstances and adjust its business strategies accordingly.

Moving forward, the Group will maintain its strategic focus to achieve on profitability and strengthen its competition edge by delivering greater value to its customers through quality management, cost control and customer service. The Group will also cautiously explore and identify any new business opportunities in order to enhance the Group's future development, and thus create great shareholders' value.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out below:

DIRECTORS

Executive Directors

Mr. Thomas Berg ("**Mr. Berg**"), aged 50, is the chairman of our Board and an executive Director. He was concurrently appointed as an executive Director and the chairman of our Board on 16 March 2018. He is also the Director of certain subsidiaries of the Group. He is mainly responsible for overall business development as well as financial and strategic planning of the Group. He is also the chairman of the nomination committee (the "Nomination Committee") and a member of the remuneration committee (the "Remuneration Committee") of the Group.

Mr. Berg has more than 26 years of experience in the sales and marketing industry. From August 1994 to December 1996, Mr. Berg worked for Pacific Market International, a drinkware, bag and luggage supplier, at which his last position was sales executive. In October 1996, Mr. Berg entered into a cooperation agreement with Grown-Up Manufactory Limited ("GPM") to manage our Group's business in Europe, and subsequently joined the Group and was appointed as managing director of the Europe office of GPM in January 1997. In April 2002, Mr. Berg was further appointed as director of GPM. From January 2005 to August 2015, he worked as group chief executive officer of GPM. From December 2005 to June 2012, he was appointed as managing director of Grown-Up ApS. Since April 2015, Mr. Berg has been serving as group executive chairman of GPM.

Mr. Berg obtained a diploma as market economist in international marketing from Aarhus Business College in Denmark in June 1995. He also studied a management course at University of California, Los Angeles in U.S. in 1994.

As at 31 December 2021, Mr. Berg was interested in 88.7% of the issued share capital of GP Group Investment Holding Limited ("GPG") and was deemed to be interested in 510,000,000 shares (representing 51.0% of the aggregate number of shares in issue) held by GPG within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). Save as disclosed above, Mr. Berg (i) had no other interests in any shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Morten Rosholm Henriksen ("**Mr. Henriksen**"), aged 53, is an executive Director. He was appointed as an executive Director on 16 March 2018. He is mainly responsible for overall management of our business operation.

Mr. Henriksen has more than 30 years of experience in the sales and marketing industry. From January 1995 to December 1999, Mr. Henriksen worked for Forlaget Benjamin ApS (currently known as Benjamin Media A/S), at which his last position was publisher. From December 2000 to August 2004, Mr. Henriksen was appointed as managing director of Trade2Trade World Wide ApS (currently known as eBay Classifieds Scandinavia ApS). In January 2005, Mr. Henriksen joined the Group, and was appointed as a board member of Berg Brand Management ApS. Since September 2006, Mr. Henriksen has been appointed as managing director of Grown-Up Licenses ApS. In February 2007, Mr. Henriksen was further appointed as a management board member of BBM Berg Brand Management GmbH.

Mr. Henriksen obtained both a bachelor of science in economics and a master of science in economics and business administration from The Arhus School of Business (currently known as Aarhus BSS) in Denmark in June 1991 and in October 1996, respectively. He also studied in University of Innsbruck in Austria as part of his master programme.

As 31 December 2021, Mr. Henriksen was interested in 11.3% of the issued share capital of GPG. Save as disclosed above, Mr. Henriksen (i) had no interests in any shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Cheng Wai Man (鄭偉民) ("**Mr. Cheng**"), aged 62, is an executive Director. He was appointed as an executive Director on 16 March 2018. He is mainly responsible for overall management of our business operation.

Mr. Cheng has more than 27 years of experience in the bags selling, manufacturing and trading industry. In October 1993, Mr. Cheng joined the Group and has been serving as director of GPM since then.

Save as disclosed above, Mr. Cheng (i) had no interests in any shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Ms. Shut Ya Lai ("**Ms. Shut**"), aged 39, is an executive Director, the chief executive officer and the company secretary of the Group. She was appointed as an executive Director and the chief executive officer on 12 January 2022. She is mainly responsible for the Company's overall strategic planning and managing the Group's operation.

Ms. Shut, has more than 17 years of experience in the auditing and accounting industry. From September 2004 to April 2012, Ms. Shut worked for Ernst & Young at which her last position was manager. Ms. Shut joined the Group as assistant financial controller of GPM, one of the subsidiaries of the Company in February 2013. She was subsequently promoted to financial controller in September 2013, group financial controller in March 2015 and group finance director in June 2016. Since March 2018, she has been serving as the company secretary of the Group as well.

Ms. Shut obtained a bachelor of arts in accountancy from The Hong Kong Polytechnic University in November 2004. She was admitted as a member of the Hong Kong Institute of Certified Public Accountants in September 2009 and is currently a non-practising member thereof.

Save as disclosed above, Ms. Shut (i) had no interests in any shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Non-executive Director

Mr. Fung Bing Ngon Johnny (馮炳昂) ("**Mr. Fung**"), aged 66, is a non-executive Director. He was appointed as a non-executive Director on 16 March 2018. He is mainly responsible for providing strategic advice to the Group.

Mr. Fung has more than 27 years of experience in the handbags manufacturing and trading industry. In October 1993, Mr. Fung joined the Group and has been serving as director of GPM since then.

Mr. Fung completed a fabric science course from Hong Kong Productivity Council in October 1998. He further finished two German language courses from The University of Hong Kong School of Professional and Continuing Education in August 2002 and August 2003, respectively.

Save as disclosed above, Mr. Fung (i) had no interests in any shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Tang Tin Lok Stephen (鄧天樂) ("**Mr. Tang**"), aged 45, was appointed as an independent non-executive Director on 30 May 2019. He is responsible for providing independent advice to the Group. He is the chairman of the audit committee (the "Audit Committee") of the Group, and a member of each the Remuneration Committee and the Nomination Committee.

Mr. Tang has been in the financial service industry for more than 21 years. Mr. Tang was a director with the Deloitte & Touche Financial Advisory Services Group where he focused on private equity and merger and acquisition transactions in the PRC and the Asia Pacific region. Mr. Tang began his career at the Financial Services Group at Ernst & Young in Sydney, and subsequently relocated to Hong Kong and Beijing. Mr. Tang received a Master Degree of Commerce in Advanced Finance and Bachelor Degree of Commerce from the University of New South Wales in Australia. He is a Chartered Accountant of the Chartered Accountants Australia and New Zealand, and a member of the Hong Kong Institute of Certified Public Accountants. Since December 2015, Mr. Tang has been an independent non-executive director of Maxnerva Technology Services Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock code: 1037).

Save as disclosed above, Mr. Tang (i) had no interests in any shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Lau Ning Wa Ricky (劉寧樺) ("**Mr. Lau**"), aged 36, was appointed as an independent non-executive Director on 30 May 2019. He is responsible for providing independent advice to the Group. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Mr. Lau has more than nine years of experience in the investment and corporate finance industry. From August 2009 to August 2013, Mr. Lau worked for Standard Chartered Bank, during which he was stationed in Hong Kong, India and Singapore in the bank's corporate banking and corporate advisory departments, and his last position was associate of origination and client coverage division. From August 2013 to April 2016, he worked for Amity Energy Management Pte. Ltd., a Singapore oil storage assets developer under Sebrina Holdings Limited, as associate director. In March 2016, Mr. Lau co-founded Joy Rich Ventures Limited, a financial technology company, and has been serving as director since then. In June 2015, he joined Joy Rich Finance Limited, a licensed money lending institution, and has been serving as director since then. In July 2015, he co-founded Joy Rich Securities Investment Limited, a Securities and Futures Commissions type 1 licensed securities brokerage firm. Mr. Lau is currently serving as a director and the chief operating officer of Origin Capital Management Pte. Ltd., a Singapore-incorporated asset management firm that holds a capital markets services licence for venture capital fund management and is regulated under the Monetary Authority of Singapore.

Mr. Lau obtained a bachelor of science in international business from The University of Warwick in the United Kingdom in July 2008. He further pursued a master of philosophy in real estate finance degree from The University of Cambridge in the United Kingdom and such degree was approved and conferred to him in October 2009 and October 2013, respectively.

Save as disclosed above, Mr. Lau (i) had no interests in any shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Wong Kai Hing (黃繼興) ("**Mr. Wong**"), aged 47, was appointed as our independent non-executive Director on 21 April 2021. He is responsible for providing independent advice to our Group.

Mr. Wong has extensive experience in accounting, auditing and company secretarial practice in Hong Kong. From September 1997 to March 2012, Mr. Wong worked at international accounting firm. From April 2012 to October 2015, Mr. Wong worked as a financial controller, investor relationship director and company secretary in China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司) (stock code: 1117), the issued shares of which are listed on the Stock Exchange. From November 2015 to October 2019, he concurrently worked as the chief financial officer and company secretary of Xiwang Special Steel Company Limited (西王特鋼有限公司) (stock code: 1266), as the chief financial officer and company secretary of Xiwang Property Holdings Company Limited (西王置業控股有限公司) (stock code: 2088), of which the issued shares of both companies are listed on the Stock Exchange.

Mr. Wong is currently an independent non-executive director of Tempus Holdings Limited (騰邦控股有限公司) (stock code: 6880), Hon Corporation Limited (stock code: 8259) and Xiwang Property Holdings Company Limited (西王置業控股有限公司) (stock code: 2088), and the issued shares of which are listed on the Stock Exchange, respectively.

Mr. Wong obtained a bachelor's degree in accounting and a master's degree in business administration from the Chinese University of Hong Kong in 1997 and 2006, respectively. He is also a member of Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst (CFA) charter holder.

Saved as disclosed above, Mr. Wong (i) had no interests in any shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Senior Management

Ms. Shut is the chief executive of the Group. Details of her qualifications and expertise are set out in "Executive Directors" above in this section.

Joint Company Secretaries

Ms. Shut is the joint company secretary of the Company. Details of her qualifications and expertise are set out in "Executive Directors" above in this section.

Mr. Ngai Tsz Hin Michael (倪子軒) ("**Mr. Ngai**"), aged 33, was appointed as the joint company secretary on 24 March 2022. He is a practicing solicitor in Hong Kong, and currently a partner of Khoo & Co. and a consultant of O Tse & Co.. Mr. Ngai has been an independent non-executive director of Coolpad Group Limited, the shares of which are listed on the Stock Exchange (stock code: 2369), since January 2022. He also services as a company secretary of various companies listed on the Stock Exchange. He obtained the Bachelor of Laws and postgraduate certificate in laws from the City University of Hong Kong in 2011 and 2012, respectively.

Save as disclosed above, Mr. Ngai (i) had no interests in any shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

CORPORATE GOVERNANCE REPORT

The Group recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Group is committed to maintaining good corporate governance to safeguard the interests of shareholders and to achieve effective accountability because the Group believes that is the best way to maximise our shareholder's value.

The Company has applied the principles of and complied with the applicable code provisions (the "Code Provisions") as set out under the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Directors will periodically review the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time. During the Reporting Period and up to the date of this annual report, the Company has complied with all the applicable code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code during the Reporting Period and up to the date of this annual report.

THE BOARD

Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. As at the date of this annual report, the Board is chaired by Mr. Berg and comprises eight members including four executive Directors, one non-executive Director and three independent non-executive Directors.

Biographical details of the Directors and relationship between the Board members are set out in the section headed "Biographical Details of the Directors and Senior Management" in this annual report.

Executive Directors:

Mr. Thomas Berg *(Chairman)*
Mr. Morten Rosholm Henriksen
Mr. Cheng Wai Man
Ms. Shut Ya Lai *(Chief Executive Officer)* (appointed on 12 January 2022)
Mr. Brian Worm (resigned on 12 January 2022)

Non-Executive Director:

Mr. Fung Bing Ngon Johnny

Independent Non-Executive Directors:

Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Mr. Wong Kai Hing

Pursuant to the Code Provision A.2.1. of the CG Code (which has been renumbered as C.2.1 of the CG Code since 1 January 2022), the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. To ensure the balance of power and authority, the roles of the chairman and the chief executive officer are segregated and performed by Mr. Thomas Berg and Mr. Brian Worm, who resigned on 12 January 2022, respectively. Ms. Shut was appointed as the chief executive officer on 12 January 2022. The primary role of the chairman is to provide guidance and leadership to the Board and to ensure that the Board discharges its responsibilities effectively. The chief executive officer is responsible for the day-to-day management of the Group's business.

Board Diversity Policy

The Board has adopted a board diversity policy (the "Board Diversity Policy") since 28 June 2019 (the "Listing Date"). The summary of the Board Diversity Policy is disclosed as below:

- the Company recognises and embraces the benefits of having a diverse Board to enhance the quality of the performance of the Board;

- all Board appointments will be based on meritocracy, and candidates will be considered against selection criteria;

- the selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services, personal integrity and time commitments. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board; and

- the nomination committee of the Board will report on the Board's composition under diversified perspectives, monitor the implementation of the Board Diversity Policy, review the Board Diversity Policy to ensure effectiveness and recommend for any revisions to the Board for consideration and approval.

During the Reporting Period, the Group has appointed eight male Directors. On 12 January 2022, the Group has appointed one female Director. The Group has achieved the required level of gender diversity at the Board level.

Among all employees of the Group, male employees account for 36.0% and female employees account for 64.0%. The Group believes that the gender ratio of employees is within the reasonable range.

Executive Directors

The executive Directors have been appointed by the Company for a fixed term of three years. Such appointment may be terminated in accordance with the terms of service agreements, including by either party giving to the other party no less than one month's/three months' advance written notice of termination.

Non-Executive Director

The non-executive Director has been appointed by the Company for a fixed term of three years. Such appointment may be terminated in accordance with the terms of the letters of appointment, including by either party giving to the other party not less than three months' advance written notice of termination.

Independent Non-Executive Directors

The independent non-executive Directors have been appointed by the Company for a fixed term of two years. Such appointment may be terminated in accordance with the terms of the letters of appointment, including by either party giving to the other party not less than seven days' advance written notice of termination.

The independent non-executive Directors have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all independent non-executive Directors will continue to make various contributions to the Company.

Throughout the period ended 31 December 2021, the Company had three independent non-executive Directors, meeting the requirements of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board members, and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. As at the date of this annual report, the Company is of the view that all independent non-executive Directors are independent in accordance with the relevant requirements under the Listing Rules.

Appointment, Re-Election and Removal of Directors

Each of the Directors has entered into a service agreement or a letter of appointment with the Company for a specific term and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the amended and restated memorandum and articles of association (the "Restated Articles").

In accordance with article 84 of the Restated Articles, at each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

In accordance with article 83 of the Restated Articles, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Role and Responsibilities

The Board is responsible for the overall management of the Group and all day-to-day operations and management of the Company's business has been delegated to management under the leadership of the chief executive officer of the Company.

The principal roles of the Board are:

- set long term objectives and strategies;
- approve major policies and guidelines;
- prepare and approve financial statements, annual report and interim report;
- approve major capital expenditures, acquisitions and disposals;
- approve connected transactions;
- approve material borrowings and expenditures;
- review and monitor of internal control and risk management; and
- declare and recommend the payments of dividends.

No corporate governance committee has been established and the Board is responsible for the corporate governance functions of the Company, which includes:

- develop and review the Company's policies and practices on corporate governance;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- review the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Directors will review the Group's corporate governance policies and compliance with the CG Code each financial year and comply with the "comply or explain" principle in the corporate governance report.

Directors' Insurance

The Company has arranged appropriate insurance coverage for all Directors in relation to the discharge of their responsibilities.

Directors' Training and Professional Development

The Company, from time to time, provides in-house trainings for the Directors in the form of seminars, workshops and/or reading relevant material on the latest development of applicable laws, rules and regulations, management, financial and business issues to develop and refresh their knowledge and skills. The above training costs are borne by the Company.

The Directors are required to provide the Company with details of the training's records. Based on those training's record, the Directors received the following training during the Reporting Period:

	Type of trainings
Mr. Thomas Berg	A&B
Mr. Morten Rosholm Henriksen	B
Mr. Cheng Wai Man	B
Ms. Shut Ya Lai (appointed on 12 January 2022)	N/A
Mr. Brian Worm (resigned on 12 January 2022)	B
Mr. Fung Bing Ngon Johnny	B
Mr. Tang Tin Lok Stephen	A&B
Mr. Lau Ning Wa Ricky	A&B
Mr. Wong Kai Hing	A&B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

Board Meetings and General meeting

From 1 January 2021 onwards, the Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed.

Minutes of the Board and committee meetings are prepared and kept by the company secretary of the Company and are open for inspection by Directors upon request. All Directors have access to the advice and services of the company secretary and are allowed to seek external professional advice if needed.

During the Reporting Period, the Board held seven meetings and the attendance record of each member of the Board is set out below:

	Meetings attended/ Meetings convened
Mr. Thomas Berg	7/7
Mr. Morten Rosholm Henriksen	4/7
Mr. Cheng Wai Man	6/7
Ms. Shut Ya Lai (appointed on 12 January 2022)	N/A
Mr. Brian Worm (resigned on 12 January 2022)	4/7
Mr. Fung Bing Ngon Johnny	3/7
Mr. Tang Tin Lok Stephen	7/7
Mr. Lau Ning Wa Ricky	7/7
Mr. Wong Kai Hing	5/5

During the Reporting Period, an annual general meeting was held on 25 June 2021.

During the Reporting Period, an extraordinary general meeting (the "EGM") was held on 28 December 2021. The EGM was convened in relation to the entering into of a connected transaction and a continuing connected transaction (the "Connected Transactions"). The details of the Connected Transactions are set out in the section headed "Management Discussion and Analysis — Connected Transactions" in this annual report.

During the Reporting Period, the Company had convened one independent board meeting in relation to the Connected Transactions. The details of the Connected Transactions are set out in the section headed "Management Discussion and Analysis — Connected Transactions" in this annual report. The Connected Transactions were subject to the reporting, announcement, circular and shareholders' approval pursuant to Chapters 14 and 14A of the Listing Rules. An independent board committee (the "Independent Board Committee"), comprising all the independent non-executive Directors, was formed to advise all independent shareholders as to whether the Connected Transactions are fair and reasonable and in the interests of the Company and the independent shareholders as a whole.

The attendance record of the independent board meeting of each member of the Independent Board Committee is set out below:

	Meeting attended/ Meeting convened
Mr. Tang Tin Lok Stephen *(Chairman)*	1/1
Mr. Lau Ning Wa Ricky	1/1
Mr. Wong Kai Hing	1/1

BOARD COMMITTEES

To facilitate the work of the Board, the Board has established three board committees to oversee specific aspects of the Company's affairs, namely Audit Committee, Remuneration Committee and Nomination Committee. Each committee has its own terms of reference relating to its authority and duties, which have been approved by the Board and are reviewed periodically. The terms of reference of each committee are available on the websites of the Company and the Stock Exchange.

Each committee has been provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. The primary roles of the Audit Committee include, but are not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring the integrity of our financial statements and annual reports and accounts, half-yearly reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them; and (c) reviewing our financial controls, internal control and risk management systems.

The Audit Committee consists of three members who are all independent non-executive Directors, namely, Mr. Tang Tin Lok Stephen, Mr. Lau Ning Wa Ricky and Mr. Wong Kai Hing. Mr. Tang Tin Lok Stephen is the Chairman of the Audit Committee. The Company has complied with Rule 3.21 of the Listing Rules of which at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

During the Reporting Period, the Audit Committee held three meetings and the attendance record of each member of the Audit Committee is set out below:

	Meetings attended/ Meetings convened
Mr. Tang Tin Lok Stephen *(Chairman)*	3/3
Mr. Lau Ning Wa Ricky	3/3
Mr. Wong Kai Hing	2/2

The following is a summary of the work performed by the Audit Committee during the Reporting Period:

- reviewed the audited annual results and annual report of the Group for the year ended 31 December 2020;
- reviewed the unaudited interim results of the Group for the six months ended 30 June 2021;
- reviewed the Group's financial information, financial report system, risk management and internal control procedures;
- reviewed the Company's external auditors' independence and objective;
- reviewed the Company's external auditors' management letter, significant findings and recommendations;
- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- reviewed and discussed the reports from the Company's external consultant with the management; and
- met with the Company's external auditors, in the absence of the management.

There had been no disagreement between the Board and the Audit Committee during the Reporting Period.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with the CG Code. The primary roles of the Remuneration Committee include, but are not limited to, (a) making recommendations to the Board on our policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) reviewing and approving our management's remuneration proposals with reference to the Board's corporate goals and objectives; and (c) making recommendations to the Board on the remuneration of the Directors.

The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Lau Ning Wa Ricky, Mr. Tang Tin Lok Stephen, Mr. Wong Kai Hing and an executive Director, namely Mr. Thomas Berg. Mr. Lau Ning Wa Ricky is the Chairman of the Remuneration Committee. The Company has complied with Rule 3.25 of the Listing Rules of which the Remuneration Committee is chaired by an independent non-executive Director and the majority member are independent non-executive Directors.

The remuneration of the Directors and senior management is determined with reference to the responsibilities, workload, the time devoted and the performance of the Group. The Remuneration Committee also ensures that no individual will be involved in determining his/her own remuneration.

During the Reporting Period, the remuneration of senior management is listed as below by band:

Band of remuneration (HK$)	No. of person
HK$1,000,001 — HK$2,000,000	4
HK$2,000,001 — HK$2,500,000	1

Further details of the Directors' and chief executives' emoluments and the five highest paid individuals are set out in Notes 8 and 32 to the consolidated financial statements.

During the Reporting Period, the Remuneration Committee held one meeting and the attendance record of each member of the Remuneration Committee is set out below:

	Meeting attended/ Meeting convened
Mr. Lau Ning Wa Ricky *(Chairman)*	1/1
Mr. Tang Tin Lok Stephen	1/1
Mr. Wong Kai Hing	N/A
Mr. Thomas Berg	1/1

The following is a summary of the work performed by the Remuneration Committee during the Reporting Period:

- considered the remuneration paid to Directors and senior management with reference to their responsibilities, workload, the time devoted and the performance of the Group, as well as remuneration paid by other comparable listed companies;

- reviewed and made recommendations on the management remuneration proposals with reference to the corporate goals and objectives of the Board; and

- made recommendations to the Board on the remuneration of the independent non-executive Directors.

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the CG code. The primary roles of the Nomination Committee include, but are not limited to, (a) reviewing the structure, size and composition (including but not limited to gender, age, cultural and educational background or professional experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become the Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and (c) assessing the independence of independent non-executive Directors.

The Nomination Committee consists of an executive Director, namely Mr. Thomas Berg and three independent non-executive Directors, namely Mr. Tang Tin Lok Stephen, Mr. Lau Ning Wa Ricky and Mr. Wong Kai Hing. Mr. Thomas Berg is the chairman of the Nomination Committee. The Company has complied with Rule 3.27A of the Listing Rules of which the Nomination Committee is chaired by the chairman of the Board and comprises a majority of independent non-executive directors.

During the Reporting Period, the Nomination Committee held two meetings and the attendance record of each member of the Nomination Committee is set out below:

	Meetings attended/ Meetings convened
Mr. Thomas Berg *(Chairman)*	2/2
Mr. Tang Tin Lok Stephen	2/2
Mr. Lau Ning Wa Ricky	2/2
Mr. Wong Kai Hing	N/A

During the Reporting Period, the Nomination Committee had reviewed the Board Diversity Policy and reported on the Board's composition under diversified perspectives and had monitored the implementation of the Board Diversity Policy. The Nomination Committee had also recommended to re-elect Mr. Thomas Berg, Mr. Morten Rosholm Henriksen, Mr. Cheng Wai Man, Ms. Shut Ya Lai and Mr. Fung Bing Ngon Johnny at the forthcoming AGM.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors also acknowledge their responsibility to ensure the financial statements are published in a timely manner. The Directors are not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The auditors' reporting responsibilities are set out in the section headed "Independent Auditors' Report" in this annual report.

AUDITORS' REMUNERATION

For the Reporting Period, the fee paid/payable to Grant Thornton Hong Kong Limited ("Grant Thornton") by the Group, is set out as follows:

	HK$'000
Audit services	1,150
Non-audit services	55

The amount of fee incurred for the non-audit services represented approximately HK$55,000 of the tax service and consultancy fees paid to Grant Thornton as the tax representative of certain subsidiaries of the Group. The Audit Committee was satisfied that non-audit services for the Reporting Period did not affect the independence of the auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the Company's risk management and internal control systems, and for reviewing its effectiveness.

In meeting its responsibility, the departmental heads of the Group have to complete a risk management and internal control self-assessment questionnaires, identify and evaluate those significant risks and confirm to the management that appropriate internal control policies and procedures have been established and properly complied with. The management then reviewed the findings and summarised all material issues to the Board and Audit Committee annually.

The Group has established guidelines and procedures for the approval and control of expenditures, to ensure the reliability of the financial reporting, effectiveness and efficiency of operation and the compliance with applicable laws and regulations. Whilst these guidelines and procedures are designed to identify, monitor, report and follow up on risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

Although the Company does not have internal audit function, the Board has put in place adequate measures to perform the internal audit function at different aspects of the Group. During the Reporting Period, the Group has continued to engage an independent internal control adviser to review the effectiveness and efficiency of the Group's risk management and internal control systems in relation to the financial, operational and compliance controls, and the results were summarised and discussed with the Audit Committee and the Board. The Audit Committee and the Board are satisfied with the effectiveness and adequacy of the risk management and internal control systems of the Group.

INSIDE INFORMATION POLICY

The Company has established policy for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Procedures such as limit access to inside information to those who need to know and requiring external parties to execute confidentiality agreement have been implemented by the Company to guard against mishandling of inside information. The Company also reminds those relevant personnel and other professional parties to preserve confidentiality of the inside information until it is publicly disclosed.

JOINT COMPANY SECRETARIES

The Company has appointed Ms. Shut Ya Lai, who is responsible for facilitating the Board process, as well as communications among the Directors, with shareholders and management, as a joint company secretary. Ms. Shut has confirmed that for the Reporting Period, she has taken no less than 40 hours of professional training to upgrade her skills and knowledge, which is in compliance with Rule 3.29 of the Listing Rules. The biography of Ms. Shut is set out in the section headed "Biographical Details of the Directors and Senior Management" in this annual report.

On 24 March 2022, the Company has also engaged Mr. Ngai as another joint company secretary to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws. Mr. Ngai will assist Ms. Shut in facilitating the Board process as well as communications among the Directors, with shareholders and management. The primary contact person at the Company is Ms. Shut, the joint company secretary of the Company. The biography of Mr. Ngai is set out in the section headed "Biographical Details of the Directors and Senior Management" in this annual report.

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meetings by Shareholders

Pursuant to Article 58 of the Restated Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting.

Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary by mail at Flat D, 7/F, Block 2, Tai Ping Industrial Centre, 55 Ting Kok Road, Tai Po, New Territories, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(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.

Procedures for Putting Forward Proposals at Shareholders' Meeting

There are no provisions in the Restated Articles or the Companies Law of the Cayman Islands for shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures are set out in the above paragraph headed "Procedures for Convening General Meetings by Shareholders".

Pursuant to Article 85 of the Restated Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Procedures by which Enquiries may be Put to the Board

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Shareholders are welcomed to send their enquiries to the Board by post to the principal place of business set out in the section headed "Corporation Information" in this annual report.

INVESTOR RELATIONS

The Board strives to maintain on-going dialogue with shareholders and the investment community, the Company has established a shareholders' communication policy to set out the Company's procedures in providing the shareholders and investment community with ready, equal and timely access to balanced and understandable information about the Company.

Latest information on the Group including, but not limited to annual and interim reports, circulars, announcements and notices of general meetings are updated on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.grown-up.com).

Although the Company regards the annual general meeting as the primary forum for communication by the Company with its shareholders and for shareholder participation, in light of the COVID-19 Pandemic and in accordance with the recent guidelines for prevention and control of the spread of the COVID-19 Pandemic, the Company would like to remind the shareholders that physical attendance in person at the annual general meeting is not necessary for the purpose of exercising voting rights. As an alternative, the shareholders may complete the proxy forms and appoint the chairman of the annual general meeting as their proxy to vote on the relevant resolutions at the annual general meeting instead of attending the annual general meeting in person.

The annual general meeting of the Company will be held on Friday, 24 June 2022, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

DIRECTORS' REPORT

The Board is pleased to submit this annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, the principal activities of its principal subsidiaries are set out in Note 36 to the consolidated financial statements.

RESULTS/BUSINESS REVIEW

The results of the Group for the Reporting Period are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 72 in this annual report. The business review of the Group for the Reporting Period is set out in the section headed "Management Discussion and Analysis" on pages 6 to 14 in this annual report.

SHARE CAPITAL

Details of movement in the share capital of the Company during the Reporting Period are set out in Note 26 to the consolidated financial statements.

RESERVES

Details of movement in the reserves of the Group during the Reporting Period are set out in the section headed "Consolidated Statement of Changes in Equity" on page 76 in this annual report.

DISTRIBUTABLE RESERVES

The Directors consider that the Company's reserves available for distribution to shareholders comprise the share premium, capital reserve and the accumulated losses which amounted to HK$104.5 million (2020: HK$107.9 million). Under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2021, the Company had distributable reserves amounting to HK$104.5 million (2020: HK$107.9 million). Under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account, capital reserve and the retained earnings are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

DIVIDEND POLICY

The Company has adopted a dividend policy that provides guidance to the Board in declaring and recommending a payment of dividends and to strike a balance between the interests of the shareholders and prudent capital management.

In deciding whether to recommend a payment of dividend, the Board will take into account the following factors:

- the actual and expected financial performance of the Group;
- retained earnings and distributable reserves of the Company and each of the other members 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;
- business strategies of the Group, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;
- the current and future operations, liquidity position and capital requirements of the Group;
- statutory and regulatory restrictions; and
- other factors that the Board deems appropriate.

The Board will review the dividend policy as appropriate from time to time.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of a final dividend for the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The shares of the Company were listed on the Listing Date. During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Group during the Reporting Period are set out in Note 13 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 20 to 32 in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, as far as the Board and the management are concerned, there was no material breach or non-compliance with the applicable laws and regulations by the Group that has material impact on the business and operations on the Group.

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The Group's financial condition, results of operations, businesses and prospects could be affected by a number of risks and uncertainties, including risks in relation to the fluctuating orders placed by our private label customers, and risks associated with the distribution model of our branded products. However, this is non-exhaustive as there may be other risks and uncertainties arise resulting from changes in economic and other conditions over time.

The Group is a backpack and luggage manufacturer and exporter focusing on the design development and manufacture of products and engages in the sales of a diverse product portfolio. We normally enter into framework agreements with our private label customers and they place purchase orders to us in the specified contract period. The volume of orders can be fluctuating as in general there is no minimum purchase commitment in the framework agreements. During the Reporting Period, a significant portion of our revenue was generated from sales of our private label customers. Since there is no guarantee that our private label customers will place new orders to us at the same level or on similar terms which they have historically done so, our business, financial condition and results of operations will be adversely affected if they cease to purchase orders with us or reduce the size of the purchase orders.

The Group is also exposed to certain market risks, such as currency risk, interest rate risk, credit risk, liquidity risk, etc.

Save as the abovementioned principal risks and uncertainties, other risks and uncertainties had been evaluated by the Company as set out in the Management Discussion and Analysis and Note 35 to the financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has actively participated in sustainability and social responsibility and recognises its responsibility to protect the environment from its business activities. The Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Details of the Group's environmental policies and performance are set out in different sections headed "Environmental, Social and Governance Report" in this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

Employees

The Group has maintained good relationship with its employees. The Group aims to foster an amicable and motivating environment to enhance the employees' incentives and loyalty to the Group. In general, the Group recruits employees with appropriate skills and expertise to meet the current and future needs of the business development of the Group. The Group provides regular trainings to all the employees to improve their skills and enhance their technical knowhow as well as their knowledge on product quality standards and work safety.

Customers

The Group has developed stable relationships with the major customers. The years of business relationships with the major customers enable the Group to enhance its position as an established backpack and luggage manufacturers and exporters in the industry. In particular, some of the major customers are worldwide renowned brands, this allows the Group to stay abreast of market trend and seek further business opportunities with its competitiveness and expertise.

Going forward, the Group will continue to work closely with the major customers to improve its ability in designing and manufacturing backpack and luggage products. The Group believes by enhancing its expertise, not only will it substantiate the existing business relationships with the major customers, but also attracts potential customers as the Group has built a sound business profile.

Suppliers and subcontractors

The Group has maintained stable relationships with the major suppliers. The Group takes into account the quality of the raw materials, delivery time, pricing, quality of services, reliability, creditworthiness and past experience with the Group when selecting suppliers. The Group has an internal approved list of suppliers, and evaluates the performance of the suppliers from time to time. The quality of raw materials places an important role to the products manufactured by the Group.

To effectively manage costs and optimise the production flow, the Group also, from time to time, outsources the entire or parts of its production process to subcontractors. The subcontractors are selected on a basis of price, equipment and machinery required, reliability, manufacturing capacity, and past experience with the Group. An internal list of approved subcontractors are also maintained to review the performance of subcontractors.

Having forged strong relationships with the suppliers and subcontractors, the Group believes that it will boost the competitiveness of the Group as we value the quality and safety of raw materials.

DONATIONS

The Group did not make any donation during the Reporting Period.

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Friday, 24 June 2022 and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 20 June 2022.

DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this annual report are:

Executive Directors:

Mr. Thomas Berg *(Chairman)*
Mr. Morten Rosholm Henriksen
Mr. Cheng Wai Man
Ms. Shut Ya Lai *(Chief Executive Director)* (appointed on 12 January 2022)
Mr. Brian Worm (resigned on 12 January 2022)

Non-Executive Director:

Mr. Fung Bing Ngon Johnny

Independent Non-Executive Directors:

Mr. Tang Tin Lok Stephen
Mr. Lau Ning Wa Ricky
Mr. Wong Kai Hing

In accordance with article 83 and 84 of the Restated Articles, Mr. Thomas Berg, Mr. Morten Rosholm Henriksen, Mr. Cheng Wai Man, Ms. Shut Ya Lai and Mr. Fung Bing Ngon Johnny will retire as Directors by rotation and, being eligible, offer themselves for re-election at the AGM.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to the Rule 3.13 of the Listing Rules. The Company considers all of the independent non- executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years and will continue thereafter until termination in accordance with the terms of the agreement.

The non-executive Director has entered into a letter of appointment with the Company for a term of three years and will continue thereafter until termination in accordance with the terms of the letter of appointment.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of two years, subject to retirement by rotation and re-election at annual general meeting and until terminated in accordance with the terms of the letter of appointment.

No Director has service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

COMPETING INTERESTS

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Reporting Period, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

The Directors confirm that each of the controlling shareholders and the executive Directors has made an annual declaration to the Company that he/it has complied with the terms of non-competition undertakings ("Non-Competition Undertakings") given in favour of the Company. The independent non-executive Directors with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the independent non-executive Directors can ascertain, there is no breach of any of such undertakings.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements is set out on page 160 in this annual report.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising from corporate activities.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the controlling shareholders' of the Company had a material interest, either directly or indirectly, subsisted or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 15 to 19 in this annual report.

EMPLOYEES AND EMOLUMENT POLICY OF THE GROUP

As at 31 December 2021, the Group had 410 employees (31 December 2020: 502). Total staff costs, including the salaries, wages, other allowances, redundancy cost and pension cost but excluding the emoluments of the Directors, during the Reporting Period amounted to approximately HK$59.0 million (2020: HK$64.8 million). Remuneration packages including salaries, Mandatory Provident Fund, discretionary bonuses are granted to employees according to individual performance. To attract and retain valuable employees, the Group has issued an internal guideline to assess the performance of the employees, and regular training programmes are provided to the employees to develop and enhance their knowledge and skills.

EMOLUMENT POLICY FOR DIRECTORS

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The Remuneration Committee recommends Directors' remuneration to the Board by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

DIRECTORS' AND CHIEF EXECUTIVES ' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and chief executives' emoluments and the five highest paid individuals are set out in Notes 8 and 32 to the consolidated financial statements.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code in the Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long position in shares of the Company

Director	Nature of interest	Number of shares	Percentage of issued share capital
Mr. Thomas Berg ("Mr. Berg")(Note 2)	Interest in controlled corporation	510,000,000 (L)(Note 1)	51.0%

Notes:

1. The letter (L) denotes the entity's long position in the shares of the company concerned.

2. GP Group Investment Holding Limited ("GPG") is controlled by Berg Group Holding Limited ("Berg Group") and Berg Group and is wholly-owned by Mr. Berg. By virtue of the SFO, Mr. Berg is deemed to have an interest in the shares held by Berg Group and each of Mr. Berg and Berg Group is deemed to have an interest in the shares held by GPG.

Long position in the ordinary shares of associated corporation

Directors	Name of associated corporation	Nature of Interest	Number of shares	Percentage of issued share capital
Mr. Berg(Note 2)	GPG	Interest in controlled corporation	8,870 (L)(Note 1)	88.7%
Mr. Morten Rosholm Henriksen ("Mr. Henriksen")(Note 3)	GPG	Interest in controlled corporation	1,130 (L)(Note 1)	11.3%

Notes:

1. The letter (L) denotes the entity's long position in the shares of the company concerned.

2. The aggregate 8,870 shares of GPG which Mr. Berg is interested consist of (i) 5,515 shares of GPG held by Berg Group, a company wholly-owned by Mr. Berg, in which Mr. Berg is deemed to be interested under the SFO; (ii) 2,338 shares of GPG held by Elect Lead Limited, a company wholly-owned by Mr. Berg, in which Mr. Berg is deemed to be interested under the SFO; and (iii) 1,017 shares of GPG held by Easy Achiever Holdings Limited, a company wholly-owned by Mr. Berg, in which Mr. Berg is deemed to be interested under the SFO.

3. 1,130 shares of GPG is held by Rosholm Holding ApS, a company wholly owned by Mr. Henriksen and Mr. Henriksen is deemed to be interested under the SFO.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

INTERESTS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2021, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Shareholder	Nature of interest	Number of shares	Percentage of issued share capital
Berg Group(Note 2)	Interest in controlled corporation	510,000,000 (L)(Note 1)	51.0%
GPG(Note 2)	Beneficial owner	510,000,000 (L)(Note 1)	51.0%

1. The letter (L) denotes the entity's long position in the shares of the company concerned.

2. GPG is controlled by Berg Group and Berg Group is wholly-owned by Mr. Berg. By virtue of the SFO, Mr. Berg is deemed to have an interest in the shares held by Berg Group and each of Mr. Berg and Berg Group is deemed to have an interest in the shares held by GPG.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 30 May 2019. The principal terms of the Share Option Scheme is summarised in Appendix V to the prospectus of the Company dated 13 June 2019. The purpose of the Share Option Scheme is to (i) attract and retain the best available personnel; (ii) provide additional incentive to employees; and (iii) promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 30 May 2019, and there is no outstanding share option as at 31 December 2021.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period and up to the date of this annual report was the Company or any of its subsidiaries or a party to any arrangement to enable the Directors acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

The approximate percentage of sales and purchases for the Reporting Period attributable to the Group' major customers and suppliers are as follow:

Sales

—	the largest customer	19.8% (For the year ended 31 December 2020: 10.2%)
—	five largest customers	46.1% (For the year ended 31 December 2020: 42.0%)

Purchases

—	the largest supplier	24.5% (For the year ended 31 December 2020: 15.2%)
—	five largest suppliers	47.8% (For the year ended 31 December 2020: 36.2%)

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

CONNECTED AND RELATED PARTY TRANSACTIONS

On 29 October 2021, Grown-Up Group Holdings Limited ("GHL HK"), a wholly-owned subsidiary of the Company, and GP Brand & Licensing Holdings Limited ("GP Brand"), a company solely owned by Vking Industry Limited ("Vking"), of which the entire issued share capital of Vking is owned by Mr. Berg, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") on 29 October 2021 (after trading hours), pursuant to which GP Brand agreed to acquire and GHL HK agreed to sell the sale shares of Grown-Up Licenses Limited ("GPL HK"), an indirect wholly-owned subsidiary of the Company, at a cash consideration of HK$30,500,000. The Sale and Purchase Agreement was completed on 31 December 2021 (the "Completion") and the Company ceased to hold any interests in GPL HK and its subsidiaries (the "Disposal Group"). GP Brand is considered as a connected party under Chapter 14A of the Listing Rules, and therefore the Disposal constituted a connected transaction of the Company.

Material Terms of the Sale and Purchase Agreement

The consideration shall be payable by GP Brand to GHL HK in cash in the following manner:

(1) HK$1,525,000 shall be payable upon signing of the Sale and Purchase Agreement, being deposit and part payment of the consideration (the "Deposit"); and

(2) the remaining part of the consideration, after netting off the Deposit and the unpaid payables at Completion)(the "Remaining Consideration"), shall be payable within sixty (60) days after Completion.

To secure the obligation of GP Brand to pay the Remaining Consideration under the Sale and Purchase Agreement, Mr. Berg had executed a deed of share charge in favour of GHL HK at Completion, pursuant to which Mr. Berg will charge by way of first legal charge the entire shareholding interest in Vking, together with all the rights and interest thereto (including but not limited to dividends) to GHL HK. The period of the share charge began from the date of execution of the share charge until the full settlement of the consideration.

An extraordinary general meeting was held on 28 December 2021 (the "EGM") to approve the entering into of the Sale and Purchase Agreement. Accordingly, the Sale and Purchase Agreement was approved at the EGM.

The net proceeds incurred from the Disposal will be used for the business development of private label product business of the Group.

Subsequently on 1 March 2022 (after trading hours), GHL HK and GP Brand entered into a supplemental agreement (the "Supplemental Agreement"), pursuant to which both GHL HK and GP Brand agreed to revise the payment schedule of the Remaining Consideration. For details of the Supplemental Agreement, please refer to the Company's announcement on 1 March 2022. As at the date of this report, the Remaining Consideration has not been settled.

On 31 December 2021, a framework supply agreement (the "Framework Supply Agreement") was also entered into between the Grown-Up Manufactory Limited ("GPM"), an indirect wholly-owned subsidiary of the Company, and GPL HK in relation to the production and supply of backpack and luggage products (the "Products") to GPL HK by GPM. GPM has been producing and supplying the Products to the Disposal Group, and both parties expected the production and supply would continue after the disposal of the Disposal Group.

Material Terms of the Framework Supply Agreement

The period for the Framework Supply Agreement shall cover from Completion of the Sale and Purchase Agreement to 31 December 2024. The price of the Products will be agreed between GPM and its subsidiaries and members of the Disposal Group, which shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties and based on prevailing market price at the time of the transaction. The annual caps are HK$70,000,000, HK$70,000,000 and HK$70,000,000, respectively, for the years ending 31 December 2022, 2023 and 2024. The annual caps were determined with reference to (i) the historical sales amount of the Products to the Disposal Group; and (ii) the actual/projected order requirements for the Products from the Disposal Group for the year ending 31 December 2021.

The Framework Supply Agreement was also approved in the EGM.

As Mr. Berg is an executive Director and a controlling shareholder of the Company, GP Brand is a connected person of the Company under the Listing Rules. Both the Sale and Purchase Agreement and the Framework Supply Agreement constitute connected transactions. The Framework Supply Agreement shall constitute a continuing connected transaction for the year ending 31 December 2022. The Company will comply with Chapter 14A of the Listing Rules with reference to the disclosure requirements accordingly.

Details of the significant related party transactions undertaken in the normal course of business are set out in Note 31 to the consolidated financial statements, and none of which constitutes a discloseable connected transaction as defined under the Listing Rules.

Save as disclosed above, the Group had not entered into any connected transaction during the Reporting Period, which is required to be disclosed under Chapter 14A of the Listing Rules.

SUBSIDIARIES

Details of the principal subsidiaries of the Group are set out in Note 36 to the consolidated financial statements.

USE OF PROCEEDS

The details of the use of proceeds for the Reporting Period is set out in the section headed "Management Discussion and Analysis" on pages 6 to 14 in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its shares as required under the Listing Rules during the Reporting Period and up to the date of this annual report.

RETIREMENT SCHEME

The Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group has also participated and made contributions to the relevant retirement benefit schemes for the employees in the PRC and Denmark. Save as the aforesaid, the Group did not participate in any other pension schemes during the Reporting Period. There were no forfeited contributions (by employers on behalf of employees who leave the retirement scheme prior to vesting fully in such contributions) be used to reduce the existing level of contributions during the Reporting Period.

AUDITORS

The consolidated financial statement for the Reporting Period have been audited by Grant Thornton, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. The Company's auditor has changed from PricewaterhouseCoopers to Grant Thornton since 29 September 2020.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material events after the Reporting Period and up to the date of this annual report.

By Order of the Board
Mr. Thomas Berg
Chairman and executive Director

Hong Kong, 24 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Grown Up Group Investment Holdings Limited (the "Company" together with its subsidiaries, hereinafter referred to as the "Group") is pleased to present our annual Environmental, Social and Governance Report for the year ended 31 December 2021 (the "ESG Report") to provide an overview of the Group's management of significant issues affecting the operation, including environmental, social and governance ("ESG") matters. The board of directors of the Company (the "Board") has overall responsibility for the Group's ESG strategy and reporting.

The Board is responsible for evaluating and determining the Group's ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

REPORTING PERIOD

The ESG Report illustrates the Group's initiative and performance regarding the environmental and social aspects during the reporting period from 1 January 2021 to 31 December 2021 (the "Reporting Period").

REPORTING SCOPE

The ESG Report covers all major subsidiaries of the Group in the People's Republic of China (the "PRC") (including Hong Kong) with core business that principally engaged in designing, developing, manufacturing and selling full range of bag, luggage and accessories, as well as medical related products, tool storage and tool accessories. The Group will continue in assessing the impacts of its business on the major ESG aspects and to include in the ESG Report.

REPORTING BASIS

The ESG Report is prepared in accordance with the ESG Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Group has complied with the disclosure requirements of the "comply or explain" provisions set out in the ESG Reporting Guide. During the process of preparation of this ESG Report, we summarised the Group's performance in corporate and social responsibilities based on the principles of "Materiality, Quantitative, Balance and Consistency". Please refer to the table below for our understanding and response to such reporting principles.

Reporting Principles	Definitions	Our Response
Materiality	The issues covered in this ESG Report should reflect the significant impacts of the Group on the economy, environment and society, or the scope of assessments and decisions of stakeholders being affected.	Through continuous communication with stakeholders, combined with the Group's strategic development and business operations, we can identify current material sustainable development issues.
Quantitative	The ESG Report should disclose key performance indicators ("KPIs") in a measurable manner.	The Group quantitatively discloses its environmental and social KPIs, and provides textual explanations on quantitative resources.

Reporting Principles	Definitions	Our Response
Balance	The Report should reflect fairly the overall sustainability performance of the Group.	The Group has explained in detail the sustainable development issues that have a significant impact in the business, including the results achieved and the challenges it faces.
Consistency	The Group should use consistent disclosure principles for the preparation of the ESG Report.	The Group will ensure that the disclosure scope and reporting methods of the ESG Report are generally consistent every year.

SOURCES OF INFORMATION

The information disclosed in this ESG Report is derived from the Group's formal documents, statistics or public information. The Board is responsible for the truthfulness, accuracy and completeness of its contents.

ACCESS TO THIS REPORT

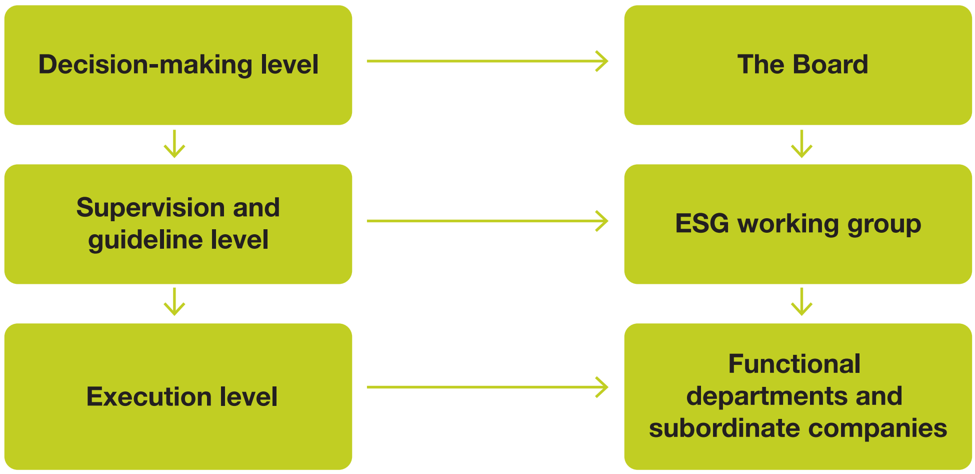
The ESG Report is available in Chinese and English versions. In case of any discrepancy between the Chinese and English versions of the Report, the English version shall prevail. You may visit the Group's official website at www.grown-up.com or the website of the Stock Exchange at http://www.hkex.com.hk for an electronic copy of the ESG Report.

CONTACT INFORMATION

The Group welcomes your feedback on the ESG Report for our sustainability initiatives. Please contact us through the Company website www.grown-up.com.

SUSTAINABILITY GOVERNANCE

The Group has established an ESG framework to promote and implement the Group's sustainability strategy. To ensure effective ESG management, our ESG governance structure, composed of the Board, ESG working group, respective functional departments and subordinate companies, was established to promote ESG management and disclosure. The Board, the ultimate decision-making body of the Group, is responsible for the Group's ESG governance. The Board steers the Group's sustainable development forward and bears the overall responsibility of its ESG efforts. In the future, the Board will continue to strengthen ESG risk management and improve ESG working mechanism and regulatory processes to enhance its ESG governance standard. The ESG working group, serving on the supervision and coordination level, is responsible for implementing ESG governance strategy, coordinating ESG matters, compiling ESG reports, and reporting relevant work progress to the Board on a regular basis. Each functional department and subordinate company, serving on the execution level, is responsible for rolling out initiatives set up by the ESG working group and reporting relevant work progress and data.



STAKEHOLDERS ENGAGEMENT

We identified the key stakeholders of our business operations and interacted with our stakeholders regularly through various communication channels. The following table illustrates the issues of concern of our major stakeholders and the ways we communicate with them:

Stakeholder	Expectation	Engagement channel	Measures
Government	— To comply with the laws and regulations — Proper tax payment — Promote regional economic development and employment — To align with local government requirement on daily safety management (rules/facilities/people)	— On-site inspections and checks by different government departments — Research and discussion through work conferences — Work reports preparation and submission for approval — Follow up on government regular audit findings and submit corrective report, implement / monitor corrective actions	— Strengthened safety management — Accepted the government's supervision, inspection and evaluation (e.g. accepted monthly on-site inspections throughout the year) — Operated, managed and paid taxes according to laws and regulations — Actively undertook social responsibilities — Government verbal or paper confirmation on the corrective actions

Stakeholder	Expectation	Engagement channel	Measures
Shareholders and Investors	— Low risk — Return on the investment — Information disclosure and transparency — Protection of interests and fair treatment of shareholders	— Annual General Meeting ("AGM") — Extraordinary General Meeting ("EGM") — Interim Reports and Annual Reports — Website — Announcements	— Issued notices of general meetings and proposed resolutions according to regulations — Disclosed the Company's information by holding AGM, EGM, and publishing Interim Reports and Annual Reports — Disclosed the Company's contact details on website and in reports to ensure all communication channels are available and effective
Employees	— Safeguard the rights and interests of employees — Healthy and safety working environment — Career development opportunities — Self-actualisation — Health and safety	— Conferences — Training, seminars, briefing sessions — Cultural and sport activities — Emails — Company policy announcement — Face to face meeting / discussion / communication when needed	— Provided a healthy and safe working environment — Developed a fair mechanism for promotion — Cared for employees by helping those in need and organising employee activities — Targeted at low employees grievance/ compliant, no legal case on employee relationship — Maintained certain employee turnover to keep talents for the Group
Customers	— Safe and high-quality products — Stable relationship — Information transparency — Integrity — Business ethics	— Website, catalogue and leaflet — Interim Reports and Annual Reports — Email — Regular meeting — Phone calls	— Established Global Innovation and Design Center in Europe as well as Global Development and Supply Chain Center in Shenzhen — Strengthened quality management to ensure stable production and smooth transportation — Entered into long-term strategic cooperation agreements

Stakeholder	Expectation	Engagement channel	Measures
Suppliers/ Partners	— Long-term partnership — Honest cooperation — Fair and open attitude — Information resources sharing — Risk reduction	— Business meetings, supplier conferences, phone calls, interviews — Review and assessment — Quotation comparison	— Collected quotations from more suppliers for comparison when needed and selected the most suitable suppliers and contractors — Performed contracts according to agreements — Enhanced daily communication, and established long-term cooperation with quality suppliers and contractors
Peer/Industry associations	— Experience sharing — Corporations — Fair competition	— Seminars and courses — Site visits	— Stuck to fair play, cooperated with peers to realise win-win — Attended seminars or courses organised by industry association so as to intake most updated knowledge related to the industry, the market or operations
Financial Institution	— Compliance with laws and regulations — Disclosure information	— Consulting — Information disclosure — Reports	— Complied with regulatory requirements in a strict manner — Disclosed and reported true information in a timely and accurate manner according to laws and regulations
Media	— Transparent information — Communication with media	— Website — Interviews	— Organised conferences, media gatherings and site visits to enhance the communication with media
Public and communities	— Community involvement — Social responsibilities	— Charity — Annual reports	— Gave priority to local people seeking jobs from the Company so as to promote community building and development — Donation

MATERIALITY ASSESSMENT

The Group attaches importance to the materiality assessment of ESG issues for the purpose of timely and comprehensive understanding of the materiality of each ESG issue to the business development of the Group and the expectation of stakeholders, in order to facilitate the Group's effective disclosure of ESG information and continuous improvement in the management level of relevant issues. The materiality assessment on ESG issues of the Group during the year covers the following steps:

Step 1 The Group identified the following 21 issues in accordance with the disclosure requirements set out in the ESG Reporting Guide and based on the business characteristics and daily operation of the Group. These issues are considered to have impacts on the environment and the society during our operation.

Step 2 Based on the understanding of the demands and expectations of stakeholder during the daily operation, the Group determined the materiality of ESG issues by benchmarking the key points and the trend of ESG works of industry peers.

Step 3 Based on the result of the materiality assessment, the Group discussed and determined the key disclosure of the ESG Report for the year and the key points for improvement in the future ESG work of the Group.

Social Aspects				**Environmental Aspects**	
1. Equal opportunity	**5. Prevention of child labor and forced labor**	**9. Complaint handling**	13. Community investment	14. Exhaust emissions	18. Water consumption
2. Employment and employee benefits	**6. Selection and evaluation of suppliers**	**10. Protection of intellectual property rights**		15. Greenhouse gas emissions	**19. Paper consumption**
3. Occupational health and safety	7. Control and management on environmental and social risks along the supply chain	**11. Customer data privacy and data security**		16. Waste management	**20. Management of risks associated with Environmental and Natural Resources**
4. Employee development and training	**8. Service quality**	**12. Anti-corruption and money laundering**		**17. Energy consumption**	**21. Climate change**

According to the results of materiality assessment, 15 material topics (Note) are regarded as the most concerned issues of stakeholder and the Group. While taking into account environmental and social responsibilities, the Group will pay more attention to the above areas, and strive to achieve continuous improvement and sustainable business development.

Note: Presented in bold.

A. ENVIRONMENTAL ASPECTS

Aspect A1: EMISSIONS

To demonstrate the Group's commitment to sustainable development and compliance with laws and regulations relating to environmental protection, the Group endeavours to minimise the environmental impact of the business activities and maintain green operations and green office practices.

Our production operations are subject to the PRC environmental laws and regulations including the Environmental Protection Law of the PRC. The Group would be subject to fines, suspension of business or cessation of operations if there is any failure to comply with present or future laws and regulations. We continuously observe relevant laws and regulations in relation to environmental protection in the PRC and have been in strict compliance with them. We have implemented environmental protection measures in our operations to reduce emissions, and to treat and dispose of all of our waste in accordance with national and local environmental laws and regulations.

During the Reporting Period, there was no material generation of hazardous waste in the production process. Non-hazardous waste mainly includes domestic waste. They are separately stored and handled with the ledger for record. In order to properly control the disposal of our production wastes, we have formulated detailed environmental protection rules and guidance for our staff to follow during production. We also engage qualified recycling companies to perform waste disposal and treatment, especially for hazardous waste, so as to minimise the impact on nature. In addition, to ensure that the quantities and rates of our production discharge are in compliance with the applicable environmental laws and regulations, we engage qualified third-party pollutant supervision companies to examine, monitor and provide advice on our pollutant discharge conditions for at least once in each financial year.

Thus, we believe that our production process does not generate hazards that have any significant adverse effect on the environment and our environmental protection measures are adequate to comply with all applicable current local and national PRC regulations.

During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations related to environmental protection.

Aspect A2: USE OF RESOURCES

The Group places high priority on the efficient use of resources. The major resources used by the Group are fuels, electricity, water, and packaging materials. For usage of water, the Group does not encounter any problems in sourcing water that is fit for purpose. The Group strives to improve the efficient use of natural resources, such as minimising waste/emissions and implementing effective recycling program. Practical measures are implemented as follows:

— Switching off lights and turning off unnecessary energy-consuming devices such as air-conditioning system when staff leaves the office;

— Adopting LED lighting in some production workshops and offices;

— Promoting environmental protection such as saving water and electricity by slogan or poster in office and factories;

- Monitoring usage of water and electricity by designated department and checking for variance with past records;
- Encouraging the use of paper by printing or photocopying on both sides of paper, where applicable;
- Encouraging the employees to use suitable font size/shrinkage mode to minimise pages, if possible;
- Using online office system to minimise the use of paper;
- Utilising materials that facilitate clean production environment to effectively reduce the consumption of detergents and running water;
- Bringing our own cups to avoid using paper cups;
- Improving product packaging forms to lower the consumption of carton materials;
- Collection of carton box for recycling purpose;
- Using air-conditioning system only for temperature over 25°C;
- Adopting "one vehicle one card" policy so as to monitor the usage of fuel by each vehicle and to avoid wastage by private usage;
- Regular maintenance of machineries and vehicles for operational efficiency;
- Strictly following the procurement plan in order to avoid duplication of purchase and idle resources;
- Preference will be given to office equipment with higher energy efficiency;
- Focusing on quality management so as to reduce wastage and scrap for less pollution resulted; and
- Enhancing the monitoring for the use of food in canteen to reduce wastage.

In view of our continuous effort, we target to maintain zero substantial non-compliance case in relation to the emission of exhaust gases, greenhouse gas ("GHG"), energy consumption, water consumption and packaging materials in the coming five years.

Aspect A3: THE ENVIRONMENT AND NATURAL RESOURCES

The Group raises staff's awareness on environmental issues through education and training; enlist employees' support in improving the Group's performance; promote environmental awareness amongst the customers, business partners and shareholders; support community activities in relation to environmental protection and sustainability; and evaluate regularly and monitor past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned in the sections "Emissions" and "Use of Resource", the Group strives to minimise the impacts to the environment and natural resources.

ASPECT A4: CLIMATE CHANGE

The Group is committed to mitigating the climate change and enhancing its resilience to adapt to the increasing threat of climate-related consequences.

The processes used to identify, evaluate and manage significant risks (including significant climate-related issues) by the Group are summarised as follows:

Risk Identification

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

Risk Assessment

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

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

As a result of above risk management process, physical risk and transitions risks arising from climate change may not bring significant impacts to the Group's business. As a supporter of the recommendations of the Taskforce on Climate-Related Financial Disclosure (TCFD), the Group has assessed the potential climate related risks and identified the rising mean temperature and increasing severity and likelihood of extreme weather events such as rainstorms, floods, fire and heatwaves as major physical risks impacting our daily operation.

The Group's ESG working group is responsible for identifying and assessing any climate-related risks to which the Group's operations are exposed, and updating the Board with the latest news and developments on climate regulations and industry benchmark. In order to cope with climate-related risk, the Group implemented various emergency response mechanism and purchase adequate insurance against natural disasters, including fire or flood so as to cope with extreme weather.

In the future, we will continue to identify potential business activities impacting the environment and develop corresponding improvement measures, so as to further prevent the possible negative impacts of our operation on climate change.

B. SOCIAL ASPECTS

Aspect B1: EMPLOYMENT

The Group believes that our key to success is our ability to recruit, retain, motivate and develop talented and experienced staff members. We endeavour to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of the Group. The Group's employment handbook sets out our standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti discrimination, and other benefits and welfare.

The Group entered into separate labour contracts with each of our employees in accordance with the applicable labour laws of the PRC and the Employment Ordinance in Hong Kong. The package includes basic wages, over-time work allowances, bonuses, retirement benefits, social security scheme and housing provident fund. We have devised an appraisal system for our employees and we consider the appraisal result in conducting our salary reviews and making promotion decisions. All our staff members undergo a performance appraisal once a year. The appraisal provides us with an opportunity to assess each individual staff's strengths and areas for improvement, thereby enabling us to effectively train and develop each individual staff.

We aim to foster an amicable and motivating environment to enhance our employees' incentives and loyalty to the Group. Our human resources department recruit our employees through employment agent and online recruitment platform, they set out a recruitment plan at the beginning of each year after gathering information about manpower from different departments. We also provide regular training to all of our employees to improve their skills and enhance their technical knowhow as well as their knowledge on relevant product quality standards and work safety. We believe this will also increase the overall competitiveness of our workforce and can maintain good relationship with our employees as we believe that our employees are valuable assets to the Group.

During the Reporting Period, there was no material non-compliance regarding employment brought against the Group or its employees.

Aspect B2: HEALTH AND SAFETY

The Group places emphasis on occupational health and work safety in the workplace. We have implemented measures to address potential risks relating to work safety and health, including (i) conducting on-going training and circulating operation manuals of production process to enhance our employee's awareness of safety and health issues at work; (ii) periodically inspecting the safety conditions of our production units; and (iii) implementing a management system for managing over-time work and holiday arrangement to ensure that the employees have proper rest and are properly compensated for over-time work, if any. In order to prevent and mitigate safety and health issues, we have also implemented and set up communication platform, including email and hotline for our employees where they can complain or express their concerns over various aspects such as work arrangement, overtime compensation etc. on an anonymous basis.

During the Reporting Period, there was no work related injuries case. There were no non-compliance cases noted in relation to laws and regulations for health and safety.

Aspect B3: DEVELOPMENT AND TRAINING

The Group recognises the importance of training for the development of our employees as well as the Group. We provide various types of trainings to our employees and sponsor our employees to attend training courses as mentioned in aspect "B2: Health and Safety" in this ESG Report. We believe it is a win-win approach for achieving both employee and corporate goals as a whole.

Aspect B4: LABOUR STANDARDS

The Group is fully aware that child labour and forced labour violate fundamental human rights and also pose threat to sustainable social and economic development. The Group strictly complies with relevant labour laws in the PRC and the Employment Ordinance in Hong Kong and prohibits the use of child labour and forced labour. The human resources department strictly complies with relevant labour laws and regulations to implement recruitment. In the recruitment processes, the human resources department takes effective procedures to verify applicants' age and inspects their identification documents and valid proof of identity before hiring any of them. Employment contracts and other records documenting all relevant details of the employees (including age) are properly maintained for verification by relevant statutory body upon request.

During the Reporting Period, we did not identify any issue related to child labour or forced labour within the Group.

Aspect B5: SUPPLY CHAIN MANAGEMENT

The Group works closely with its customer, suppliers and subcontractors who are committed to high quality, environmental, health and safety standards. As stipulated in our internal policy, we select our raw material suppliers taking into account factors including certification and qualification related to environmental protection, price, quality, reliability, lead time and our past experiences when conducting business with them. We maintain our own approved suppliers list and evaluate potential suppliers before listing them as our approved suppliers. We generally maintain a few suppliers for each type of major raw materials on our approved suppliers list to avoid shortage or delay in supply. We generally obtain price quotes from several suppliers before we place orders with our suppliers.

Regarding subcontractors, we select our subcontractors taking into account factors including certification and qualification related to environmental protection, price, equipment and machinery required, reliability, manufacturing capacity, lead time, the style of the backpack and luggage and our past experiences when conducting business with them. We regularly, in certain circumstances together with our customers, evaluate the performance and conduct quality control on the semi-finished products and products manufactured by our subcontractors.

Thus, we believe there were no significant environmental and social risks for our management decision on supply chain management during the Reporting Period.

Aspect B6: PRODUCT RESPONSIBILITY

Quality control

The Group places strong emphasis on quality, safety and durability of our products by implementing a range of quality assurance and control measures as set out below.

In recognition of our quality in manufacturing processes, both our Shenzhen Factory and Jiangxi Factory obtained BSCI certifications in 2017. Our Jiangxi Factory also obtained ISO 9001:2008 in 2016. Our licensors also require us to comply with their quality specifications. Our customers also conduct factory audit in our production facilities and we did not receive negative feedback from our customers.

As a majority of our products are sold to the overseas markets, we are obliged to comply with the relevant safety standards as required by the importing countries of our products. We engage independent certification organisations to test and certify our raw materials and products on compliance with the relevant standards of the targeted sales regions.

We have also adopted effective quality assurance and control measures by inspecting the quality of raw materials, observing and checking our production process, performing tests on work-in-progress and finished products. Our quality assurance and control team is headed by a supply chain director who has over 20 years of relevant experience, supported by three quality control supervisors and eight quality control specialists, whom have an average of approximately 15 years of relevant experience.

Quality control of raw materials

We conduct sample testing on incoming raw materials to ensure that their quality and safety meet the prescribed standards of the Group and conform to our licensors' and customers' requirements.

Raw materials supplied by suppliers are required to go through an incoming material quality control procedure ("IQC"). We require our suppliers to provide inspection reports to ensure that the raw materials supplied fulfil our quality standard. Upon delivery of raw materials by our suppliers, our IQC team will also conduct sample checking on such raw materials. If the incoming materials fail to pass IQC, we will request the relevant suppliers to replace the substandard and defective raw materials for us. In general, our raw material suppliers provide us with a credit period of 60 days.

Quality control in the production process

During production, to ensure that our products comply with the specifications and are free from defects, we carry out inspections at each stage of the production process. Workers at each station has a golden sample for his or her quality control purpose. Team leader and quality assurance and control team in the relevant production line perform regular checks at each stage of the production process to screen out products which are defective and to ensure that the quality of the products satisfy our licensors' or customers' designs and specifications as well as our stringent quality standards.

Quality control of the finished goods

Once a product has been fully assembled, it is subject to testing and checking by our quality assurance and control team in accordance with the specified requirements. Unsatisfactory products will be reworked until they reach the requisite standards. In addition, depending on the requirements of our customers, our products are tested by our internal laboratory and/or third party laboratories. In our past records, we had not received any material claims or complaints from our customers in respect of the quality of our products and there was no incident of failure of our quality assurance and control systems or penalties from relevant regulatory bodies which had a material and adverse impact on our business operations. During the Reporting Period, there were no disputes between the Group and our customers in respect of the quality of products produced by us and there were no cases of non-compliance against laws and regulations related to products responsibilities.

Intellectual property

We rely on a combination of trademark and other intellectual property laws to protect our product design, trade secrets and other intellectual property rights. As for our customers' designs, our customers retained the intellectual property rights of the designs. As for our Group's designs, the Group generally retains the intellectual property rights of the designs. However, in certain transactions and especially with some of the Group's key customers, the parties to the transaction would negotiate and agree, as part of the terms and conditions to the transactions, to vest the intellectual property rights of the designs designed by the Group in such customers. In order to protect all the product design owned by our us and our customers, information pertaining to our or our customers' design is generally kept confidential from any third parties or the general public, other than the third party factories. Further, our subcontracting agreements require our subcontractors to keep confidential our commercial secrets including the design, specification and costs of production of the products.

The Group's finance department is the department responsible for the work related to intellectual property rights, responsible for the acquisition, modification, renewal, licensing, pledge, transfer, logout, and monitoring of intellectual property of all units including trademarks, functional variable names, copyrights, patents, responsible for guiding, supervising, and managing the intellectual property rights maintenance and rights protection and anti-counterfeiting of all units. The Group requires our staff to endeavor to guarantee and develop intellectual property rights of the Group while totally respect legal intellectual property rights of third parties. In addition, the Group would also sign confidentiality agreement and competition prohibition agreement with its staff and suppliers to prevent the infringement of intellectual property rights. Employees who are suspected of violating relevant rules of intellectual property rights of the Group shall be under investigation and the Group would take appropriate actions to this.

Customer data protection and privacy

The Group respects the privacy of customers and their intellectual property rights. Customer data and information obtained during the course of business operation will only be used in providing services for customers, and it will not be disclosed to third-party organisations or be used for other purposes other than providing customer services without customers' consent. The Group has stipulated the process and precautions of handling important documents for employees in which employees are required to treat customer data in strict confidence. The Group's customer information is attended by specified personnel and can only be accessed by authorised personnel. Classified paper documents are properly placed in the storage room to avoid data breaches. Additionally, the Group provides regular training for employees to enhance their awareness in personal data security, and to prevent employees from using, leaking, and selling customers' personal information illegally.

Aspect B7: ANTI-CORRUPTION

To ensure operation efficiency and employees' development in a fair and honest working environment, the Group has established guidelines in employment handbook to promote business ethics and integrity so as to avoid suspected corruption, extortion and money laundering. Channels such as by letter, meeting or phone call for employees to report suspected corruption are provided. If there are any suspected case related to corruption, employees are encouraged to report the related cases through the mentioned channels. All these practical actions not only win the trust of customers, but also enhance the sense of belonging and fair play among our employees. Besides, anti-corruption training materials was provided to total 121 employee (including management and staff) through emails with total training hours of 63.5 hours noted during the Reporting Period. The Group has also formulated an anti-corruption policy in March 2022 to facilitate the employees' compliance with the applicable Hong Kong laws.

The Group has been in strict compliance with laws and regulations related to anti-corruption. During the Reporting Period, there was no legal case regarding corrupt practices, extortion and money laundering brought against the Group or its employees.

Whistle-Blowing

The Group stresses the importance of ethical behaviour and encourages whistle-blowing and the reporting of suspected misconduct, unlawful or unethical activities in strict confidence. The Group requires its Directors and employees to avoid engaging in business, investments or activities that might be in conflict with the Group's interests. Employees are required to declare any financial interest, whether it is direct or indirect, or in which held by them or members of the family, in any business or organisations which may compete with the Group's business. The employees are also required to report crimes or other unexpected events that can be damaging to the Group. In March 2022, the Group has formulated a whistle-blowing policy and established a mechanism to handle advices and complaints from the employees. Employees are encouraged to raise concerns about suspected misconduct, malpractice or irregularities in confidence. All reported cases will be promptly handled and thoroughly investigated by the designated personnel and confidentiality is observed to protect individuals.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group in relation to misconduct, malpractice and fraud.

Aspect B8: COMMUNITY INVESTMENT

As a socially responsible company, the Group is committed to understanding the needs of the communities in which we operate. The Group strives to develop long-term relationship with our stakeholders and seek to make contributions to programmes that have a positive impact on community development.

APPENDIX I OVERVIEW OF KEY PERFORMANCE INDICATORS

1. Environmental Aspects(Note 1)

No. of KPIs	KPIs	Unit	2021	2020
A1.1 Emissions	Sulphur Dioxide (SO_x)	kg	**0.20**	17.26
	Nitrogen Oxides (NO_x)	kg	**9.77**	28.51
	Particulate Matter (PM)	kg	**0.58**	0.97
A1.2 Greenhouse gas emissions	Scope 1 Direct emissions	tons of equivalent CO_2 emission	**36.63**	54.74
	Scope 2 Indirect emissions	tons of equivalent CO_2 emission	**646.61**	924.48
	Total	tons of equivalent CO_2 emission	**683.24**	979.22
	Intensity	tons of equivalent CO_2 emission/ Revenue HK$'000	**0.0022**	0.0035
A1.4 Non-hazardous waste	Total non-hazardous waste	tons	**0.72**	4.22
	Intensity	tons/Revenue HK$'000	**0.000002**	0.000015
A2.1 Energy consumption	Unleaded petrol	kWh	**123,768.43**	136,982.63
	Diesel	kWh	**Nil**	4,410.69
	Liquefied petroleum gas	kWh	**9,459.56**	133,667.38
	Natural gas	kWh	**114,630.09**	116,242.32
	Purchased electricity	kWh	**1,041,580.00**	1,304,766.00
	Total	kWh	**1,289,438.08**	1,696,069.02
	Intensity	kWh/Revenue HK$'000	**4.23**	6.13
A2.2 Water consumption	Total water consumption	tons	**50,135.20**	57,241.20
	Intensity	tons/Revenue HK$'000	**0.16**	0.21
A2.5 Packaging material	Plastic	tons	**0.6**	1.10
	Paper	tons	**168.60**	341.33

Note:

1. The calculation of environmental KPIs are with reference to "A Corporate Accounting and Reporting Standard" from The GHG Protocol and the "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the HKEx.

2. Social Aspects

No. of KPIs	KPIs	Unit	2021	2020
B1.1 Total number of employees	**By gender**			
	Male	person	**141**	161
	Female	person	**253**	329
	By employment type			
	Full-time	person	**394**	490
	Part-time	person	**Nil**	Nil
	By age group			
	30 or below	person	**23**	42
	31–40	person	**116**	145
	41–50	person	**213**	267
	51 or above	person	**42**	36
	By geographical region			
	PRC	person	**379**	476
	Hong Kong	person	**15**	14
B1.2 Employee turnover rate	**Turnover rate by gender**			
	Male	%	**21**	22
	Female	%	**32**	40
	Turnover rate by age group			
	30 or below	%	**87**	26
	31–40	%	**27**	23
	41–50	%	**27**	25
	51 or above	%	**7**	100
	By geographical region			
	PRC	%	**29**	35
	Hong Kong	%	**Nil**	14
B2.1 Number and rate of work-related fatalities(Note 2)	Number of work-related fatalities	person	**Nil**	Nil
	Rate of work-related fatalities	%	**Nil**	Nil
B2.2 Number of working days lost due to work injury	Number of working days lost due to work injury	day	**60**	14

No. of KPIs	KPIs	Unit	2021	2020
B3.1 Percentage of trained employees[Note 3]	**Percentage of trained employees**		**88**	81
	By gender			
	Male	%	**100**	96
	Female	%	**75**	74
	By rank			
	Normal	%	**88**	78
	Middle	%	**76**	100
	Senior	%	**100**	88
B3.2 Average training hours completed per employee	**Average training hours completed per employee**		**23.50**	37.31
	By gender			
	Male	hour	**30.13**	42.05
	Female	hour	**19.81**	34.99
	By rank			
	Normal	hour	**23.61**	38.88
	Middle	hour	**20.14**	12.05
	Senior	hour	**35.59**	6.75
B5.1 Number of suppliers	**Number of suppliers by geographical region**			
	PRC	supplier	**176**	160
	Hong Kong	supplier	**8**	4
	Others	supplier	**13**	4
	Total	supplier	**197**	67
B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons	Percentage of total products sold or shipped subject to recalls for safety and health reasons	case	**Nil**	Nil
B6.2 Number of complaints about products and services	Number of complaints about products and service received	case	**1**[Note 4]	Nil
B7.1 Legal cases in relation to corruption	Number of legal cases in relation to corruption filed and concluded	case	**Nil**	Nil

No. of KPIs	KPIs	Unit	2021	2020
B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Note 5			
B8.2 Resources contributed (e.g. money or time) to the focus area	Note 5			

Notes:

2. During the past three years (including the Reporting Period), the Group did not record any work-related fatality of employees.

3. Those KPIs of 2020 are revised for comparative purpose.

4. The complaint was coped with in a timely manner and was settled.

5. In light of our result of materiality assessment, such KPIs is considered as not material and thus not disclosed.

Grant Thornton
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To the shareholders of Grown Up Group Investment Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Grown Up Group Investment Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 72 to 159, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Credit loss allowance assessment of trade receivables	
Refer to significant accounting policies in Notes 2.8 and 2.9, critical accounting estimates and judgements in Note 4.1 and Note 18 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates. As at 31 December 2021, the Group had gross trade receivables of approximately HK\$62,966,000 and credit loss allowance of trade receivables of approximately HK\$2,949,000. Management of the Group estimates the amount of lifetime expected credit loss of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering aging, repayment history and/or past due status of respective debtors. Estimated loss rates are based on historical default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables with significant outstanding balances are assessed for expected credit loss individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. We focused on this area because the assessment of the credit loss allowance of trade receivables under the expected credit loss model involve significant management's judgement and estimation.	Our audit procedures in relation to the management's estimation and judgement applied in the credit loss allowance assessment of trade receivables included: • evaluating the disclosures regarding the impairment assessment of trade receivables in the consolidated financial statements; • understanding the internal controls over management assessment of impairment of trade receivables, such as periodic review of trade receivables aging report; • reviewing the work of an independent valuer and assessed the appropriateness of the methodology adopted in determining the expected credit loss; • testing the integrity of information used by management to develop the provision matrix, including trade receivables aging analysis as at 31 December 2021 on a sample basis by comparing individual items in the analysis with the relevant invoices and other supporting documents; and • challenging management's basis and judgement in determining credit loss allowance on trade receivables, including their identification of significant outstanding balances, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to aging, historical default rates and forward-looking information).

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of inventories	
Refer to significant accounting policies in Note 2.11, critical accounting estimates and judgements in Note 4.6 and Note 17 to the consolidated financial statements. As at 31 December 2021, the Group has inventories of approximately HK$15,810,000. Inventories are carried at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. We focused on this area because the estimation of the net realisable value of inventories involved a high level of management judgement. These estimations are also subjected to uncertainty as a result of changes in market conditions.	Our audit procedures in relation to the assessment of the valuation of inventories included: • understanding and evaluating the basis of estimation of the net realisable value of inventories through discussion with management on the general pattern of the Group's product lifecycle, marketing and retail pricing strategy, sales forecast of each individual stock keeping units ("SKUs") on a season by season basis and latest market conditions; • reviewing and analysing the ageing of inventories; • checking, on a sample basis, the volume and price of future sales of inventories by reviewing the volume and price of inventories sold subsequent to the end of reporting period; and • assessing the sufficiency of impairment where the estimated net realisable value is lower than the cost.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the 2021 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, 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 the HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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.

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

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

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

24 March 2022

Ng Ka Kong
Practising Certificate No.: P06919

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000 (Re-presented)
Continuing operation			
Revenue	5	**304,716**	276,644
Cost of sales	7	**(244,847)**	(220,337)
Gross profit		**59,869**	56,307
Other income and gain	6	**1,204**	1,206
Selling and distribution expenses	7	**(12,484)**	(7,280)
Administrative expenses	7	**(39,536)**	(44,484)
Impairment losses on trade and other receivables	7	**(2,072)**	(416)
Profit from operation		**6,981**	5,333
Finance income	9	**192**	432
Finance costs	9	**(1,932)**	(3,675)
Finance costs, net	9	**(1,740)**	(3,243)
Profit before income tax		**5,241**	2,090
Income tax credit/(expense)	10	**15**	(2,020)
Profit for the year from continuing operation		**5,256**	70
Discontinued operation			
Loss for the year from discontinued operation	11	**(8,264)**	(14,547)
Loss for the year		**(3,008)**	(14,477)
Continuing operation			
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(167)**	469
Other comprehensive (loss)/income for the year from continuing operation		**(167)**	469

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000 (Re-presented)
Total comprehensive loss for the year		**(3,175)**	(14,008)
Earning/(Loss) per share attributable to owners of the Company for the year			
Basic and diluted (HK cent)	12		
From continuing operation		**0.53**	0.01
From discontinued operation		**(0.83)**	(1.46)

The notes on pages 78 to 159 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	13	**20,795**	21,899
Right-of-use assets	14.1	**5,067**	7,134
Financial asset at fair value through profit or loss	19	**7,002**	7,002
Investment property	15	**1,400**	1,400
Intangible assets	16	**10,663**	39,042
Deferred tax assets	25	**1,821**	6,394
		46,748	82,871
Current assets			
Inventories	17	**15,810**	52,311
Trade and other receivables	18	**108,139**	82,232
Tax recoverable		**–**	389
Pledged deposits	20	**48,771**	48,779
Cash at bank and on hand	20	**9,415**	28,438
		182,135	212,149
Total assets		**228,883**	295,020
EQUITY			
Capital and reserves			
Share capital	26	**10,000**	10,000
Other reserves		**24,261**	24,428
Retained earnings		**70,468**	73,476
Total equity		**104,729**	107,904
LIABILITIES			
Non-current liabilities			
License fees payables	22	**–**	8,422
Lease liabilities	14.1	**1,206**	2,663
		1,206	11,085

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Current liabilities			
Trade and other payables	21.1	**64,693**	64,600
Contract liabilities	21.2	**187**	3,667
License fees payables	22	**–**	5,494
Lease liabilities	14.1	**3,379**	4,313
Bill payable	23	**21,578**	17,405
Bank borrowings	24	**32,367**	78,955
Tax payables		**744**	1,597
		122,948	176,031
Total liabilities		**124,154**	187,116
Total equity and liabilities		**228,883**	295,020

The consolidated financial statements on page 72 to 159 were approved by the Board of Directors on 24 March 2022 and were signed on its behalf:

Thomas Berg
Director

Shut Ya Lai
Director

The notes on pages 78 to 159 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2020	10,000	61,931	(34,809)	(3,163)	87,953	121,912
Loss for the year	–	–	–	–	(14,477)	(14,477)
Other comprehensive income:						
Items that may be reclassified to profit or loss						
— Currency translation differences	–	–	–	469	–	469
Total comprehensive income/(loss) for the year	–	–	–	469	(14,477)	(14,008)
At 31 December 2020 and 1 January 2021	**10,000**	**61,931**	**(34,809)**	**(2,694)**	**73,476**	**107,904**
Loss for the year	**–**	**–**	**–**	**–**	**(3,008)**	**(3,008)**
Other comprehensive loss:						
Items that may be reclassified to profit or loss						
— Currency translation differences	**–**	**–**	**–**	**(167)**	**–**	**(167)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(167)**	**(3,008)**	**(3,175)**
Balance at 31 December 2021	**10,000**	**61,931**	**(34,809)**	**(2,861)**	**70,468**	**104,729**

The notes on pages 78 to 159 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash generated from operations	29.1	**9,999**	18,822
Income tax refund/(paid)		**815**	(7,063)
Net cash generated from operating activities		**10,814**	11,759
Cash flows from investing activities			
Interest received	9	**194**	433
Purchase of property, plant and equipment	13	**(1,464)**	(632)
Proceeds from disposal of property, plant and equipment	29.1	**195**	105
Disposal of subsidiaries	28	**27,612**	–
Increase in pledged deposits		**–**	(20,735)
Net cash generated from/(used in) investing activities		**26,537**	(20,829)
Cash flows from financing activities			
Proceeds from bank borrowings		**31,840**	32,000
Repayment of bank borrowings		**(32,000)**	(33,365)
Interest paid	29.2	**(3,213)**	(4,937)
Principal elements of lease payments	29.2	**(4,937)**	(7,125)
Net cash used in financing activities		**(8,310)**	(13,427)
Net increase/(decrease) in cash and cash equivalents		**29,041**	(22,497)
(Cash deficits)/cash and cash equivalents at beginning of the year	20	**(18,517)**	4,913
Effects of exchange rate changes on cash and cash equivalents		**(1,636)**	(933)
Cash and cash equivalents/(Cash deficits) at end of the year	20	**8,888**	(18,517)

The notes on pages 78 to 159 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Grown Up Group Investment Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The address of registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Its principal place of business in Hong Kong is located at Flat D, 7/F., Block 2, Tai Ping Industrial Centre, 55 Ting Kok Road, Tai Po, N.T., Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries (collectively, the "Group") are designing, developing, manufacturing and selling full range of bag, luggage and accessories, as well as medical related products, tool storage and tool accessories. The Group's operations are based in Hong Kong, Denmark and in the People's Republic of China (the "PRC"). The Group's principal export markets for its business are Europe and North America.

The directors regard GP Group investment Holding Limited ("GPG"), a company incorporated in Hong Kong, as immediate holding company. The directors regard Berg Group Holding Limited ("Berg Group"), a company incorporated in Hong Kong, as the ultimate holding company. The ultimate controlling parties of the Group are Mr. Thomas Berg ("Mr. Berg") and Mr. Morten Rosholm Henriksen ("Mr. Henriksen") (together the "Controlling Shareholders").

The consolidated financial statements are presented in the thousands of Hong Kong dollars ("HK$000"), unless otherwise stated.

The consolidated financial statements for the year ended 31 December 2021 were approved for issue by the board of directors on 24 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The consolidated financial statements have been prepared on a historical cost basis, except for the financial asset at fair value through profit or loss and an investment property that are measured at fair value.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for:

— investment property; and

— certain financial assets

which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, 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. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency translation

The consolidated financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Land and buildings	Shorter of lease term or expected useful life
Leasehold improvements	5 years or over the lease term, whichever is shorter
Fixtures, furniture and office equipment	4 to 5 years
Motor vehicles	4 years
Machinery and equipment	3 years

Accounting policy for depreciation of right-of-use assets is set out in Note 14.

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

Gains and losses on disposals are determined by comparing the proceeds with carrying amounts and are recognised within "Other income and gain" in the consolidated statement of profit or loss and other comprehensive income.

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

2.5 Investment property

Investment property, principally the car parking space, is held for long-term rental yields and is not occupied by the Group to earn rental income and/or for capital appreciation.

Investment property is initially measured at cost, including related transaction costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss within "Other income and gain".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

Goodwill

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see Note 2.7).

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.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

Brand licences and distribution rights

Brand licences and distribution rights are licensing contracts entered into with the brand-holder by the Group in the capacity as licensee. Brand licences are capitalised based on the upfront costs incurred and the present value of guaranteed royalty payments to be made subsequent to the inception of the licensing contracts. Brand licences are amortised based on expected usage from the date of first commercial usage over the remaining licence periods ranging from approximately 1 to 5 years.

Golf club membership

Golf club membership has indefinite useful life and is not subject to amortisation. The membership is tested annually for impairment and carried at cost less accumulated impairment losses.

Computer software systems

Computer software systems acquired are recognised at historical cost. Costs associated with maintaining software programmes are recognised as an expense as incurred.

Computer software systems are amortised based on expected useful life of 5 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

The following assets are subject to impairment testing:

— goodwill arising on acquisition of a subsidiary;

— other intangible assets;

— property, plant and equipment;

— right-of-use asset; and

— the Company's investment in a subsidiary.

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

— fair value (either through other comprehensive income ("OCI") or through profit or loss), and

— amortised cost.

The classification is determined by both:

— the entity's business model for managing the financial asset; and

— the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance income, except for impairment losses on trade and other receivables which is presented as a separate item in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

— they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

— the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and other receivables and pledged deposits are fall into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include bank borrowings, leases liabilities, bill payable, license fees payables and trade and other payables.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs.

Accounting policies of lease liabilities are set out in Note 2.17.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

Financial liabilities (Continued)

Trade and other payables and bill payable

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables and bill 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 and bill payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

License fees payables

License fees payables in respect of the inception of the license rights is initially recognised at fair value of the consideration given for the recognition of the license rights at the time of the inception, which represents present values of contractual minimum payments that can be reliably estimated at the time of the inception. It is subsequently stated at amortised cost using the effective interest method.

Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL — the "ECL model". Instruments within the scope include loans and other debt-type financial assets measured at amortised cost and trade receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

— financial instruments that have not deteriorated significantly in credit quality since;

— initial recognition or that have low credit risk ("Stage 1");

— financial instruments that have deteriorated significantly in credit quality since initial; and

— recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, except for trade receivables with significant outstanding balances which are assessed individually, the remaining trade receivables have been grouped based on common risk characteristics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood of risk of default occurring since initial recognition.

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

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

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

— an actual or expected significant deterioration in the operating results of the debtor.

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in Note 35.4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the 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. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.11 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown in current liabilities.

2.13 Share capital

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

2.14 Discontinued operation

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. The component comprises operations and cash flows that can be clearly distinguished from the rest of the Group and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount in the consolidated statement of profit or loss and other comprehensive income comprising the total of: (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.17 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 "Leases". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less. Low-value assets are small items of office equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

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

The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment property. Rental income is recognised on a straight-line basis over the term of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The group entities established in the PRC make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

The group entities incorporated in Denmark are subject to occupational pensions scheme. Payouts made by these types of schemes are determined by the contributions made by employees and employers. The Group makes contributions based on a percentage of the eligible employees' salaries which are charged to profit and loss as they become payable in accordance with the rules of the occupational pensions scheme. According to the Danish system, all pensions are paid in to large pension funds during the year. These Danish pensions funds, due to their important role for the Danish Society, are subject to supervision by the Danish Ministry of Finance.

In addition, the group entities incorporated in Hong Kong participate in a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee for those employees who are eligible to participate in the MPF Scheme. The Group makes contributions based on a percentage of the eligible employees' salaries funded by the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable to these plans.

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition

Revenue mainly arises from designing, developing, manufacturing and selling bags and luggage products.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Further details of the Group's revenue and other income recognition policies are as follows:

Sales of goods

The Group manufactures and sells a range of bags and luggage. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesalers/customers. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesalers/customers, and either the wholesalers/customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (Continued)

Product Return Policy

The Group provides two types of defective allowance to customers: (i) defective allowance for our distributors; and (ii) return of a whole shipment of goods to us due to manufacturing defect.

In general, no product return or exchange by customers is allowed except for malfunctions of or manufacturing defects in the products, and in such case, product return or provision of spare parts will be arranged on a case by case basis. A liability arising from expected sales return (included in contract liability) is recognised on a case by case basis in relation to sales made until the end of the reporting period, the Group did not make provision for such expenses.

Cash or bank acceptance notes collected from certain wholesalers/customers before product delivery is recognised as contract liabilities.

Rental income

Rental income is recognised on a straight-line basis over the period of the relevant leases.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to income is presented in gross in the consolidated statement of profit or loss and other comprehensive income.

2.21 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Accounting for income taxes (Continued)

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

— income or loss excluding reversals of temporary differences; and

— reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Management of the Group assesses the financial performance and position of the Group, and makes strategic decisions. Management of the Group, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the chief operating officer of the Group.

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, on 1 January 2021, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" which is mandatorily effective for the Group for financial year beginning on or after 1 April 2021.

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective date not yet determined
4 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The Group will apply the above new standard, revised framework and amendments to standards when they become effective. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

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

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 "Making Materiality Judgements" to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in Note 2 to consolidated financial statements may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Credit loss allowance of trade receivables

The Group assesses credit loss allowances of trade receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in Note 35.4. As at 31 December 2021, the aggregate carrying amounts of trade receivables amounting to approximately HK$60,017,000 (2020: HK$56,378,000) (net of credit loss allowance of approximately HK$2,949,000 (2020: HK$1,255,000)).

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and credit losses in the periods in which such estimate has been changed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits which relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of cash generating units containing goodwill are disclosed in Note 16.

4.3 Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2021, the carrying amounts of property, plant and equipment and right-of-use assets are approximately HK$20,795,000 and HK$5,067,000 (2020: HK$21,899,000 and HK$7,134,000), respectively (Note 13 and 14.1). No impairment loss have been recognised in respect of right-of-use assets and property, plant and equipment during the years ended 31 December 2021 and 2020.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.4 Fair value of investment property

The Group's investment property is revalued at the end of each reporting period based on valuation performed by an independent firm of chartered surveyors using property valuation techniques which involve certain assumptions of conditions.

In the absence of current price in on active market for similar properties, the valuation may consider information by reference to the comparable properties of similar size, character and location, factoring in all the respective advantages and disadvantages of each property in order to arrive at a comparable capital value. Favourable or unfavourable changes to these assumptions would result in changes in fair value of the Group's investment property and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

As at 31 December 2021, the carrying amount of the Group's investment property carried at fair value is HK$1,400,000 (2020: HK$1,400,000). Details of the fair value measurements are disclosed in Note 15.

4.5 Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.6 Net realisable value of inventories

Net realisable value of inventories (Note 17) is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. As at 31 December 2021, the Group has not made any provision (2020: HK$338,000) for slow moving inventories.

5. SEGMENT INFORMATION

Chief Operating Decision Maker ("CODM") of the Group, which consists of the chief executive officer and the chief operating officer, examines the Group's performance from product perspective and has identified two reportable segments of its business comprising, the private label products segment and the branded label products segment. The private label products segment — private label products are produced and sold under both Original Equipment Manufacturer ("OEM") and Original Design Manufacturer ("ODM") businesses to the brand owners or their licensees. The branded label products segment — branded label products include products branded under the Group's proprietary Ellehammer brand as well as the licensed brands, distributed through the Group's sales network comprising of third party distributors and self-operated distribution channel.

5. SEGMENT INFORMATION (CONTINUED)

During the year, the branded label products operation has been disposed of and classified as discontinued operation and the related information has been set out in Note 11.

	2021 HK$'000	2020 HK$'000 (Re-presented)
Continuing operation		
Sales of goods	304,716	276,644
Timing of revenue recognition		
— At a point in time	304,716	276,644
Discontinued operation		
Sales of goods	120,655	70,743
Timing of revenue recognition		
— At a point in time	120,655	70,743

The Group used the practical expedient where the transaction price allocated to the performance obligations that are unsatisfied, or partially satisfied, are not disclosed as substantially all related contracts have a duration of one year or less.

For the year ended 31 December 2021, there were two customers (2020: one) which individually contributed over 10% of the Group's total revenue. During the year ended 31 December 2021, the revenue contributed from each of these customers was as follows:

	2021 HK$'000	2020 HK$'000
Continuing operation		
Customer A	84,268	35,457
Customer B	33,045	N/A[1]

[1] This customer did not contribute over 10% of revenue from continuing operation of the Group during the year ended 2020.

5. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by reportable segment as reviewed by the CODM:

Year ended 31 December 2021

	Continuing operation		Discontinued operation	
	Private label products HK$'000	Inter-segment elimination HK$'000	Branded label products HK$'000	Total HK$'000
Revenue from external customers	304,716	–	120,655	425,371
Inter-segment revenue	57,690	(57,690)	–	–
Total segment revenue	362,406	(57,690)	120,655	425,371
Segment results	9,832	–	(6,419)	3,413
Other income and gain				779
Corporate expenses				(3,630)
Profit from operations				562
Finance income				194
Finance costs				(3,412)
Loss before income tax				(2,656)
Income tax credit				1,339
				(1,317)
Loss on disposal of subsidiaries				(1,691)
Loss for the year				(3,008)

Other segment information:

	Continuing operation	Discontinued operation		
	Private label products HK$'000	Branded label products HK$'000	Unallocated HK$'000	Total HK$'000
Amortisation of intangible assets (Note 16)	(411)	(11,924)	–	(12,335)
Credit loss allowance on trade receivables, net	(2,072)	(56)	–	(2,128)
Depreciation of property, plant and equipment	(2,864)	(16)	–	(2,880)
Depreciation of right-of-use assets	(3,938)	(293)	–	(4,231)
Provision for inventories	–	(613)	–	(613)

5. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020
(Re-presented)

	Continuing operation		Discontinued operation	
	Private label products HK$'000	Inter-segment elimination HK$'000	Branded label products HK$'000	Total HK$'000
Revenue from external customers	276,644	–	70,743	347,387
Inter-segment revenue	33,330	(33,330)	–	–
Total segment revenue	309,974	(33,330)	70,743	347,387
Segment results	6,757	–	(15,684)	(8,927)
Other income and gain				1,168
Corporate expenses				(2,592)
Loss from operations				(10,351)
Finance income				433
Finance costs				(5,425)
Loss before income tax				(15,343)
Income tax credit				866
Loss for the year				(14,477)

Other segment information:

	Continuing operation	Discontinued operation		
	Private label products HK$'000	Branded label products HK$'000	Unallocated HK$'000	Total HK$'000
Amortisation of intangible assets (Note 16)	(430)	(7,719)	–	(8,149)
Bad debts written-off	–	(2,150)	–	(2,150)
(Credit loss)/reversal of allowance on trade receivables, net	(416)	56	–	(360)
Depreciation of property, plant and equipment	(2,735)	(104)	–	(2,839)
Depreciation of right-of-use assets	(7,038)	(278)	–	(7,316)
Impairment loss on intangible assets	(400)	–	–	(400)
Provision for inventories	–	(338)	–	(338)

5. SEGMENT INFORMATION (CONTINUED)

The following is analysis of the Group's assets and liabilities by reportable segment as reviewed by the CODM:

As at 31 December 2021

	Continuing operation	**Discontinued operation**		
	Private label products HK$'000	**Branded label products HK$'000**	**Corporate assets/ (liabilities) HK$'000**	**Total HK$'000**
Non-current assets	**37,867**	**–**	**8,881**	**46,748**
Current assets	**152,106**	**–**	**30,029**	**182,135**
Total assets	**189,973**	**–**	**38,910**	**228,883**
Segment liabilities	**(122,768)**	**–**	**(1,386)**	**(124,154)**
Net assets	**67,205**	**–**	**37,524**	**104,729**
Additions to non-current assets	**2,699**	**11,268**	**–**	**13,967**

As at 31 December 2020

	Continuing operation	Discontinued operation		
	Private label products HK$'000	Branded label products HK$'000	Corporate assets/ (liabilities) HK$'000	Total HK$'000
Non-current assets	41,926	32,279	8,666	82,871
Current assets	138,582	72,165	1,402	212,149
Total assets	180,508	104,444	10,068	295,020
Segment liabilities	(121,303)	(64,825)	(988)	(187,116)
Net assets	59,205	39,619	9,080	107,904
Additions to non-current assets	2,607	6,542	–	9,149

5. SEGMENT INFORMATION (CONTINUED)

The analysis of revenue by geographical destination is as follows:

	2021 HK$'000	2020 HK$'000 (Re-presented)
Continuing operation		
Europe	108,844	125,289
North America	156,414	82,410
The PRC	36,758	53,167
Middle East	–	865
Others	2,700	14,913
	304,716	276,644
Discontinued operation		
Europe	54,211	39,827
North America	4,868	220
The PRC	22,935	9,877
Middle East	10,711	9,069
Asia-Pacific	21,574	906
Others	6,356	10,844
	120,655	70,743

5. SEGMENT INFORMATION (CONTINUED)

Non-current assets, other than financial asset at fair value through profit or loss and deferred tax assets, by geographical area are as follows:

	2021 HK$'000	2020 HK$'000 (Re-presented)
Continuing operation		
The PRC	18,759	22,113
Hong Kong (domicile)	17,363	16,716
Europe	1,803	1,815
	37,925	40,644
Discontinued operation		
The PRC	–	160
Hong Kong (domicile)	–	11,423
Europe	–	17,248
	–	28,831

6. OTHER INCOME AND GAIN

	2021 HK$'000	2020 HK$'000 (Re-presented)
Continuing operation		
Rental income	810	605
Gain on disposal of property, plant and equipment	193	81
Gain on lease modification (Note 14)	56	–
Others (Note)	145	520
	1,204	1,206
Discontinued operation		
License fee waiver	1,221	5,600
Others	24	43
	1,245	5,643

Note: Others mainly represented government subsidies for stabilising employment in the PRC amounting to approximately HK$97,000 (2020: HK$256,000). There were no unfulfilled conditions and other contingencies attached to the receipt of the subsidies.

7. EXPENSES BY NATURE

	2021 HK$'000	2020 HK$'000 (Re-presented)
Continuing operation		
Cost of inventories sold (Note 17)	212,234	182,434
Employee benefit expenses (Note 8)	47,711	53,519
Transportation and freight charges	4,504	3,690
Amortisation of intangible assets	411	430
Impairment loss on intangible assets	–	400
Depreciation of right-of-use assets	3,938	7,038
Depreciation of property, plant and equipment	2,864	2,735
Directors' emoluments (Note 32)	5,927	4,842
Expenses related to short-term and low-value lease	248	83
Auditor's remuneration		
— Audit services	946	911
— Non-audit services	21	22
Credit loss allowance on trade receivables	2,072	416
Legal and professional fees	2,191	3,443
Sample costs	1,626	1,799
Sales and marketing expenses	3,852	1,842
Design and development expenses	1,581	485
Exchange differences	250	(198)
Others	8,563	8,626
	298,939	272,517
Representing:		
Cost of sales	244,847	220,337
Selling and distribution expenses	12,484	7,280
Administrative expenses	39,536	44,484
Impairment losses on trade and other receivables	2,072	416
	298,939	272,517

7. EXPENSES BY NATURE (CONTINUED)

	2021 HK$'000	2020 HK$'000 (Re-presented)
Discontinued operation		
Cost of inventories sold (Note 17)	79,840	51,487
Employee benefit expenses (Note 8)	11,249	11,320
Transportation and freight charges	6,926	6,578
Amortisation of intangible assets	11,924	7,719
Depreciation of right-of-use assets	293	278
Depreciation of property, plant and equipment	16	104
Directors' emoluments (Note 32)	1,278	1,134
License fees	494	–
Auditor's remuneration		
— Audit services	402	364
— Non-audit services	34	36
Bad debts written-off	–	2,150
Credit loss/(reversal of) allowance on trade receivables	56	(56)
Legal and professional fees	3,216	573
Sample costs	81	662
Sales and marketing expenses	5,612	4,901
Design and development expenses	2,473	438
Exchange differences	824	151
Provision for inventories	613	338
Others	2,988	3,893
	128,319	92,070
Representing:		
Cost of sales	85,506	51,487
Selling and distribution expenses	32,675	29,064
Administrative expenses	10,082	9,425
Impairment losses on trade and other receivables	56	2,094
	128,319	92,070

8. EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTORS' EMOLUMENTS)

	2021 HK$'000	2020 HK$'000 (Re-presented)
Continuing operation		
Salaries, wages and other allowances	42,747	46,221
Redundancy cost	–	4,396
Pension costs (Note)	4,964	2,902
	47,711	53,519
Discontinued operation		
Salaries, wages and other allowances	11,044	9,286
Redundancy cost	–	1,735
Pension costs (Note)	205	299
	11,249	11,320

Note: Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to December 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to defined contribution scheme during the year ended 31 December 2020.

At 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: nil).

8. EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

Five highest paid individuals

For the year ended 31 December 2021, the five highest paid individuals whose emoluments were the highest in the Group include 3 directors (2020: 3 directors), whose emoluments are reflected in Note 32. The emoluments paid/payable to the remaining 2 individuals (2020: 2 individuals), during the year ended 31 December 2021 are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, wages and other allowances	2,460	2,405
Pension costs	36	30
	2,496	2,435

The emoluments of the remaining individuals fell within the following bands:

	2021 HK$'000	2020 HK$'000
Emolument bands		
HK$1,000,001 to HK$1,500,000	2	2

9. FINANCE COSTS, NET

	2021 HK$'000	2020 HK$'000 (Re-presented)
Continuing operation		
Finance income		
— Interest income from bank deposits	192	432
Finance costs		
— Interest expenses on bank borrowings and bank overdrafts	(1,696)	(3,257)
— Interest expenses on lease liabilities (Note 14)	(236)	(418)
	(1,932)	(3,675)
Finance costs, net	(1,740)	(3,243)
Discontinued operation		
Finance income		
— Interest income from bank deposits	2	1
Finance costs		
— Interest expenses on bank borrowings and bank overdrafts	(1,267)	(1,249)
— Interest expenses on lease liabilities (Note 14)	(14)	(13)
— Notional interest on license fee payables	(199)	(488)
	(1,480)	(1,750)
Finance costs, net	(1,478)	(1,749)

10. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit the year ended 31 December 2021. The Group's subsidiaries in the PRC are subject to the China Corporate Income Tax ("CIT") at a rate of 25% (2020: 25%) for the year ended 31 December 2021. Certain PRC subsidiaries of the Group that qualify as small and thin-profit enterprises with an annual taxable income of Chinese Renminbi ("RMB") 1 million or less are applicable to the effective CIT rate of 5% (2020: 5%). Where the taxable income exceeds RMB1 million but does not exceed RMB3 million (inclusive), the RMB1 million portion will be subject to an effective CIT rate of 2.5% (2020: 5%), whereas the excess portion will be subject to the effective CIT rate of 10% (2020: 10%) for the year ended 31 December 2021. The Group's subsidiaries in Denmark are subject to income tax at the rate of 22% (2020: 22%) for the year ended 31 December 2021.

The amount of income tax (credited)/charged to profit or loss represents:

	2021 HK$'000	2020 HK$'000 (Re-presented)
Continuing operation		
Current income tax		
— Hong Kong Profits Tax	100	–
— China corporate income tax	63	1,888
— Denmark income tax	2	19
— (Over)/Under-provision from prior year	(2,022)	1,081
Deferred income tax (Note 25)	1,842	(968)
	(15)	2,020
Discontinued operation		
Current income tax		
— Hong Kong Profits Tax	–	–
— China corporate income tax	–	–
— Denmark income tax	–	–
— Over-provision from prior year	(204)	(1,179)
Deferred income tax (Note 25)	(1,120)	(1,707)
	(1,324)	(2,886)

10. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

The income tax credit for the year can be reconciled to the profit/(loss) before income tax as shown in the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK$'000	2020 HK$'000 (Re-presented)
Continuing operation		
Profit before income tax	5,241	2,090
Tax calculated at domestic tax rates applicable to profits in respective countries	1,048	317
Tax effect on non-deductible expenses	1,117	750
Over-provision from prior year	(2,022)	1,082
Utilisation of tax losses previously not recognised	–	(15)
Tax effect of unrecognised temporary difference	(271)	(1,090)
Tax effect of unrecognised tax losses	113	976
Income tax (credit)/expense	(15)	2,020
Discontinued operation		
Loss before income tax	(7,897)	(17,433)
Tax calculated at domestic tax rates applicable to profits in respective countries	(1,978)	(3,385)
Tax effect on non-deductible expenses	46	727
Over-provision from prior year	(204)	(1,179)
Utilisation of tax losses previously not recognised	–	(139)
Tax effect of unrecognised temporary difference	271	1,090
Tax effect of unrecognised tax losses	541	–
Income tax credit	(1,324)	(2,886)

11. DISCONTINUED OPERATION

On 29 October 2021, the Company entered into a sale agreement to dispose of branded label products operation of the Group. The disposal was completed on 31 December 2021, on which date control of the branded label products operation was passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in Note 28. Upon completion of the disposal, the Group's branded label product operation was ceased. Accordingly, the operation was classified as discontinued operation.

The results of the branded label products operation for the years ended 31 December 2021 and 2020, which have been included in the consolidated statement of profit or loss and comprehensive income, were as follows:

	2021 HK$'000	2020 HK$'000
Revenue	120,655	70,743
Cost of sales	(85,506)	(51,487)
Gross profit	35,149	19,256
Other income and gain	1,245	5,643
Selling and distribution expenses	(32,675)	(29,064)
Administrative expenses	(10,082)	(9,425)
Impairment losses on trade and other receivables	(56)	(2,094)
Loss from discontinued operation	(6,419)	(15,684)
Finance income	2	1
Finance costs	(1,480)	(1,750)
Finance costs, net	(1,478)	(1,749)
Loss before income tax	(7,897)	(17,433)
Income tax credit	1,324	2,886
Loss for the year	(6,573)	(14,547)
Loss on disposal of subsidiaries (Note 28)	(1,691)	–
Loss for the year from discontinued operation	(8,264)	(14,547)
Loss for the year from discontinued operation attributable to:		
Owners of the Company	(8,264)	(14,547)
Non-controlling interests	–	–
	(8,264)	(14,547)

11. DISCONTINUED OPERATION (CONTINUED)

Cash flows from discontinued operation are analysed as follows:

	2021 HK$'000	2020 HK$'000
Net cash (outflows)/inflows from operating activities	(14,496)	1,271
Net cash inflows from investing activities	15,864	12,136
Net cash outflows from financing activities	(1,551)	(1,468)
Net cash (outflows)/inflows	(183)	11,939

12. EARNING/(LOSS) PER SHARE

From continuing and discontinued operation

Basic earning/(loss) per share are calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the years ended 31 December 2021 and 2020.

From continuing operation

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

Earnings figures are calculated as follows:

	2021 HK$'000	2020 HK$'000 (Re-presented)
Loss for the year attributable to the owners of the Company	(3,008)	(14,477)
Less: Loss for the year from discontinued operation	(8,264)	(14,547)
Profit for the purpose of basic per share from continuing operation	5,256	70
Weighted average number of ordinary shares in issue (thousands of shares)	1,000,000	1,000,000
Basic earning per share (expressed in HK cent per share)	0.53	0.01

Diluted earning per share from continuing operation presented is the same as the basic earning per share from continuing operation as there were no potentially dilutive ordinary shares issued during the years ended 31 December 2021 and 2020.

From discontinued operation

Basic and diluted loss per share for the discontinued operation is HK0.83 cents per share (2020: HK1.46 cents per share) based on the loss for the year from the discontinued operation of approximately HK$8,264,000 (2020: HK$14,547,000) and the denominators detailed above for both basic and diluted earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
1 January 2020					
Cost	32,395	9,808	39,705	5,651	87,559
Accumulated depreciation	(11,812)	(8,571)	(37,531)	(5,651)	(63,565)
	20,583	1,237	2,174	–	23,994
Year ended 31 December 2020					
Opening net book value	20,583	1,237	2,174	–	23,994
Additions	–	372	260	–	632
Depreciation	(881)	(990)	(968)	–	(2,839)
Disposal	–	–	(24)	–	(24)
Exchange realignment	–	–	136	–	136
Closing net book value	19,702	619	1,578	–	21,899
At 31 December 2020 and 1 January 2021					
Cost	32,395	10,180	31,562	4,707	78,844
Accumulated depreciation	(12,693)	(9,561)	(29,984)	(4,707)	(56,945)
	19,702	619	1,578	–	21,899
Year ended 31 December 2021					
Opening net book value	**19,702**	**619**	**1,578**	**–**	**21,899**
Additions	**–**	**1,143**	**321**	**–**	**1,464**
Depreciation	**(1,014)**	**(1,000)**	**(866)**	**–**	**(2,880)**
Disposal	**–**	**–**	**(2)**	**–**	**(2)**
Disposal of subsidiaries (Note 28)	**–**	**–**	**(11)**	**–**	**(11)**
Exchange realignment	**–**	**–**	**325**	**–**	**325**
Closing net book value	**18,688**	**762**	**1,345**	**–**	**20,795**
At 31 December 2021					
Cost	**32,395**	**11,323**	**32,107**	**–**	**75,825**
Accumulated depreciation	**(13,707)**	**(10,561)**	**(30,762)**	**–**	**(55,030)**
	18,688	**762**	**1,345**	**–**	**20,795**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ended 31 December 2021, depreciation for continuing operation of approximately HK$1,611,000 and HK$1,253,000 (2020 (re-presented): HK$2,057,000 and HK$678,000) were included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income, respectively.

As at December 2021, land and buildings with net book value of approximately, HK$1,140,000 (2020: HK$1,200,000) were pledged to certain banks to secure bank borrowings as set out in Note 24.

14. LEASES

This note provides information for leases where the Group is a lessee.

14.1 Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2021	2020
	HK$'000	HK$'000
Right-of-use assets		
— Leasehold land	**1,200**	1,238
— Buildings	**3,721**	5,092
— Motor vehicles	**146**	779
— Machinery	**–**	25
	5,067	7,134
Lease liabilities		
Current	**3,379**	4,313
Non-current	**1,206**	2,663
	4,585	6,976

14. LEASES (CONTINUED)

14.1 Amounts recognised in the consolidated statement of financial position (Continued)

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2021 HK$'000	2020 HK$'000
Total minimum lease payments:		
Due within one year	3,477	4,548
Due in the second to fifth years	1,243	2,715
	4,720	7,263
Future finance charges on lease liabilities	(135)	(287)
Present value of lease liabilities	4,585	6,976
Present value of minimum lease payments:		
Due within one year	3,379	4,313
Due in the second to fifth years	1,206	2,663
	4,585	6,976
Less: Portion due within one year included under current liabilities	(3,379)	(4,313)
Portion due after one year included under non-current liabilities	1,206	2,663

Additions to the right-of-use assets in relation to buildings during the year ended 31 December 2021 were approximately HK$1,764,000 (2020: HK$1,975,000).

14. LEASES (CONTINUED)

14.2 Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2021 HK$'000	2020 HK$'000 (Re-presented)
Continuing operation		
Depreciation of right-of-use assets		
— Leasehold land	38	38
— Buildings	3,242	5,369
— Motor vehicles	633	1,248
— Machinery	25	383
	3,938	7,038
Interest expenses on lease liabilities (Note 9)	236	418
Gain on lease modification (Note 6)	56	–
Expense related to short-term leases (included in administrative expenses)	248	83
Discontinued operation		
Depreciation of right-of-use assets		
— Buildings	293	278
Interest expenses on lease liabilities (Note 9)	14	13

The total cash outflow for leases, including the payments made in relation to lease liabilities and expenses relating to short-term and low value lease payments for the year ended 31 December 2021 was approximately HK$5,435,000 (2020: HK$7,639,000).

14. LEASES (CONTINUED)

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

The Group leases various offices, machineries and motor vehicles. Rental contracts are typically made for fixed periods of 2 years to 6 years, but may have extension options as described below.

Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The carrying amount of leasehold land represents cost less accumulated amortisation paid for land use right in the PRC under medium term leases of not more than 50 years.

14.4 Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. The Group expects such options are not likely to be exercised.

15. INVESTMENT PROPERTY

	2021 HK$'000	2020 HK$'000
Balance as at 1 January and 31 December	**1,400**	1,400

The Group's investment property is a car park located in Hong Kong and it is measured at fair value. At the end of each reporting period, management discussed with independent surveyors regarding the valuation processes and the reasonableness of valuation results carried out for the property. Management considered that the current use of this property equates to its highest and best use. The fair value of the Group's investment property as at December 2021 and 2020 have been determined on the basis of valuations carried out by Vigers Appraisal & Consulting Limited, an independent firm of chartered surveyors. The valuation, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at using direct comparison method, where the values were assessed by reference to the comparable properties of similar size, character and location, factoring in all the respective advantages and disadvantages of each property in order to arrive at a comparable capital value.

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
At 31 December 2021	**–**	**1,400**	**–**	**1,400**
At 31 December 2020	–	1,400	–	1,400

There were no transfers between Levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2021 and 2020.

16. INTANGIBLE ASSETS

	Goodwill HK$'000 (Note i)	Brand licenses and distribution rights HK$'000	Golf club membership HK$'000 (Note ii)	Computer software systems HK$'000	Total HK$'000
At 1 January 2020					
Cost	14,474	71,806	950	2,151	89,381
Accumulated amortisation	–	(49,509)	–	(89)	(49,598)
Net book value	14,474	22,297	950	2,062	39,783
Year ended 31 December 2020					
Opening net book value	14,474	22,297	950	2,062	39,783
Addition	–	6,542	–	–	6,542
Amortisation	–	(7,719)	–	(430)	(8,149)
Impairment loss	–	–	(400)	–	(400)
Exchange realignment	407	859	–	–	1,266
Closing net book value	14,881	21,979	550	1,632	39,042
At 31 December 2020					
Cost	14,881	79,640	550	2,151	97,222
Accumulated amortisation	–	(57,661)	–	(519)	(58,180)
Net book value	14,881	21,979	550	1,632	39,042
Year ended 31 December 2021					
Opening net book value	**14,881**	**21,979**	**550**	**1,632**	**39,042**
Addition	**–**	**10,739**	**–**	**–**	**10,739**
Amortisation	**–**	**(11,924)**	**–**	**(411)**	**(12,335)**
Disposal of subsidiaries (Note 28)	**(5,973)**	**(20,450)**	**–**	**–**	**(26,423)**
Exchange realignment	**–**	**(344)**	**–**	**(16)**	**(360)**
Closing net book value	**8,908**	**–**	**550**	**1,205**	**10,663**
At 31 December 2021					
Cost	**8,908**	**67,760**	**550**	**2,135**	**79,353**
Accumulated amortisation	**–**	**(67,760)**	**–**	**(930)**	**(68,690)**
Net book value	**8,908**	**–**	**550**	**1,205**	**10,663**

16. INTANGIBLE ASSETS (CONTINUED)

Note:

(i) Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2021 HK$'000	2020 HK$'000
Private label segment (CGU A)	**8,908**	8,908
Branded label segment (CGU B)	**–**	5,973
	8,908	14,881

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method include those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are determined on industry growth rate in foreseeable period based on management experience and on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using terminal growth rate of 2% (2020: 2%). This terminal growth rate does not exceed the average long term growth rate for the relevant markets. At end of reporting period, the key assumptions used to discount the forecast cash flows in each CGU of the Group are as follows:

Pre-tax discount rate	**2021**	2020
Private label segment (CGU A)	**14%**	14%
Branded label segment (CGU B)	**–**	14%

Gross margin	**2021**	2020
Private label segment (CGU A)	**17%**	20%
Branded label segment (CGU B)	**–**	27% to 33%

Inflation and growth rate	**2021**	2020
Private label segment (CGU A)	**1.08% to 5%**	1.77% to 5%
Branded label segment (CGU B)	**–**	2% to 5%

16. INTANGIBLE ASSETS (CONTINUED)

Note: *(Continued)*

(i) As at 31 December 2021 and 2020, the recoverable amounts of the CGUs containing goodwill and the corresponding headroom were as follows:

Private label segment	**2021 HK$'000**	2020 HK$'000
Recoverable amounts	**183,044**	148,772
Headroom	**145,177**	102,228

Branded label segment	**2021 HK$'000**	2020 HK$'000
Recoverable amounts	**–**	51,754
Headroom	**–**	23,636

The directors performed sensitivity analysis based on the assumption that gross margin, growth rate or pre-tax discount rate has been changed. Had the estimated key assumption during the forecast period been changed as below, the headroom would decrease to the amounts as follows:

Private label segment (CGU A)	**2021 HK$'000**	2020 HK$'000
Gross margin decreased by 1%	**103,170**	71,329
Growth rate per annum decreased by 1%	**132,835**	96,336
Pre-tax discount rate per annum increased by 1%	**122,289**	88,161

Branded label segment (CGU B)	**2021 HK$'000**	2020 HK$'000
Gross margin decreased by 1%	**–**	17,411
Growth rate per annum decreased by 1%	**–**	21,717
Pre-tax discount rate per annum increased by 1%	**–**	19,623

The directors has not identified any key assumptions where a reasonably possible change in such assumptions could cause the carrying amount of goodwill to exceed the recoverable amount. No impairment of goodwill was recognised.

(ii) Impairment for golf club membership

The directors assessed the recoverable amount of the golf club membership using Fair Value Less Cost of Disposal Method in the impairment assessment at each reporting period end date. As at 31 December 2021, no impairment (2020: HK$400,000) was adjusted to the carrying amount of golf club membership to its recoverable amount.

17. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**5,045**	1,839
Work-in-progress	**10,140**	6,568
Finished goods	**625**	43,904
	15,810	52,311

For the year ended 31 December 2021, the costs of inventories sold recognised as an expense and included in cost of sales for continuing operation amounted to approximately HK$212,234,000 (2020 (re-presented): HK$182,434,000) (Note 7).

As at 31 December 2021, the Group has not made any provision (2020: HK$338,000) (Note 7) for slow moving inventories.

18. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**62,966**	57,633
Less: Credit loss allowance	**(2,949)**	(1,255)
Trade receivables, net	**60,017**	56,378
Prepayments for purchases from suppliers	**14,021**	13,570
Deposits paid	**564**	1,238
Discount received from suppliers	**1,245**	1,899
Other prepayments and receivables	**3,317**	9,147
Consideration receivable from disposal of subsidiaries (Note 31(c))	**28,975**	–
	108,139	82,232

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Majority of payment terms with customers are within 60 to 90 days and certain major customers were granted with longer credit terms on discretion. As at 31 December 2021 and 2020, the aging analysis of trade receivables and net of allowances based on invoice date are as follows:

	2021 HK$'000	2020 HK$'000
0–30 days	41,977	27,182
31–60 days	8,126	6,030
61–90 days	1,918	1,930
91–120 days	44	479
Over 120 days	7,952	20,757
	60,017	56,378

The movement in the credit loss allowance of trade receivables is as follows:

	2021 HK$'000	2020 HK$'000
Balance at 1 January	(1,255)	(895)
Disposal of subsidiaries	434	–
ECL allowance recognised during the year	(2,128)	(360)
Balance at 31 December	(2,949)	(1,255)

The carrying amounts of deposits and other receivables approximated their fair values due to their short maturity at the reporting date. For the years ended 31 December 2021 and 2020, there was no credit loss allowance on these receivables.

Details of credit loss allowance assessment on trade and other receivables are set out in Note 35.4.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
US$	63,687	56,568
RMB	13,266	14,146
HK$	30,309	1,997
DKK	877	9,521
	108,139	82,232

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Unlisted investment:		
— Key management insurance contract	7,002	7,002

As at 31 December 2021 and 2020, the Group's financial asset at fair value through profit or loss was pledged as collateral for the Group's bank borrowings, details of which are set out in Note 24. The beneficiary of the key management insurance contract is Grown-Up Manufactory Limited, a subsidiary of the Group.

Details of the fair value measurements of key management insurance contract are set out in Note 35.7.

20. CASH AND BANK BALANCES

	2021 HK$'000	2020 HK$'000
Cash at bank	9,373	28,394
Cash on hand	42	44
Cash at bank and on hand	9,415	28,438
Pledged deposits (Note 24)	48,771	48,779
	58,186	77,217

Cash and bank balances are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	36,047	35,559
RMB (Note)	2,825	3,747
US$	18,308	36,169
DKK	995	1,352
Others	11	390
	58,186	77,217

Note: RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

20. CASH AND BANK BALANCES (CONTINUED)

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2021 HK$'000	2020 HK$'000
Cash at bank and on hand	9,415	28,438
Bank overdrafts (Note 24)	(527)	(46,955)
Cash and cash equivalents/(cash deficits)	8,888	(18,517)

21. TRADE AND OTHER PAYABLES

21.1 Trade and other payables

	2021 HK$'000	2020 HK$'000
Trade payables	54,382	49,697
Accruals and other payables	10,311	14,903
	64,693	64,600

Note: Accruals and other payables mainly represented staff cost payable and subcontracting fee payable amounting to approximately HK$3,454,000 (2020: HK$3,698,000) and approximately HK$3,793,000 (2020: 4,112,000), respectively.

Majority of payment terms with suppliers are within 60 to 90 days. The carrying amounts of trade and other payables approximate their fair values. As at 31 December 2021 and 2020, the aging analysis of the trade payable of the Group by invoice date is as follows:

	2021 HK$'000	2020 HK$'000
0–30 days	24,519	16,649
31–60 days	13,193	12,444
61–90 days	8,469	8,298
Over 90 days	8,201	12,306
	54,382	49,697

21. TRADE AND OTHER PAYABLES (CONTINUED)

21.1 Trade and other payables (Continued)

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

	2021 HK$'000	2020 HK$'000
RMB	**31,024**	38,281
US$	**28,948**	20,766
DKK	**1,817**	2,990
HK$	**2,904**	2,563
	64,693	64,600

21.2 Contract liabilities

	2021 HK$'000	2020 HK$'000
Contract liabilities		
— Private label products	**187**	412
— Branded label products	**–**	3,255
	187	3,667

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance (generally 30% of transaction price) under the contracts with certain customers for sales of bags and luggage.

The decrease in contract liabilities is mainly due to decrease in the deposit received as a result of the disposal of branded label products operation on 31 December 2021.

The following table shows how much of the revenue recognised during the years ended 31 December 2021 and 2020 relates to carried-forward contract liabilities.

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in the contract liabilities balance at beginning of the year		
— Sales of goods	**3,667**	1,620

22. LICENSE FEES PAYABLES

	2021 HK$'000	2020 HK$'000
Within one year	–	5,691
In the second year	–	1,781
Between second to the fifth year	–	6,957
	–	14,429
Less: imputed interest on license fees payables	–	(513)
Present value	–	13,916
Less: Current portion	–	(5,494)
Non-current portion	–	8,422

The carrying amounts of license fees payables are denominated in US$.

As at 31 December 2020, license fees payables represented the contractual obligations of distribution rights at the time of recognition. It was recognised based on a discount rate of 2020: 1.79% per annum at the date of inception of such obligations.

23. BILL PAYABLE

	2021 HK$'000	2020 HK$'000
Bill payable (Note 24)	21,578	17,405

The maturity dates of bill payable are normally within 90 days.

The carrying amounts of the Group's bill payable are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	21,578	17,405

24. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank overdrafts (Note 20)	527	46,955
Bank borrowings	31,840	32,000
	32,367	78,955

The carrying amounts of the bank borrowings are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	32,367	36,216
DKK	–	42,739
	32,367	78,955

During the year ended 31 December 2021, the interest rates of the bank borrowings ranged from 1.8% to 5.8% per annum (2020: 1.2% to 5.8%). Bank borrowings (excluding bank overdrafts) of HK$31,840,000 (2020: HK$32,000,000) subject to a repayment on demand clause from the banks are classified as current liabilities in the consolidated statements of financial position. Maturity analysis of these borrowings with a repayment on demand clause based on agreed scheduled repayments is set out in Note 35.5. Bank overdrafts are repayable on demand.

24. BANK BORROWINGS (CONTINUED)

As at 31 December 2021 and 2020, banking facilities made available to the Group were as follows:

	2021 HK$'000	2020 HK$'000
Available facilities	97,840	166,531
Facilities utilised by the Group		
— Bank borrowings	31,840	32,000
— Bank overdrafts (Note 20)	527	46,955
— Bill payable (Note 23)	21,578	17,405
	53,945	96,360

The Group's banking facilities are subject to annual review for renewal.

As at 31 December 2021 and 2020, the above banking facilities were secured by:

(i) Land and buildings with carrying amounts of approximately HK$1,140,000 (2020: HK$1,200,000) (Note 13);

(ii) Pledged deposits of approximately HK$48,771,000 (2020: HK$48,779,000) (Note 20);

(iii) Inventories and trade receivables of approximately HK$30,600,000 as at 31 December 2020 and no such pledge as at 31 December 2021; and

(iv) Financial asset at fair value through profit or loss of HK$7,002,000 (2020: HK$7,002,000) (Note 19).

25. DEFERRED TAX

The analysis of deferred tax assets and liabilities is as follows:

	2021 HK$'000	2020 HK$'000
Deferred tax assets, net	1,821	6,394

The net movements on the deferred tax assets of the Group are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	6,394	3,719
Disposal of subsidiaries	(3,851)	–
(Charged)/credited to profit or loss (Note 10)	(722)	2,675
At 31 December	1,821	6,394

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

Deferred tax assets	**Lease liabilities** HK$'000	**Unrealised profit** HK$'000	**Tax loss** HK$'000	**Total** HK$'000
At 1 January 2020	1,488	1,217	2,795	5,500
(Charged)/credited to profit or loss	–	(360)	2,935	2,575
At 31 December 2020 and 1 January 2021	1,488	857	5,730	8,075
Disposal of subsidiaries	–	(857)	(2,862)	(3,719)
Charged to profit or loss	–	–	(522)	(522)
At 31 December 2021	1,488	–	2,346	3,834

25. DEFERRED TAX (CONTINUED)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2021, the Group did not recognise deferred tax assets of approximately HK$3,710,000 (2020: HK$4,035,000) in respect of tax losses of approximately HK$16,018,000 (2020: HK$17,883,000) that can be carried forward against future taxable income. The expiry dates of the tax losses are as follows:

	2021 HK$'000	2020 HK$'000
With no expiry	5,312	5,423
Expiry of 5 years	10,706	12,460
	16,018	17,883

Deferred tax liabilities	Right-of-use assets HK$'000	Accelerated tax Depreciation HK$'000	Total HK$'000
At 1 January 2020, as restated	(1,446)	(335)	(1,781)
Credited to profit or loss	–	100	100
At 31 December 2020 and 1 January 2021	(1,446)	(235)	(1,681)
Disposal of subsidiaries	–	(132)	(132)
Charged to profit or loss	–	(200)	(200)
At 31 December 2021	(1,446)	(567)	(2,013)

As 31 December 2021, deferred tax liabilities have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain PRC and Denmark subsidiaries amounting to approximately HK$7,119,000 (2020: HK$9,948,000). Such amounts are expected to be reinvested and are not intended to be distributed to the shareholders outside the PRC and Denmark.

26. SHARE CAPITAL

	Number of ordinary shares at HK$0.01 each	Share capital HK$'000
Authorised:		
At 31 December 2021 and 2020	10,000,000,000	100,000
Issued and fully paid:		
At 31 December 2021 and 2020	1,000,000,000	10,000

27. DIVIDENDS

The Board of the Company does not recommend the payment of a dividend for the years ended 31 December 2021 and 2020.

28. DISPOSAL OF SUBSIDIARIES

On 31 December 2021, the Group disposed of its entire interest in Grown-Up Licenses Limited which carried out all of the Group's branded label products operation to an investment holding company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Thomas Berg.

Consideration received

	2021 HK$'000
Consideration received in cash	1,525
Consideration receivable (Note 31(c))	28,975
Total consideration (Note 31(b))	30,500

28. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Analysis of assets and liabilities over which control was lost

	As at 31 December 2021 HK$'000
Property, plant and equipment (Note 13)	11
Right-of-use assets	374
Intangible assets (Note 16)	26,423
Deferred tax assets	3,748
Inventories	26,897
Trade and other receivables	33,238
Tax recoverable	782
Cash and cash equivalents	12,759
Trade and other payables	(11,264)
Contract liabilities	(5,986)
License fees payables	(16,346)
Lease liabilities	(380)
Bank overdrafts	(38,846)
Net assets value	31,410
Less: Unrealised profit	(532)
Net assets disposed of	30,878

28. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Analysis of assets and liabilities over which control was lost (Continued)

	As at 31 December 2021 HK$'000
Consideration received and receivable	30,500
Net assets disposed of	(30,878)
Less: Transaction costs attributable to the disposal	(1,313)
Loss on disposal	(1,691)

The loss on disposal is included in the loss for the year from discontinued operation in the consolidated statement of profit or loss and other comprehensive income as set out in Note 11.

Net cash inflow on disposal of subsidiaries

	2021 HK$'000
Consideration received in cash	1,525
Net cash and cash equivalent disposed of	26,087
	27,612

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

29.1 Cash generated from operations

	2021 HK$'000	2020 HK$'000
Profit/(loss) before income tax		
From continuing operation	5,241	2,090
From discontinued operation (Note 11)	(7,897)	(17,433)
Adjustments for:		
Finance income (Notes 9 & 11)	(194)	(433)
Finance costs (Notes 9 & 11)	3,412	5,425
Depreciation of property, plant and equipment (Note 13)	2,880	2,839
Depreciation of right-of-use assets (Note 14)	4,231	7,316
Amortisation of intangible assets (Note 16)	12,335	8,149
Impairment loss on intangible assets (Note 16)	–	400
Credit loss allowance of trade receivables (Note 18)	2,128	360
Bad debts written-off (Note 7)	–	2,150
Inventory provision (Note 7 & 17)	613	338
Gain on lease modification (Note 6)	(56)	–
Gain on disposal of property, plant and equipment (Note 6)	(193)	(81)
	22,500	11,120
Changes in working capital:		
Inventories	9,628	(9,878)
Trade and other receivables	(36,607)	34,215
Trade and other payables	16,308	12,004
Contract liabilities	2,506	1,705
Bill payable	4,173	(17,769)
License fees payables	(8,509)	(12,575)
Cash generated from operations	9,999	18,822

In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprises:

	2021 HK$'000	2020 HK$'000
Net book amount (Note 13)	2	24
Gain on disposal of property, plant and equipment (Note 6)	193	81
Proceeds from disposal of property, plant and equipment	195	105

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

29.2 Reconciliation of liabilities from financing activities

	Lease liabilities HK$'000	Interest payable (bank borrowings & bank overdrafts) HK$'000	Bank borrowings and factoring loans HK$'000	Total HK$'000
As at 1 January 2020	12,126	–	33,365	45,491
Non-cash:				
Interest expenses	431	4,506	–	4,937
Acquisition of lease (Note 14)	1,975	–	–	1,975
Cash flows:				
— Capital element of lease rentals paid	(7,125)	–	–	(7,125)
— Interest element of lease rentals paid	(431)	–	–	(431)
— Repayment	–	(4,506)	(33,365)	(37,871)
— Proceeds	–	–	32,000	32,000
As at 31 December 2020 and 1 January 2021	**6,976**	**–**	**32,000**	**38,976**
Non-cash:				
Interest expenses	**250**	**2,963**	**–**	**3,213**
Acquisition of lease (Note 14)	**1,764**	**–**	**–**	**1,764**
Lease modification	**1,162**	**–**	**–**	**1,162**
Disposal of subsidiaries (Note 28)	**(380)**	**–**	**–**	**(380)**
Cash flows:				
— Capital element of lease rentals paid	**(4,937)**	**–**	**–**	**(4,937)**
— Interest element of lease rentals paid	**(250)**	**–**	**–**	**(250)**
— Repayment	**–**	**(2,963)**	**(32,000)**	**(34,963)**
— Proceeds	**–**	**–**	**31,840**	**31,840**
As at 31 December 2021	**4,585**	**–**	**31,840**	**36,425**

30. COMMITMENTS

30.1 Lease commitments as lessee

At the reporting date, the lease commitments for short-term lease and low-value leases are set out below.

	2021 HK$'000	2020 HK$'000
Within one year	56	114
Later than one year but not later than five years	–	9
	56	123

30.2 Lease commitments as lessor

The Group had future aggregate minimum lease receivable under a non-cancellable operating lease arrangement as follows:

	2021 HK$'000	2020 HK$'000
Within one year	65	65

The Group leases its investment property (Note 15) under operating lease arrangements which run for an initial period of one year (2020: one year), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenant. The terms of the lease generally also require the tenant to pay security deposits.

31. RELATED PARTY TRANSACTIONS

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the year ended 31 December 2021:

Name of the related party	Relationship with the Group
Grown-Up Licenses Limited	Controlled by Mr. Thomas Berg, one of the controlling shareholders of the Group
Grown-Up Luggage and Bags (Shenzhen) Co. Ltd	Controlled by Mr. Thomas Berg, one of the controlling shareholders of the Group
GP Brand & Licensing Holdings Limited	Controlled by Mr. Thomas Berg, one of the controlling shareholders of the Group

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transaction with a related party:

	Year ended 31 December 2021 HK$'000	2020 HK$'000
Consideration on disposal of subsidiaries to a related party:		
GP Brand & Licensing Holdings Limited	30,500	–

The related party transaction in respect of above constitutes connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the directors' report.

(c) Balances with related parties:

	Year ended 31 December 2021 HK$'000	2020 HK$'000
Trade receivables from related parties:		
Grown-Up Licenses Limited	2,835	–
Grown-Up Luggage and Bags (Shenzhen) Co. Ltd	3,236	–
Consideration receivable from disposal of subsidiaries:		
GP Brand & Licensing Holdings Limited	28,975	–

The amounts due are unsecured, interest-free and repayable on terms and conditions.

(d) Key management compensation

Management is of the view that key management is merely composed of the Board of Directors and their compensation is disclosed in Note 32.

32. BENEFITS AND INTEREST OF DIRECTORS

32.1 Directors' emoluments

Name	Fees HK$'000	Salary HK$'000	Housing and other allowance (Note i) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
For the year ended 31 December 2020					
Executive Directors					
Thomas Berg	–	2,160	1,194	18	3,372
Cheng Wai Man	–	984	–	18	1,002
Morten Rosholm Henriksen	–	1,070	–	64	1,134
Brian Worm	–	673	–	40	713
Yuan Ye	–	–	–	–	–
Non-Executive Directors					
Fung Bing Ngon, Johnny	–	480	–	18	498
Xiong Jianrui	80	–	–	–	80
Independent Non-Executive Directors					
Tang Tin Lok, Stephen	130	–	–	–	130
Lau Ning Wa, Ricky	120	–	–	–	120
Jiang Yuan Kun	51	–	–	–	51
Zhou Jing	70	–	–	–	70
	451	5,367	1,194	158	7,170

32. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

32.1 Directors' emoluments (Continued)

Name	Fees HK$'000	Salary HK$'000	Housing and other allowance (Note i) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
For the year ended 31 December 2021					
Executive Directors					
Thomas Berg	–	2,160	1,863	18	4,041
Cheng Wai Man	–	984	–	18	1,002
Morten Rosholm Henriksen	–	1,203	–	74	1,277
Brian Worm (resigned on 12 January 2022)	–	1,120	–	68	1,188
Non-Executive Director					
Fung Bing Ngon, Johnny	–	480	–	18	498
Independent Non-Executive Directors					
Tang Tin Lok, Stephen	240	–	–	–	240
Lau Ning Wa, Ricky	120	–	–	–	120
Wong Kai Hing (newly appointed on 21 April 2021) (Note iii)	82	–	–	–	82
Jiang Yuan Kun (resigned on 21 April 2021) (Note ii and iii)	(51)	–	–	–	(51)
	391	5,947	1,863	196	8,397

Note:

(i) The lease contract in relation to the lease payments of approximately HK$1,192,000 (2020: HK$1,194,000) for the year ended 31 December 2021 presented in the housing and other allowance of the directors' emoluments above was included in right-of-use assets, the resulted charges to the profit or loss for the year ended 31 December 2021 was included in the depreciation of right-of-use assets of HK$1,148,000 (2020: HK$1,106,000) and notional interest on lease liabilities of HK$48,000 (2020: HK$103,000).

(ii) Except for Mr. Jiang Yuan Kun and Mr. Yuan Ye agreed to waive all remuneration during his term of office during the years ended 31 December 2021 and 2020, there were no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: nil).

(iii) There was no emolument paid by the Group to directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2021 and 2020.

32. BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

32.2 Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31 December 2021 and 2020.

32.3 Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31 December 2021 and 2020.

32.4 Consideration provided to third parties for making available directors' services

During the years ended 31 December 2021 and 2020, the Group did not pay consideration to any third parties for making available directors' services.

32.5 Information about loans, quasi-loans and other dealings in favour of directors, controlled body corporates by and controlled entities with such directors

There was no loans, quasi-loans and other dealing arrangements in favour of directors, controlled body corporates by and controlled entities with such directors as at 31 December 2020 and 2021.

33. CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, the Group has no contingent liabilities.

34. NON-CASH TRANSACTIONS

The Group entered into the following non-cash operating activities which are not reflected in the consolidated statement of cash flows:

- During the year ended 31 December 2021, the Group received purchase discount from variance suppliers amounting to HK$6,224,000 (2020: HK$6,924,000), amount of HK$4,979,000 (2020: HK$5,025,000) was set off setting to trade payables in relation to the purchase made during the year.

- During the year ended 31 December 2021, intangible assets of brand license and distribution rights amounting to HK$10,739,000 (2020: HK$6,542,000) was acquired and not yet settled as at 31 December 2021.

- During the year ended 31 December 2021, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities among to HK$1,764,000 (2020: HK$1,975,000) was recognised at the lease commencement date.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program 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 management under the direction of the directors. Management reviews and approves principles for overall risk management, as well as policies and procedures covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. These policies and procedures enable management to make strategic and informed decision with regard to the operations of the Group.

35.1 Categories of financial assets and financial liabilities

The Group's financial instruments include the following:

	2021 HK$'000	2020 HK$'000
Financial asset at fair value through profit or loss (Note 19)	**7,002**	7,002
Financial assets at amortised cost		
Trade and other receivables	**92,554**	62,109
Pledged deposits (Note 20)	**48,771**	48,779
Cash at bank and on hand (Note 20)	**9,415**	28,438
	150,740	139,326
Financial liabilities at amortised cost		
Trade and other payables	**63,972**	63,396
License fees payables (Note 22)	**–**	13,916
Lease liabilities (Note 14)	**4,585**	6,976
Bill payable (Note 23)	**21,578**	17,405
Bank borrowings (Note 24)	**32,367**	78,955
	122,502	180,648

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

35.2 Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("US$"), RMB, Danish Kronors ("DKK") and Euro ("EUR"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency.

The Group's financial assets including financial asset at fair value through profit or loss, trade and other receivables and cash and cash equivalents are substantially denominated in HK$, US$, RMB and DKK. The Group's financial liabilities including trade and other payables, license fee payables, lease liabilities, bill payable and bank borrowings were substantially denominated in HK$, US$, RMB and DKK.

Foreign currency denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	US$ HK$'000	RMB HK$'000	DKK HK$'000
At 31 December 2021			
Financial asset at fair value through profit or loss	**7,002**	**–**	**–**
Trade and other receivables	**51,476**	**11,445**	**235**
Cash and cash equivalents	**18,308**	**2,825**	**995**
Trade and other payables	**(28,948)**	**(30,303)**	**(1,817)**
Lease liabilities	**–**	**(985)**	**(1,330)**
	47,838	**(17,018)**	**(1,917)**
At 31 December 2020			
Financial asset at fair value through profit or loss	7,002	–	–
Trade and other receivables	39,463	12,186	8,116
Cash and cash equivalents	36,169	3,747	1,352
Trade and other payables	(20,766)	(38,281)	(1,785)
License fees payables	(13,915)	–	–
Lease liabilities	–	(2,095)	(1,684)
Bank borrowings	–	–	(42,739)
	47,953	(24,443)	(36,740)

Since HK$ are pegged to the US$, management considers the foreign exchange risk of US$ financial assets and liabilities to the Group is not significant.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

35.2 Foreign currency risk (Continued)

The following table illustrates the sensitivity of the Group's profit after income tax for the year and equity in regards to an appreciation in the group entities' functional currencies against RMB and DKK. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Decrease in profit or loss HK$'000
2021		
RMB	**5%**	**(851)**
DKK	**5%**	**(96)**
2020		
RMB	3%	(733)
DKK	3%	(1,102)

35.3 Interest rate risk

As at 31 December 2021, if interest rates on bank borrowings and bank overdrafts subject to variable rates had been 100 basis points higher or lower with all other variables held constant, the impact on the Group's pre-tax loss for the year would have been approximately HK$324,000 (2020: HK$790,000) higher or lower.

The Group's interest-rate risk arises from bank borrowings and bank overdrafts with variable rates. Bank borrowings are denominated in DKK, HK$ and US$ and are subject to floating interest rates at the bank's best lending rate plus 0.8% to 3.5% (2020: 0.8% to 3.5%). The Group is exposed to fair value interest rate risk on its lease liabilities and the exposure is considered immaterial.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

35.4 Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, pledged deposits and cash at bank. The carrying amounts of trade and other receivables, pledged deposits and cash at bank represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Trade receivables

As at 31 December 2021, the Group had a concentration of credit risk given that the top 5 customers account for 59% (2020: 54%) of the Group's total year end trade receivables balance.

The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate expected credit loss allowance are made.

The Group applied the simplified approach in HKFRS 9 to measure the credit loss allowance at lifetime expected credit loss. Except for trade receivables with significant outstanding which are assessed individually, the Group determines the expected credit loss on the remaining balances by using a provision matrix grouped by common risk characteristic. As part of the Group's credit risk management, the Group uses debtors' aging to assess the credit loss allowance for its customers in relation to its operation because these customers consist of a number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. In this regard, the directors consider that the Group's credit risk is significantly reduced.

Trade receivables with significant outstanding balances from certain customers with aggregate gross carrying amount of approximately HK$6,536,000 (2020: HK$22,556,000) as at 31 December 2021 are assessed individually. The exposure to credit risk for these balances are assessed with a credit loss allowance of approximately HK$2,914,000 (2020: HK$1,191,000) was provided by the Group as at 31 December 2021. The remaining trade receivables with gross carrying amount of approximately HK$56,430,000 (2020: HK$35,077,000) are assessed based on debtors' aging as well as forward-looking estimates at the end of each reporting date.

To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected loss rates are based on the payment profiles of sales over a period of the previous 48 months from each report date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of wholesalers/customers to settle the receivables. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall changes in the economic environment arising from COVID-19.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

35.4 Credit risk (Continued)

(i) Trade receivables (Continued)

As at 31 December 2021 and 2020, the credit loss allowance for trade receivables was assessed based on provision matrix as follows:

	As at 31 December	
	2021	2020
Expected loss rate	**0.06%**	0.18%
Gross carrying amount (in HK$'000)	**56,430**	35,077
Credit loss allowance (in HK$'000)	**35**	64

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, when the debtor has been placed under liquidation, has enter into bankruptcy proceedings or when the Group ceased to trade with the debtors and the amount is over 2 years past due.

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, cash at banks and on hand and pledged deposits. For deposits and other receivables, management makes periodic collective assessments as well as individual assessment on their recoverability 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 balance of deposits and other receivables.

Cash is deposited in financial institutions with high credit quality and the Group does not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

35.5 Liquidity risk

The Group measures and monitors its liquidity through the maintenance of prudent ratios on the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. At 31 December 2021, the Group had unutilised banking facilities amounting to approximately HK$43,895,000 (2020: HK$70,171,000).

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

	On demand HK$'000	Less than 1 year HK$'000	More than 1 year but within 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2021					
Trade and other payables	–	63,972	–	63,972	63,972
Lease liabilities	–	3,478	1,243	4,721	4,585
Bill payable	–	21,578	–	21,578	21,578
Bank borrowings	527*	32,120	–	32,647	32,367
	527	121,148	1,243	122,918	122,502

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

35.5 Liquidity risk (Continued)

	On demand HK$'000	Less than 1 year HK$'000	More than 1 year but within 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2020					
Trade and other payables	–	63,396	–	63,396	63,396
License fees payables	–	5,691	8,738	14,429	13,916
Lease liabilities	–	4,548	2,715	7,263	6,976
Bill payable	–	17,405	–	17,405	17,405
Bank borrowings	46,955*	32,354	–	79,309	78,955
	46,955	123,394	11,453	181,802	180,648

* Represented bank overdrafts

35.6 Capital risk management

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

35.6 Capital risk management (Continued)

Management monitors the Company's capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less pledged deposits and cash and cash equivalents. Total capital is calculated as "Total equity", as shown in the consolidated statement of financial position, plus net debt. The gearing ratios at 31 December 2021 and 2020 are as follows:

	2021 HK$'000	2020 HK$'000
Bank borrowings	31,840	32,000
Lease liabilities	4,585	6,976
Less: Pledged deposits	(48,771)	(48,779)
Less: (Cash and cash equivalents)/Cash deficit	(8,888)	18,517
Net debt	(21,234)	8,714
Total equity	104,729	107,904
Total capital	83,495	116,618
Gearing ratio	N/A	7%

35.7 Fair value measurements of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale 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 of an instrument are observable, the instrument is included in level 2.

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

35.7 Fair value measurements of financial instruments (Continued)

As at 31 December 2021 and 2020, the Group's financial asset at fair value through profit or loss is an unlisted investment in a key management insurance contract and is included in level 2.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2021 and 2020.

Fair value measurements (level 2)

The following table presents the changes in financial asset at FVTPL for years ended 31 December 2020 and 2021:

	Financial asset at fair value through profit or loss	
	2021	2020
	HK$'000	HK$'000
At 31 December 2021 and 2020	**7,002**	7,002

Valuation inputs and relationships to fair value

The financial assets at FVTPL are insurance contract denominated in US$. Fair values have been determined by reference to their quoted prices as stated in the bank statements at each of the reporting date and have been translated using the spot foreign currency rates at the end of the reporting periods where appropriate. During the years ended 31 December 2021 and 2020, there is no fair value change on the insurance contract.

Management estimated the impact of a reasonable change in the observable inputs to be insignificant.

36. SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2021 and 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 subsidiary	Place/Country of establishment/ operation	Principal activity	Issued and paid-up capital	Attributable equity interest of the Company			
				31 December 2021		31 December 2020	
				Directly	Indirectly	Directly	Indirectly
Grown-Up Group Holdings Limited ("GHL BVI")	The British Virgin Islands	Investment holding	US$100	100%	–	100%	–
Grown-Up Group Holdings Limited ("GHL HK")	Hong Kong	Investment holding	HK$5,000,000	–	100%	–	100%
Grown-Up Manufactory Limited	Hong Kong	Manufacturing and trading of bags and luggage	HK$5,000,000	–	100%	–	100%
Grown-Up Licenses Limited ("GPL HK") (2)	Hong Kong	License and brand business	HK$100	–	–	–	100%
GP Manufactory China Limited 港植華商貿(深圳)有限公司(1)	The PRC	Trading and provision of product development and supply chain services for bags and luggage	HK$2,000,000	–	100%	–	100%
GP2 Xinfeng Plant Limited 江西集友日用品有限公司(1)	The PRC	Manufacturing of bags and luggage	US$3,000,000	–	100%	–	100%
Grown-Up Luggage and Bags (Shenzhen) Co. Ltd. 植華箱包(深圳)有限公司(1) (2)	The PRC	License and brand business	RMB1,000,000	–	–	–	100%
Grown-Up Licenses ApS ("GPL ApS") (2)	Denmark	License and brand business	DKK3,257,812	–	–	–	100%
Grown-Up ApS	Denmark	Trading of bags and luggage	DKK2,625,000	–	100%	–	100%
Berg Brand Management ApS ("BBM ApS") (2)	Denmark	License and brand business	DKK625,000	–	–	–	100%
Berg Brand Management GmbH ("BBM GmbH") (2)	Germany	License and brand business	EUR25,000	–	–	–	100%

Notes:

(1) Registered as a Wholly-Foreign Owned Enterprise under the PRC Law.

(2) On 31 December 2021 the disposal of these subsidiaries were completed. For details, please refer to Note 28.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2021 HK$'000	2020 HK$'000
Non-current asset			
Investment in a subsidiary		**72,235**	72,235
Current assets			
Prepayments		**329**	435
Amount due from subsidiaries		**81,165**	89,764
Cash at bank		**5**	3
		81,499	90,202
Total assets		**153,734**	162,437
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**10,000**	10,000
Other reserves	37.1	**134,165**	134,165
Accumulated losses	37.1	**(29,643)**	(26,261)
Total equity		**114,522**	117,904
Current liabilities			
Accruals and other payables		**509**	100
Amounts due to subsidiaries		**38,703**	44,433
		39,212	44,533
Total equity and liabilities		**153,734**	162,437

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

37.1 Reserve movement of the Company

	Share capital HK$'000	Share premium HK$'000	Capital Reserve (Note) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	10,000	61,931	72,234	(23,843)	120,322
Loss and total comprehensive loss for the year	–	–	–	(2,418)	(2,418)
At 31 December 2020 and 1 January 2021	10,000	61,931	72,234	(26,261)	117,904
Loss and total comprehensive loss for the year	–	–	–	(3,382)	(3,382)
At 31 December 2021	**10,000**	**61,931**	**72,234**	**(29,643)**	**114,522**

Note: The capital reserve of the Company represents the aggregated net asset values of the subsidiaries acquired by the Company pursuant to the reorganisation.

38. SUBSEQUENT EVENTS

Regarding the disposal of subsidiaries, a supplemental sale and purchase agreement was further entered on 1 March 2021 to revise the payment schedule of the remaining consideration amounting to HK$28,975,000, which shall be payable on or before 31 May 2022. Except that, there are no significant subsequent events to be disclosed in the consolidated financial statements.

39. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with the disclosure requirement in respect of the discontinued operation set out in Note 11 to the consolidated financial statements. In addition, the comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated as if the operation discontinued during the current year had been discontinued at the beginning of the prior period.

FIVE YEARS FINANCIAL SUMMARY

A summary of the consolidated results and of the assets, liabilities and equity of the Group for the last five financial years is as follow:

RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operation					
Revenue	**304,716**	276,644	183,192	560,774	513,410
(Loss)/profit before income tax	**5,241**	2,090	(30,585)	19,974	20,423
Income tax credit/(expense)	**15**	(2,020)	2,138	(6,746)	(4,675)
(Loss)/profit for the year from continuing operation	**5,256**	70	(28,447)	13,228	15,748
Discontinued operation					
(Loss)/profit for the year from discontinued operation	**(8,264)**	(14,547)	(1,053)	13,891	12,581
(Loss)/profit for the year	**(3,008)**	(14,477)	(29,500)	27,119	28,329
(Loss)/profit for the year and attributable to the owners of the Company					
— Continuing operation	**5,256**	70	(28,447)	13,228	15,748
— Discontinued operation	**(8,264)**	(14,547)	(1,053)	13,891	12,581

ASSETS, LIABILITIES AND EQUITY

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**228,883**	295,020	340,142	427,977	393,911
TOTAL LIABILITIES	**(124,154)**	(187,116)	(218,230)	(347,912)	(319,497)
NET ASSETS	**104,729**	107,904	121,912	80,065	74,414