ANNUAL REPORT

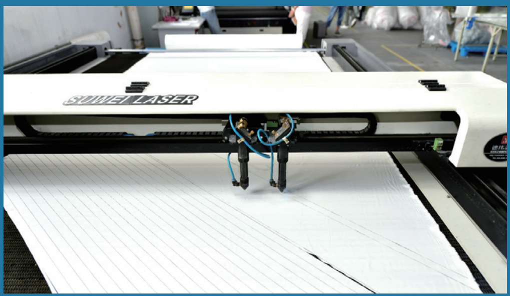
2021

Fiber to Yarn to Fabric to Fashion

JUSTIN ALLEN HOLDINGS LIMITED
捷隆控股有限公司

Incorporated in the Cayman Islands with limited liability

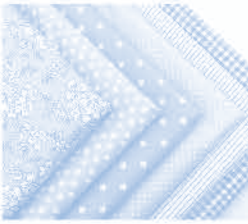
Stock Code : 1425



CONTENTS





Corporate Information

EXECUTIVE DIRECTORS

Mr. Tam Kwok Pui *(Chairman and Chief Executive Officer)*
Ms. Yeung Suk Foon Paulina
Mr. So Lie Mo Raymond

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lui Ho Ming Paul
Mr. Mak King Sau
Mr. Woo Chun Fai

COMPANY SECRETARY

Mr. Foo Tin Chung, Victor

AUTHORISED REPRESENTATIVES

Mr. Tam Kwok Pui
Mr. Foo Tin Chung, Victor

AUDIT COMMITTEE

Mr. Mak King Sau *(Chairman)*
Mr. Lui Ho Ming Paul
Mr. Woo Chun Fai

REMUNERATION COMMITTEE

Mr. Lui Ho Ming Paul *(Chairman)*
Mr. Tam Kwok Pui
Mr. Mak King Sau

NOMINATION COMMITTEE

Mr. Tam Kwok Pui *(Chairman)*
Mr. Mak King Sau
Mr. Woo Chun Fai

WEBSITE

www.justinallengroup.com

STOCK CODE

1425

DATE OF LISTING

28 November 2019

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman KY1-9009
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

HSBC
1 Queen's Road Central
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman KY1-9009
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Excel Centre
483A Castle Peak Road
Cheung Sha Wan
Hong Kong

BUSINESS REVIEW

The Group primarily engages in the business of OEM garment manufacturing, specializing in the production of sleepwear and loungewear products. We have a vertically integrated business operation, which is comprised of (1) raw materials sourcing and greige fabric production, (2) raw materials and fabric development, (3) garment design, (4) customer consultation on product design and fabric use, (5) conducting key garment production processes with our production facilities, and (6) carrying out quality control at various key production stages and on finished garment products. As such, in addition to the individual services listed above, the Group offers our customers a one-stop solution, from apparel inception to finalized production and shipment. The Group owns production facilities in each of Henan Province, the People's Republic of China ("PRC") and Phnom Penh, Cambodia. In Vietnam, the Group at this stage operates production via sub-contractors with long-term relationship.

In 2021, the spread of the novel coronavirus pandemic ("COVID-19") and its variant virus such as Omicron continued to spread around the world and new cases still reporting in various countries. However, with the rolling out of the vaccine, the epidemic has been gradually under control and the global macro-economy is recovering. Benefiting from the proactive implementation of business strategy, the Group is able to cope with these challenges and capture post-pandemic opportunities in the market. Our diversified production bases allow us to dodge from lock-downs of different countries and maintain continuous production, and further provide options for customers to shift orders to us. For the financial year 2021, the sales volume of sleepwear and loungewear products of the Group was approximately 28.3 million pieces, which recorded an increment of approximately 32.7% as compared to the sales volume in 2020.

For the year ended 31 December 2021, the Board proposed a final dividend of HK$0.059 per share, representing a dividend ratio of approximately 46.6% out of the profit attributable to the owners of the Company. Given the Group continued to record good results in a challenging environment, the Board decided to declare dividend at a relatively high dividend ratio to shareholders of the Company for sharing fruitful returns to them and as an appreciation for their support.

Annual Performance

Revenue

For the year ended 31 December 2021, the revenue of the Group recorded approximately HK$1,181.6 million, representing an increment of approximately 37.8% as compared with the same period of last year. During 2021, the sales volume of sleepwear and loungewear products of the Group was approximately 28.3 million pieces, which recorded an increment of approximately 32.7% as compared to the sales volume for the year 2020. Also, our other business such as selling of greige fabric and provision of processing services recorded a slight increase in contribution in 2021. On the other hand, due to the change of product mix, the average selling price of our sleepwear and loungewear products slightly increased by approximately 2.9% as compared with those in 2020.

Gross profit

The gross profit of the Group in 2021 was approximately HK$310.5 million with gross profit margin of approximately 26.3%, while it was approximately HK$242.1 million in 2020 with margin of approximately 28.2%. As the global shipping arrangements were still under pressure and also the stricter requirements from customers, the cost of raw materials increased throughout the year 2021. Moreover, the increment of sales resulted the increase of engagement of sub-contractors, which in turn incurred a higher cost of production. All these factors resulted in the increment in overall cost of sales and thus the average gross profit margin decrease during this year.

Other income

For the year ended 31 December 2021, the Group recorded other income of approximately HK$11.9 million, while it was approximately HK$5.0 million during the year ended 31 December 2020. The increment was mainly due to the interest income of approximately HK$9.2 million and dividend income of approximately HK$0.9 million contributed from the financial assets invested by the Group for utilizing short-term available fund.

Selling and distribution expenses

For the year ended 31 December 2021, the selling and distribution expenses of the Group were approximately HK$54.4 million, representing an increase of approximately HK$5.3 million as compared with the same period of last year. The increase was in line with the growth of revenue, in which the selling expenses over turnover ratio for 2021 was approximately 4.6%, while it was approximately 5.7% in 2020.

Administrative expenses

The administrative expenses of the Group for the year ended 31 December 2021 were approximately HK$64.5 million, with an increment of approximately 20.0% from approximately HK$53.7 million recorded in 2020. During the current year under review, the Group is continuously expanding its operation scale in order to prepare for further growth in the future. Also, the Group is preparing to establish the production base in Vietnam and Honduras and thus incurred some pre-operating expenses.

Finance costs

The finance costs of the Group decreased by approximately 7.4% from approximately HK$5.3 million in 2020 to approximately HK$4.9 million for the year 2021. The decrease was mainly due to the change of bank loans portfolio during the year 2021, and there were only some 1 to 3 months short-term bank loans incurred during 2021 for supporting the temporary requirement of working capital.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company increased by approximately 49.9% from approximately HK$105.6 million for the year ended 31 December 2020 to approximately HK$158.3 million for the year ended 31 December 2021. The increment of net profit was mainly due to the abovementioned increment of revenue.

Receivables and Payables

As at 31 December 2021, the trade and other receivables of the Group amounted to approximately HK$164.5 million, representing an increase of approximately HK$87.0 million as compared to the balance in 2020. The main reason of such increment is mainly due to the increase of prepayment amounted to approximately HK$39.6 million, which were mainly paid to raw material suppliers and sub-contractors for the preparation of confirmed sales orders. Also, the prepayments to import-export corporations increased by approximately HK$11.5 million due to the substantial increment of export sales during the year 2021.

As at 31 December 2021, the trade and other payables of the Group amounted to approximately HK$184.8 million, representing an increase of approximately HK$54.3 million as compared to the balance in 2020. The main reason of such increment is mainly due to the increase of business scope during this period, resulting in an increase of approximately HK$45.2 million in the trade payables.

Outlook and Future Prospects

With the impact from COVID-19 pandemic and other social and political factors over manufacturing industries such as tight supply of materials and limitations in cross-border shipment, it is expected that the production cost will continuously maintain a comparatively higher level for a short period of time. On the other hand, in view of the global economy gradually recovering from the COVID-19 pandemic, the Group will continue to move forward in expanding the business both vertically and horizontally in order to cope with different challenges and get prepared to capture business opportunities.

In 2021, the Group has already been in discussion with related Vietnam government authorities about the construction of a production plant in Thua Thien Hue Province, Vietnam. An investment proposal was submitted to the government in February 2022 and is now under review procedures. The project will be divided into 2 phases, and the Group's production capacity will be doubled after completion. It is expected that the new production plant can reduce the outsourcing to sub-contractors, which may result in the reduction of cost and enhancement of quality.

Moreover, our management visited Honduras in 2021 to inspect the possibility of setting up production bases, with an aim to diversify the social, economical and political risks. Also, an American production site may provide us a base to further explore the American markets and reach different customers in the other side of the world. The preparation works of setting up a Honduras company are underway, and it is expected to commence the establishment of the production site for garment and fabric in a foreseeable future.

For horizontal integration, the Group has worked with our customers to further extend our product categories in children's wear besides our current sleepwear and loungewear products. The Group has enlarged the quality assurance and compliance team to meet the stricter safety standards and protocols of children's wear. Furthermore, we have onboarded a director of design and senior designer from Spain to lead and strengthen the ability of our current design department, and provide even more value-added services to our customers.

In view of the above planning, the Group aims to expand our existing and new markets by utilizing our solid foundation, market analysis, and technical research to place ourselves in a position to capture future opportunities to provide fruitful returns for the Group and all shareholders.

Financial Resources and Liquidity

As at 31 December 2021, the Group had current assets of approximately HK$593.1 million (31 December 2020: HK$375.8 million) and current liabilities of approximately HK$238.3 million (31 December 2020: HK$145.5 million). The current ratio was 2.49 as at 31 December 2021 as compared with 2.58 as at 31 December 2020.

The Group's cash and bank balances as at 31 December 2021 amounted to approximately HK$98.5 million (31 December 2020: HK$85.9 million), of which approximately 94.7% were denominated in United States dollars, Renminbi, Canadian dollars and Cambodian riel, and 5.3% in Hong Kong dollars.

As at 31 December 2021, the Group had outstanding bank loans amounted to approximately HK$35.5 million (31 December 2020: nil) which were granted by banks in Singapore and PRC, and were denominated in United States Dollars and Renminbi, with interest rates charged by banks ranged from 1.32% to 4.70% per annum in which all were charged at fixed interest rates. The Group pledged assets of the Group with a net book value of HK$144.7 million (31 December 2020: HK$173.9 million) for bank loans and unutilized banking facilities.

The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was approximately 6.8% as at 31 December 2021 as compared with zero as at 31 December 2020.

Since the Group's principal activities are in Hong Kong and PRC and the financial resources available, including cash on hand and bank borrowings, are mainly in Hong Kong Dollars, Renminbi and United States Dollars, the exposure to foreign exchange fluctuation is relatively limited. As at 31 December 2021, the Group entered into foreign currency options to lock the exchange risk between Renminbi and United States dollars. The Group will from time to time consider different financial instruments to control the foreign exchange risk at a manageable level.

The Group intends to principally finance its operations and investing activities with its operating revenue, internal resources and bank facilities. The Directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars or United States dollars or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks, and making investment in financial instruments with open market, good credit rating and low market risk to earn stable return. Other than stated above, the Group did not have other interest or currency swaps or other financial derivatives for hedging purposes.

As at 31 December 2021, the Group invested in 23 sets of market-tradable bond instruments with par value between USD0.2 million to USD2.0 million each through a bank via different transactions with the objective to apply unutilized short-term available fund to earn stable return from wide-ranged portfolios. Those bond instruments were issued by 16 different issuers (who are independent third parties) in Hong Kong Stock Exchange or Singapore Stock Exchange and were acquired by the Group on the secondary market, with par value (aggregated according to each issuer) ranged from USD0.2 million to USD2.0 million and coupon rate ranged from 2.437% to 7.950%. The principal business activities of these issuers mainly include bank, airline services, construction, property and real estate development in the PRC, etc.. As at 31 December 2021, the total amount of par value of these bonds was approximately USD12.4 million (equivalent to approximately HK$96.3 million) and the market value was approximately USD11.5 million (equivalent to approximately HK$89.9 million), and the aggregation of par value of bond instruments from each issuer represented less than 5% of the total assets of the Group. During the year ended 31 December 2021, the Group recognized realized trading loss of approximately HK$4.5 million and unrealized loss from mark-to-market fair value adjustments of approximately HK$8.2 million.

As at 31 December 2021, the Group also subscribed 4 different funds with par value between USD0.4 million to USD2.0 million each through a bank. These funds were issued by 3 different financial institutions (which are independent third parties) with par value ranged from USD0.4 million to USD3.9 million each. As at 31 December 2021, the total amount of par value of these funds was approximately USD4.70 million (equivalent to approximately HK$36.7 million) and the market value was approximately USD4.70 million (equivalent to approximately HK$36.7 million), and the aggregation of par value of funds from each issuer represented less than 5% of the total assets of the Group. During the year ended 31 December 2021, the Group recognized unrealized loss from mark-to-market fair value adjustments of approximately HK$0.03 million.

The management of the Group made risk assessments and set different criteria before making investment in each bond instrument and fund, including (but not limited to) understanding the business nature of each issuer and characteristics of each bond instrument and fund through related product introduction materials, limiting the investment only in products with credit rating equal to or higher than BB-, and all are tradeable in open market in order to maintain high liquidity. We may remain cautious with the volatility in global financial markets due to the geopolitical tensions as well as the fluid outlook of interest rates.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. To the best of knowledge and belief, the Directors consider that the following are the key risks and uncertainties identified by the Group as at the date of this report.

Market Risks

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates and interest rates. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign Exchange Rates Risk

The Group mainly operates in the PRC, Hong Kong and Cambodia with most of the transactions settled in USD and Renminbi and the foreign exchange rates risk arises from sales or purchases by using foreign currencies other than the functional currencies. During the year ended 31 December 2021, the Group entered into foreign currency options to lock the exchange rates risk between Renminbi and United States dollars. The Group will closely monitor the movement of the currency rates and from time to time consider different financial instruments to control the foreign exchange risk at a manageable level.

Interest Rate Risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank balances due to changes of interest rates. The Directors consider the Group's exposures of the bank balances are not significant as interest bearing bank balances are within short maturity period and thus they are not included in sensitivity analysis. The Group currently does not have any interest rate hedging policy. However, management closely monitors its exposure to future cash flow interest rate risk as a result of changes in market interest rates will consider hedging changes in market interest rates should the need arise.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing the Group's liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure its ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every business functions at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate response can be taken.

Economic Environment

Most of the Group's facilities, operations and its revenue are located in and derived from the PRC, Cambodia and Hong Kong. The Group's results of operations and financial condition therefore depend on the economies of the PRC and Hong Kong. The economy of Hong Kong is significantly affected by the developments in the Mainland China and the Asia-Pacific region. Mainland China's economy may experience negative economic developments, and other regional economies may also deteriorate.

Environmental Policies

The Group is committed to contributing to the sustainability of the environment and is committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize its environmental impact by reducing water consumption and encouraging recycle of office supplies and other materials.

Tam Kwok Pui
Chairman

Hong Kong, 29 April 2022

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL BUSINESS ACTIVITIES

The Company is an investment holding company. Details of the principal business activities of its principal subsidiaries are set out in note 28 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 is set out in the section "Management Discussion and Analysis" on page 3 of this annual report and forms part of the Report of the Directors.

Description of principal risks and uncertainties that may be faced by the Group can be found in the section "Management Discussion and Analysis — Principal Risks and Uncertainties" on pages 7 to 8 of this annual report.

An analysis of the Group's performance during the year using financial key performance indicators is set out in the section "Management Discussion and Analysis — Financial Resources and Liquidity" on pages 5 to 6 of this annual report. In addition, discussions on the Group's environmental policies and compliance with relevant laws and regulations which may have a significant impact on the Group are set out in the section "Management Discussion and Analysis — Environmental Policies" on page 8 and "Report of the Directors — Compliance with Relevant Laws and Regulations" separately on page 11 of this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for future growth of the Group.

The declaration and payment of dividends shall be determined at the sole discretion of the Board. The Board shall consider the following factors before recommending or declaring dividends:

i. The Company's actual and expected financial performance;

ii. Retained earnings and distributable reserves of the Company and each of the members of the Group;

iii. The Group's working capital, capital expenditure requirements and future expansion plans;

iv. The Group's liquidity position;

v. General economic conditions, business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

vi. Other factors that the Board deems relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of Cayman Islands and the memorandum and articles of association of the Company (the "Articles"). The Board will review the dividend policy from time to time and there can be no assurance that dividend will be paid in any particular amount for any given period.

PAYMENT OF DIVIDEND

The Company declared and paid dividend of approximately HK$45,000,000 to its shareholders during the year ended 31 December 2021. The Board resolved to declare the payment of a final dividend of HK$0.059 per share at approximately HK$73,750,000 (2020: HK$0.036 per share) for the year ended 31 December 2021 which is expected to be paid on or about 14 July 2022.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have material acquisitions and disposals for the year ended 31 December 2021.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

After deduction of all related listing expenses and commissions, the net proceeds from the global offering amounted to approximately HK$60.8 million. The details of amount utilized up to 31 December 2021 and expected timetable for the unutilized proceeds are as below:

	Allocation	**Amount utilized up to 31 December 2021**	**Amount unutilized as at 31 December 2021**	**Expected timeline for the unutilized net proceeds to be utilized (Note) For the year ended 31 December 2022**
	HK$ million	HK$ million	HK$ million	HK$ million
Further development of existing factory in Henan	45.1	10.4	34.7	34.7
New production factory in Vietnam	13.8	—	13.8	10.0
Working capital	1.9	—	1.9	1.9
Total	60.8	10.4	50.4	50.4

Note: The use of remaining net proceeds is later than the expected timeline previously disclosed mainly due to the COVID-19 pandemic limited the development plan in different locations. The expected timeline for utilizing the remaining net proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group had authorised but not provided for capital expenditure commitments of approximately HK$0.8 million in respect of acquisition of non-current assets as at 31 December 2021.

SIGNIFICANT INVESTMENT

Other than those stated above, the Group did not have other significant investment for the year ended 31 December 2021.

EVENTS AFTER THE REPORTING PERIOD

No subsequent events occurred after 31 December 2021 which may have a significant effect on the assets and liabilities or future operations of the Group.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Save as disclosed in the Prospectus, during the year ended 31 December 2021, as far as the Company is aware, there was no material breach of or non-compliance with the relevant laws and regulations by the Group that have a significant impact on the business and operations of the Group.

KEY RELATIONSHIPS

(i) Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group aims to continue to be an attractive employer for committed employees. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

(ii) Customers

The Group is committed to offer quality products to its customers and keep them updated of its latest business developments.

(iii) Suppliers

The Group has developed long-standing relationships with a number of suppliers and takes great care to ensure that they share its commitment to quality and ethics. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria including experience, reputation and quality control.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed about 1,712 staff and workers in Hong Kong, PRC and Cambodia (as at 31 December 2020: 1,847). The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include medical insurance, retirement scheme, appropriate training program and share option scheme.

CONTINGENT LIABILITIES

As at 31 December 2021, the Directors were not aware of any material contingent liabilities.

SHARE CAPITAL AND RESERVES

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

Details of the reserves of the Group and the Company for the year ended 31 December 2021 are set out in the consolidated statement of changes in equity and note 27 to the consolidated financial statements respectively. As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately HK$188,389,000 (2020: approximately HK$164,334,000).

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2021 are set out in note 28 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group during the year are set out in note 25 to the consolidated financial statements.

DIRECTORS

The Directors who held office during the year ended 31 December 2021 and as at the date of this annual report are:

Executive Directors

Mr. Tam Kwok Pui
Ms. Yeung Suk Foon Paulina
Mr. So Lie Mo Raymond

Independent Non-executive Directors

Mr. Law Tze Lun (resigned on 1 December 2021)
Mr. Lui Ho Ming Paul
Mr. Mak King Sau (appointed on 1 December 2021)
Mr. Woo Chun Fai

In accordance with clauses 108 and 112 of the Articles, Ms. Yeung Suk Foon Paulina, Mr. Lui Ho Ming Paul and Mr. Mak King Sau will retire at the forthcoming annual general meeting and, being eligible, would offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

There is no unexpired Directors' service contracts which is not determinable by the Company within one year without payment of compensation other than statutory compensation. Each of the independent non-executive Directors has been appointed pursuant to a letter of appointment for a term of three years, which is renewable automatically for successive terms of one year after the expiry of the term of appointment, unless terminated by not less than two months' notice in writing served by either party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the reporting period, none of the Company or its subsidiaries was a party to any arrangements to enable the Directors or chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021.

COMPETING INTEREST

None of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company ("Controlling Shareholders") had an interest in a business which competes or may compete with the business of the Group.

Each of the Controlling Shareholders has provided a written confirmation (each a "Confirmation", and together the "Confirmations") to the Company confirming that he/she/it fully complied with the Deed of Non-Competition (as defined in the Prospectus) during the year ended 31 December 2021 and that they did not conduct any competing business with the Group and were not offered any competing business opportunities with the Group during the year ended 31 December 2021. The independent non-executive Directors have reviewed the Confirmations from the Controlling Shareholders and are satisfied that the Deed of Non-Competition was fully complied with by the Controlling Shareholders during the year ended 31 December 2021, and no competing business was reported by the Controlling Shareholders throughout the year ended 31 December 2021.

RELATED PARTY TRANSACTIONS

For the year ended 31 December 2021, the related party transactions entered by the Group are all disclosed in note 34 in the consolidated financial statements. Save as mentioned in such section, there were no other discloseable non-exempted connected transactions or non-exempted continuing connected transactions under the Listing Rules. To the extent that the related party transactions as disclosed in note 34 to the financial statements constituted connected transaction or continuing connected transaction, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2021.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 17 October 2019. Summary of the principal terms of the Share Option Scheme was disclosed in the Prospectus.

The total number of securities available for issue under the Share Option Scheme as at the date of this annual report was 125,000,000 shares which represented approximately 10% of the issued share capital of the Company as at the date of this annual report. No option had been granted or agreed to be granted as at the date of this annual report.

During the reporting period, none of the Company or any of its subsidiaries was a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the Directors and the chief executive of the Company and their respective associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be no-tified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Long positions in the shares of the Company:

Name of Director	Capacity	Number of ordinary shares Held (Note 1)	Approximate percentage of the Company's issued share capital
Mr. Tam Kwok Pui ("Mr. Tam")	Interest in controlled corporation (Note 2)	838,076,505 (L)	67.1%
Ms. Yeung Suk Foon Paulina ("Mrs. Tam")	Family interest of spouse (Note 3)	838,076,505 (L)	67.1%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Strategic King Holdings Limited (the "Strategic King") is owned as to 90% by Mr. Tam and 10% by Mrs. Tam. Mr. Tam controls more than one-third of the voting rights of Strategic King and is deemed interested in the shares held by Strategic King by virtue of the SFO.

(3) Mrs. Tam is the spouse of Mr. Tam and is deemed interested in the Shares held by Strategic King by virtue of the SFO.

Apart from the foregoing, none of the Directors and chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in shares, underlying shares or debentures of the Company, any of its holding company, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO.

PERMITTED INDEMNITY PROVISION

The Articles of the Company provides that the Directors or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director or other officer of the Company in defending any proceedings, civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted.

The Company has arranged appropriate insurance cover or other relevant arrangement in respect of potential legal actions against its Directors and senior management members as well as directors of the subsidiaries of the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which are required 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 required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

Long and short positions in the shares of the Company:

Name of Shareholders	Nature of interests	Number of the shares interested (Note 1)	Approximate percentage or attributable percentage of shareholding (%)
Strategic King	Beneficial owner (Note 2)	838,076,505 (L)	67.1%

Notes:

1. The letter "L" denotes the person's long position in our Shares.

2. Strategic King is owned as to 90% by Mr. Tam and 10% by Mrs. Tam. Mr. Tam and his spouse, Mrs. Tam control more than one-third of the voting rights of Strategic King and are deemed interested in the shares held by Strategic King by virtue of the SFO.

Save as disclosed above, as at 31 December 2021, the Directors or chief executive of the Company were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2021.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2021 is as follows:

	Percentage of the Group's total revenue	Percentage of the Group's total purchases
The largest customer	84.7%	N/A
The five largest customers in aggregate	99.5%	N/A
The largest supplier	N/A	15.6%
The five largest suppliers in aggregate	N/A	47.2%

So far as the Board are aware, neither the Directors, their close associates nor any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any beneficial interest in these major customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF SHARES

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules since the date of listing of the Company till 31 December 2021 and as at the latest practicable date prior to the publication of this annual report.

TAX RELIEF AND EXEMPTION

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 21 to 27.

AUDITORS

On 18 February 2020, HLB Hodgson Impey Cheng Limited was appointed by the Board to fill the casual vacancy created by Deloitte Touche Tohmatsu.

Apart from the foregoing, there were no other changes in auditors of the Company in any of the preceding three years.

The consolidated financial statements for the year ended 31 December 2021 have been audited by HLB Hodgson Impey Cheng Limited which shall retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting. A resolution to re-appoint HLB Hodgson Impey Cheng Limited and to authorize the Board of Directors to fix its remuneration will be proposed at the forthcoming annual general meeting.

APPRECIATION

On behalf of the board of Directors (the "Board"), the Chairman of the board would like to express gratitude to our management and staff for their dedication and contribution to the Group, and our shareholders and business associates for their continued support throughout the year.

On behalf of the Board

Tam Kwok Pui
Chairman

Hong Kong, 29 April 2022

EXECUTIVE DIRECTORS

Mr. Tam Kwok Pui, aged 71, our founder, was appointed as a Director on 31 May 2013, re-designated as our executive Director and appointed as our Chairman and chief executive officer on 27 February 2019. Mr. Tam is primarily responsible for overseeing the operation and overall decision making of our Group. Mr. Tam graduated from The Chinese University of Hong Kong in October 1973 with a bachelor's degree in business administration. He has more than 30 years of experience in the garment industry. Mr. Tam is our controlling shareholder as well as the spouse of Ms. Yeung Suk Foon Paulina, an executive Director, and the brother of Mr Tam Kwok Hee ("Mr. Raymond Tam"), a senior management of the Company.

Ms. Yeung Suk Foon Paulina, aged 66, was appointed as an executive Director on 19 November 2013 and re-designated as our executive Director on 27 February 2019. Mrs. Tam is currently the president of our Group and is principally responsible for the sales and marketing operation of our Group. Mrs. Tam has more than 30 years of experience in the garment industry. Mrs. Tam is our controlling shareholder as well as the spouse of Mr. Tam Kwok Pui, an executive Director, and sister in-law of Mr. Raymond Tam a senior management of the Company.

Mr. So Lie Mo Raymond, aged 72, was appointed as our executive Director on 19 November 2013 and re-designated as our executive Director on 27 February 2019. Mr. So is principally responsible for overseeing the operation of our Group. Mr. So graduated from The Chinese University of Hong Kong in October 1972 with a bachelor's degree in business administration. Mr. So has more than 26 years of management experience in the information technology industry in Hong Kong, China and Taiwan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lui Ho Ming Paul, aged 56, was appointed as our independent non-executive Director on 26 July 2019. Mr. Lui graduated from Macquarie University in April 1993 with a master of economics and Hong Kong Metropolitan University (formerly The Open University of Hong Kong) in December 2007 by distance learning with a master's degree in electronic commerce. He has over 19 years' experience in corporate finance industry. He is currently an independent non-executive director of Century Energy International Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8132). Mr. Lui has been the responsible officer of Yue Xiu Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activities under the SFO since December 2021. He is licensed to advise on corporate finance advisory matters.

Mr. Mak King Sau, aged 48, was appointed as our independent non-executive Director on 1 December 2021. Mr. Mak is a member of the American Institute of Certified Public Accountants. He graduated from Boston University with a Bachelor of Science in Business Administration and was awarded a Master of Science in Financial Management from University of London. Mr. Mak served various senior management positions in investment institutions. He has more than 20 years of experience in corporate finance and private equity fund investment. He is currently an independent non-executive director of Travel Expert (Asia) Enterprises Limited (a company listed on the main board of the Stock Exchange, stock code: 1235). From 2010 to 2012, he worked for Sino-Life (Hong Kong) Limited (a wholly-owned subsidiary of Sino-Life Group Limited (a company listed on the GEM of the Stock Exchange, stock code: 8296)) as general manager. From 2007 to 2018, Mr. Mak was an independent non-executive director of Xinjiang Tianye Water Saving Irrigation System Company Limited (stock code: 840), a company listed on The Stock Exchange of Hong Kong Limited. Mr. Mak has been the vice president of Titan Financial Services Limited, which is licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since January 2020.

Mr. Woo Chun Fai, aged 47, was appointed as our independent non-executive Director on 26 July 2019. Mr. Woo graduated from Cambridge University in July 2000 with a master of arts and from the University of Hong Kong in June 1997 with a Postgraduate Certificate in Laws. He has over 20 years' experience in the legal industry. He is a qualified solicitor in Hong Kong. Mr. Woo is currently a consultant of K Y Woo & Co, a law firm in Hong Kong.

SENIOR MANAGEMENT

Mr. Foo Tin Chung, Victor, aged 53, joined the Company in April 2018. He is currently the vice president, chief financial officer and company secretary of the Company. Mr. Foo holds a bachelor degree in Accounting and Information System in the University of New South Wales in Australia and a master degree in Business Administration in Australia Graduate School of Management. He is a member of the Australia Society of Certified Practising Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Foo is also the company secretary of Grand Pharmaceutical Group Limited (stock code: 512).

Ms. Wu Qian, aged 39, joined our Group in July 2006 and is currently our chief operation officer. She is mainly responsible for merchandising, operations, shipping, production and factory evaluation functions of our Group. Ms. Wu graduated from Shanghai Institute of Technology majoring in international trade in January 2011.

Mr. Tam Kwok Hee Raymond, aged 73, joined our Group in July 1983 as the director of Justin Allen Limited until August 1990. He is currently a director of Jie Wei (Cambodia) Garment Factory Limited and the vice president — overseas operations of the Company, and is responsible for the management of our Cambodia Factory. Mr. Raymond Tam received a diploma in management studies from The Hong Kong Polytechnic (presently known as The Hong Kong Polytechnic University) in 1979. He has more than 45 years of experience in the garment industry. Mr. Raymond Tam is the brother of Mr. Tam Kwok Pui and brother-in-law of Ms. Yeung Suk Foon Paulina, who are executive Directors.

Ms. Li Yan Ting, aged 35, joined our Group in March 2010 as the finance manager until June 2017. Ms. Li rejoined our Group as the financial controller since April 2018. She is mainly responsible for management and supervision of our finance team of our head office in Shanghai. Ms. Li obtained a bachelor's degree in management in July 2007 and a master's degree in national economics from University of Shanghai for Science and Technology in March 2010. She has over eight years of working experience in the finance and accounting field.

CHANGES IN INFORMATION OF DIRECTORS

The changes of information of the Directors in 2021 which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

— Mr. Lui Ho Ming Paul is an independent non-executive director of Century Energy International Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8132) with effect from 4 August 2021. He is also the responsible officer of Yue Xiu Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activities under the SFO since December 2021.

Save as disclosed above, there is no other information of the Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2021, except for the following deviations:

Pursuant to Code Provision A.2.1 of the Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive and Mr. Tam Kwok Pui currently performs these two roles. The Directors believe that vesting the roles of both chairman and chief executive in the same position has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

This report also provides the status of the Company's compliance with the Corporate Governance Report as set out in Appendix 14 of the Listing Rules as follows:

DIRECTORS' SECURITIES TRANSACTIONS

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 for securities transactions by Directors. Having made specific enquiries of all Directors, the Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2021.

BOARD OF DIRECTORS

The Board is responsible for formulating and reviewing business strategies and directions, overseeing the management and monitoring the performance of the Group, while the management is delegated by the Board to execute these business strategies and directions and is responsible for the daily operations of the Group.

Currently, the Board comprises three executive Directors — Mr. Tam Kwok Pui, Ms. Yeung Suk Foon Paulina and Mr. So Lie Mo Raymond and three independent non-executive Directors — Mr. Lui Ho Ming Paul, Mr. Mak King Sau and Mr. Woo Chun Fai. Mr. Tam Kwok Pui is the Chairman and the Chief Executive Officer. Other than Ms. Yeung Suk Foon Paulina who is the spouse of Mr. Tam Kwok Pui, there is no other relationship among members of the Board.

The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to provide checks and balances that safeguard the interests of shareholders and the Group.

The Company has received annual confirmation of independence from all independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent and meet the independent guidelines set out in the Listing Rules.

All Directors are appointed for a term of three years and are subject to retirement by rotation and re-election at the general meetings in accordance with the Articles of the Company.

Board Diversity Policy

The Company has implemented a board diversity policy with the aim to set out the approach to achieve diversity in the Board. The Company sees increasing diversity at Board level as essential to supporting attainment of its strategic objectives and to achieve sustainable and balanced development. In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of board diversity. The Board should have a balance of skills and experience and a diversity of perspectives appropriate to the requirements of the Company's business.

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. Currently the Board comprises 5 male and 1 female.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Up to 31 December 2021, the Directors complied with the paragraph A.6.5 of the Code Provision on participation in continuous professional training as follows:

	Mode of participation	
	a	**b**
Mr. Tam Kwok Pui	√	√
Ms. Yeung Suk Foon Paulina	√	√
Mr. So Lie Mo Raymond	√	√
Mr. Lui Ho Ming Paul	√	√
Mr. Mak King Sau (appointed on 1 December 2021)	√	√
Mr. Woo Chun Fai	√	√
Mr. Law Tze Lun (resigned on 1 December 2021)	√	√

a: Directors received regular briefings and updates from the Company Secretary/the Company's management on the Group's business, operations and corporate governance matters.

b: Directors read technical bulletins, periodicals and other publications on subjects relevant to the Group and/or on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference for the purpose of monitoring the integrity of the financial statements and overseeing the financial reporting process and the internal control system of the Group. The audit committee is also responsible for the appointment of external auditors and assessment of their qualifications, independence and performance.

Currently, the audit committee consists of three independent non-executive Directors namely, Mr. Mak King Sau (as chairman), Mr. Lui Ho Ming Paul, and Mr. Woo Chun Fai. Mr. Mak King Sau has appropriate professional qualifications as required by 3.10(2) of the Listing Rules.

The audit committee held two meetings during the year ended 31 December 2021 and reviewed the accounting principles and practices adopted by the Group. The audit committee also met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending the financial statements to the Board for approval. There was no disagreement between management and the external auditors with regard to the annual financial statements.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference. Currently, the remuneration committee is chaired by Mr. Lui Ho Ming Paul with an executive Director Mr. Tam Kwok Pui and an independent non-executive Director Mr. Mak King Sau as members.

The remuneration committee is responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and reviewing specific remuneration package of all Directors and senior management including any compensation payable for loss or termination of their office and appointment. The remuneration should reflect the performance, complexity of duties and responsibility of the individual. The remuneration committee held a meeting during the year ended 31 December 2021 to review the remuneration policy for all Directors and senior management.

The remuneration of Directors and senior management comprises salary, pensions and discretionary bonus. Details of the Directors' emoluments for the year ended 31 December 2021 are set out in note 12 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company has established a nomination committee with written terms of reference. Currently, the nomination committee is chaired by Mr. Tam Kwok Pui with independent non-executive directors Mr. Woo Chun Fai and Mr. Mak King Sau as members.

The nomination committee is responsible for assisting the Board in the overall management of the nomination practices of the Company to ensure that effective policies, processes and practices are implemented in respect of the appointment and removal of Directors. The nomination committee considers the past performance, qualification, general market conditions and the Articles of the Company in seeking and recommending candidates for directorship.

The nomination committee held a meeting in 2021 to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and other related matters of the Company.

ATTENDANCE RECORD AT MEETINGS

The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2021 are set out as below:

Directors	Meetings Attended/Held Annual General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Tam Kwok Pui	1/1	3/3	N/A	1/1	1/1
Ms. Yeung Suk Foon Paulina	1/1	3/3	N/A	N/A	N/A
Mr. So Lie Mo Raymond	1/1	3/3	N/A	N/A	N/A
Mr. Law Tze Lun (resigned on 1 December 2021)	1/1	3/3	2/2	1/1	1/1
Mr. Lui Ho Ming Paul	1/1	3/3	2/2	1/1	N/A
Mr. Woo Chun Fai	1/1	3/3	2/2	N/A	1/1
Mr. Mak King Sau (appointed on 1 December 2021)	0/0	0/0	0/0	0/0	0/0

AUDITORS' REMUNERATION

During the year ended 31 December 2021, the auditors performed the work of statutory audit for the year of 2021. The audit fees for the year under review payable to the auditors of the Company, HLB Hodgson Impey Cheng Limited, amounted to HK$1,500,000.

FINANCIAL REPORTING

The Board has overall responsibility for preparing the accounts of the Group. In preparing the accounts, the generally accepted accounting policies in Hong Kong have been adopted and the Group has complied with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been applied consistently. The Directors are not aware of any other material uncertainties relating to events or conditions that may cast doubt upon the Group's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it has overall responsibility for the Group's risk management and internal control systems and for reviewing their effectiveness. The Group assigned different staffs to carry out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems and reports to the Board. The Board also ensures that the review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

During the year ended 31 December 2021, the Board has conducted its regular and annual review of the effectiveness of our risk management and internal control systems, in particular, the operational and financial reports, compliance control and risk management reports, budgets and business plans provided by the management. The audit committee of the Company also performs regular review of the Group's performance, risk management and internal control systems and discusses with the Board, in order to ensure effective measures are in place to protect material assets and identify business risks of the Group. Such review in the year ended 31 December 2021 did not reveal any major issues and the Board considers our risk management and internal control systems effective and adequate. The Group's review procedures involved in the risk management and internal control mainly included:

(1) A list of risks was created after the scope of risks was determined and risks were identified.

(2) The impacts brought by possible financial losses due to risks on operating efficiency, continuous development, and reputation were assessed with reference to possible occurrence of various potential risks and the attention drawn from the management of the Group, based on which the priority of the risks was determined.

(3) Our risk management measures with respect to material risks were identified, internal control over the design and implementation of risk management measures were assessed, and measures to improve the weaknesses were formulated.

(4) By assessing internal controls and management's implementation of rectification measures with respect to material risks, the Group regularly reviewed and summarized the risk management and internal control systems to realize the efficient operation and constant improvement of risk management.

(5) The risk management handbook was formulated to address risk management and internal control, pursuant to which, the terms of reference of the management, the Board, and the Audit Committee with respect to their risk management work were clearly determined, and risk management and internal control systems were monitored on an ongoing basis.

(6) The management submitted reports to the Audit Committee on regular reviews and assessment results with respect to risk management and internal control systems, material risk factors, and the relevant countermeasures.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

(1) The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

(2) Confidentiality agreements or confidentiality clauses are in place when the Group enters into significant negotiations.

(3) The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted the terms of reference on corporate governance functions. The terms of reference of the Board in respect of corporate governance function are summarised as follows:

– to develop and review the Company's policies and practices on corporate governance;

– to review and monitor the training and continuous professional development of Directors and senior management;

– to review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;

– to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

– to review the Company's compliance with the Code Provisions and its disclosure requirements in the Corporate Governance Report.

The work performed by the Board on corporate governance functions during the year ended 31 December 2021 included developing and reviewing the Company's policies on corporate governance and review the Company's compliance with the Code Provisions.

INVESTORS RELATIONS

Communication with Shareholders and Investors

The Company establishes different communication channels with shareholders and investors. Printed copies of the annual and interim reports and circulars will be sent to shareholders. Shareholders are encouraged to attend general meetings of the Company which allows the Directors to meet and communicate with them.

General Meetings and Shareholders' Rights

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders of the Company or not less than 100 shareholders can put forward any proposed resolution or the business to be dealt with at general meetings of the Company by depositing a requisition in writing at the principal office of the Company. The requisition must be signed by the relevant shareholder(s).

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

31/F, Excel Centre, 483A Castle Peak Road,
Cheung Sha Wan, Hong Kong
Email: victor.foo@justinallenhk.com

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

CONSTITUTIONAL DOCUMENTS

With effect on 17 October 2019, the Company adopted the amended and restated memorandum and articles of association, which were conditional upon the listing of the Company. These are available on the websites of the Company and the Stock Exchange.

Environment, Social and Governance Report

This report is prepared by the Company in accordance with the Environment, Social and Governance Reporting Guidelines as set out in Appendix 27 of the Listing Rules. This report covers entities with substantial effect to the financial and actual operational process, mainly being the companies and production plants located in the PRC, Hong Kong and Cambodia. Save as otherwise indicated, the data and contents of the environmental, social and governance ("ESG") performance disclosed in this report are all in relation to the period from 1 January 2021 to 31 December 2021.

ESG STRATEGIES

To boost corporate responsibility competitiveness, the capacity itself has to be supported by a comprehensive ESG management system. The Group continues to consolidate a seamless mix and blend of ESG responsibility motif and operation strategies that will enable us to refine the ESG responsibility management system. The Board has always approved the Group's commitment to its corporate social responsibility undertakings and assumed full responsibility for the Group's ESG strategies and reporting. The Board is responsible for assessing and defining the Group's ESG risks and ensures that the Group has formulated appropriate and effective ESG risk management and internal control systems.

The management team of the Group is responsible for implementing ESG risk management and internal control systems, as well as reporting to the Board on ESG-related risks and opportunities, and to provide confirmation regarding the effectiveness of the ESG system. The management team of the Group is also responsible for promoting and undertaking projects and daily management duties, along with setting up a comprehensive system for risk management and internal control, actively assisting the management to coordinate horizontally within the Group, so that each of the functional departments can fully implement each policy and communicate with each other, while effectively provide relevant data and information. The Group will compile reports and provide guidance and trainings based on the collected ESG data and information.

STAKEHOLDER COMMUNICATION

The main stakeholders related to our Group include shareholders and investors, governments and regulatory authorities, customers and suppliers, employees and communities. The Group is committed to maintaining time-to-time communication with all stakeholders, to truly understand their opinions and expectations, and through effective and diversified communication channels, which help the Group improve and refine its comprehensive management capabilities and levels on a continuous term. With such undertakings, the Group hope to safeguard the needs of stakeholders. The Group has identified the following distinctive stakeholders:

Stakeholder	**Shared objectives**	**Communication and feedback channels**
Shareholders and investors	— Steady growth in return on investments — Asset preservation and appreciation — Explore new markets and opportunities — Prevent operation risk — Safeguard information rights	— Annual general meeting — Annual report and announcement — Investor meetings — Company website

Stakeholder	Shared objectives	Communication and feedback channels
Governments and regulatory authorities	— Operation compliance with law — Pay tax in accordance with law	— Policy consultation and information exchange through tele-conversation — On-site inspection — On time tax payment
Customers	— Provide high quality products — Create win-win situation — Product safety	— Meetings and email communication — On-site visits
Suppliers	— Advocate openness and fairness — Promote long-term cooperation and development — Product safety	— Evaluation on suppliers — On-site visits — Daily Communication
Employees	— Protect employers' benefits and rights — Promote occupation health and safety — Provide equal employment opportunities — Provide promotion and development — Work-life balance	— Staff training — Staff interview — Internal email communication — Staff activities
Communities	— Facilitate employment — Enhance local economic development	— Provide employment opportunities — Promote local economic development — Community charity

ENVIRONMENTAL POLICY AND PERFORMANCE

Abiding by the rules and regulations as stipulated in Environmental Protection Law of the PRC, The Law on Prevention and Control of Water Pollution of the PRC, the Law of the PRC on Prevention and Control of Pollution by Environmental Noise, the Law on Prevention and Control of Atmospheric Pollution of the PRC, Law on Environmental Protection and Management of Natural Resources in Cambodia, the Group upheld the concept of ensuring effective governance of pollutants and compliance with the standards of pollutant emission and preventing the occurrence of environmental pollution accidents, and adhered to the corporate environmental protection principles of placing environmental friendliness as the first priority, taking precaution as the main measure, adopting comprehensive rectification and management, and implementing energy-saving and emission reduction in the production process, in order to ensure the Group's production complying with laws and regulations and practically assume our corporate social responsibility. During the year ended 31 December 2021, the Group continued to conduct risk management on the environment, health and safety of its subsidiaries, implement self-inspection and rectification on the operation status of environmental protection facilities, with a view to ensuring compliance with laws and regulations and promoting sustainable development of the Group.

(1) Energy Use and Emissions

With a focus on production management, the Group always paid close attention to the implications and importance of environmental protection in its operations. Thus, the Group strived to bring in sustainable values into its daily business activities through a series of environmental control measures. The Group placed an emphasis on reducing its environmental footprint. In this regard, the Group implemented measures to periodically monitor and progressively reduce both energy consumption and progressively reduce both energy consumption and emissions.

The Group consumed electricity and water at offices, factory buildings, canteen and other common areas under its operational control; petrol fuel for vehicular transportation; and wood fuel for generating steam to be used in ironing. To conserve energy, the Group required employees to turn off all lighting, electrical appliances and equipment in the premises when not in use. In addition, environmentally friendly operating guidelines are posted in the offices and factory buildings for staff to follow. Our Henan factory also formulated internal management procedures in accordance with the policies, regulations and standards of the state, local and industry authorities related to energy conservation, such as the Energy Conservation Law of the People's Republic of China and the Law of the People's Republic of China on Promoting Clean Production to improve the utilization rate of energy and resources and reduce the possible waste of energy and resources that may be generated, especially perform water balance assessment and upgrade equipment to use water in a more effective way such as installing water-saving models of sanitary equipment and high-pressure micro mist humidifier. It was recognized as "許昌市節水型企業" in April 2020, and our continuous efforts helped us save over 15% water usage in 2021.

(2) Waste Management

As the Group recognised waste as the direct reflection of its environmental footprints, it has taken various measures to reduce and manage the production and manage the handling of waste. To decrease the production of waste, the Group constantly encouraged employees to optimise resources usage where possible.

The procurement of raw materials of the Group is mainly fabric and the Group did not generate a significant amount of waste due to the nature of its operations. Thus, the relevant waste figures and intensity were not disclosed. Regardless of the insignificant generation of waste, the Group was dedicated to handling and disposing such waste in accordance with applicable laws and regulations. In addition, the Group appointed qualified contractors to collect and handle different types of waste.

In the course of production, the Group used software for the design of paper patterns, with an aim to utilize every single inch of fabric and minimize the unused waste fabric. We also work hard with customers to avoid over-packaging, which can minimize the use of packaging materials and also lower the fuel consumption during delivery.

The summary below are the key performance indicators of 2021:

	Item	**Unit**	**Approximate Quantity**
		Energy Consumption	
	Electricity	(kWh per annum)	6,717,000
	Wood	(tonnes per annum)	796
Resource usage	Water	(cubic meters per annum)	30,560
	Diesel	(litres per annum)	9,997
	Packing Materials — Carton box and polybags	(pieces per annum)	1,095,000
		Wastes	
	Hazardous Wastes	(kg per annum)	2
Emissions	Non-hazardous Wastes	(tonnes per annum)	12
	Greenhouse gas — direct CO_2	(tonnes per annum)	207
	Greenhouse gas — indirect CO_2	(tonnes per annum)	4,734

Note: Only listed the statistics of emissions which are applicable to the Group. Gas and sewage emissions were insignificant and not material to the Group's operation; therefore, the relevant data are not disclosed.

Direct greenhouse gas emissions from operations that are controlled by the Group mainly generated from the consumption of gasoline by vehicles controlled by the Group and wood fuel for generating steam to be used in ironing. Indirect greenhouse gas emissions from operations mainly resulted from the electricity purchased.

(3) Climate Change

The impacts and risks of climate change on the sustainable development of global enterprises bring various challenges to the operation of enterprises, which are issues for them to address.

The PRC government has announced the goal of "carbon peak emissions and carbon neutrality" to the world. In the future, it will continue to put more efforts on environmental protection and increase the control of resources and energy consumption. Enterprises will face increased investment in environmental protection and energy-saving equipment, which will bring higher cost pressure. The Group actively promoted green development with the direction of source control and classified treatment of pollution sources, so as to reduce the generation and emission of pollutants from the source and reduce the risk and cost of environmental protection.

In addition, the increased frequency and intensity of extreme weather may bring potential safety risks to the Group's production and operation. In order to ensure that in the event of sudden extreme weather events, all emergency work can be quickly activated and operated, the Group has set up emergency measures for extreme weather such as storm and strong snow and clarified the organizational structure and responsibilities, to minimize casualties and property losses caused by extreme weather. In the long run the Group will set up production bases in different countries to diversify the potential risks from extreme weather.

EMPLOYMENT AND LABOUR PRACTICES

The Group had 1,712 employees as at 31 December 2021. All employees are above the minimum salary requirements in respective area and have participated in the respective social and health insurance in accordance with the regulatory requirements in the PRC, Hong Kong and Cambodia. Sustainable development of talents serves as an important guarantee for the Group to accomplish its strategic objectives. The Group works hard to create a fair and harmonious working environment to build up an enterprise with competitiveness and growing power. As such, the foundation of talents has been laid for the corporate sustainable development.

(1) Employee Rights

The Group has stringently implemented relevant laws and regulations such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, and the Labour Law of Cambodia and formulated the human resources management system to proactively safeguard the legal rights of employees.

The Group promotes a cultural atmosphere of synergistic cooperation, advocates equality between people, and adheres to the principle of fairness and justice. We are against any form of discrimination. We have adopted the same starting salary for employees of different gender, complied with the same minimum wage standard, forbid any sexual discrimination during the employment and promotion processes, and applied equal pay for equal work. The wages of the Group's all existing employees are in compliance with the local labour rules and policies. The Group will, in accordance with requirements of the national law at the time of recruiting employees, stringently examine the identities and ages of applicants, and will never employ child labours and forced labour. The Group is not aware of any differentiation in salary packages in relation to gender, age and nationality during recruitment and examination, selection, employment and deployment of applicants.

To attract and retain talent, the Group offered competitive remuneration packages, additional paid leave, reasonable working hours and rest periods. On top of that, the Group also provided rewards and bonus to outstanding employees as an incentive to praise and encourage their continuous hard work. Over 90% of our employees are employed as full time staff.

To enhance employees' relationships and sense of belonging, the Group also organised staff activities and festival celebrations. For example, our internal email in Shanghai office will circulate the monthly birthday notice and share the highlights of birthday celebration of last month.

During the reporting period, total workforce by gender, age group and geographical region are detailed as below:

Number of Employees	
By gender	
Male	349
Female	1,363
By age group	
Under 30 years old	541
30 to 50 years old	1,027
Over 50 years old	144
By geographical region	
PRC	940
Cambodia	770
Europe	2

The average turnover rate in PRC region is approximately 3.7%, and in Cambodia is approximately 6.2%.

(2) Employee Safety

The Group endeavoured to provide a safe and healthy workplace for employees through risk identification and prevention. Therefore, the Group conducted risk assessment to identify the underlying industrial risks as a way to initiate safety preventive measures. Moreover, the Group carried out safety audits on site to further analyse the relevant measures, review the efficiency of the implemented safety measures and develop improvement plans. The Group also provided the employees with necessary safety equipment in the workshops to reduce the risk and impact of industrial accidents.

Our factories implemented a number of measures to oversee and maintain onsite safety. In addition to posting safety warnings and operational guidelines, fire safety training and urgent evacuation were conducted regularly to enhance staff's capacity to react and escape in case of emergency. The Group also recruited onsite doctor and nurses to provide medical support for staff at all time. Also during the COVID-19 pandemic the Group has provided protective gears and sanitizing products to staffs to minimize their infection risk.

As a result of the comprehensive safety measures, the Group complied with all applicable laws and regulations in regard to occupational health and safety. During the past three years, neither major safety incidents and serious fire accidents nor work-related fatal incidents of members of the Group had happened. The total number of working days lost due to work injury was 15 days in 2021.

(3) Employee Training

The Group recognised a strong workforce as the key to maintain efficiency of its business operation, and strived to support employees' capacity building. Induction trainings were provided to factory staff as a way to convey the Group's expectations and enhance their capability to conduct duty. During the reporting period, the Group had provided employees with different training covering topics such as production techniques and safety standards. We also assigned mentor to newly employed staffs to offer guidance and help for familiarising with our operation. The breakdown of average training hours completed per employee by gender and employee category is as below:

	Employee trained %	Average training hour
By gender		
Male	63.3	4
Female	41.4	1
By employee category		
Management staff	44.4	61
Operational staff	45.9	2

COMMUNITY

The Group, whilst creating value for shareholders and wealth for customers, has proactively engaged in public service sector. We are concerned about minority groups and difficult public livelihood, and have fully assumed our social responsibility by giving full impetus to the progress and harmonious development of the community, enterprises and regional economies. During the year, the Group had made donations of about HK$219,000 mainly to charity organization for helping children. Looking forward, we will continue to undertake corporate social responsibility, so as to give back and contribute to society.

OPERATION PRACTICE

(1) Supply Chain Management

The Group recognised the suppliers and sub-contractors as a crucial part of ensuring product quality and delivery. To diversify the supply chain, the Group anticipated to expand the geographic spread of suppliers and sub-contractors through engaging companies in different locations including China, Vietnam and Cambodia. We have assigned staffs in different locations to frequently communicate with our key suppliers and sub-contractors to ensure the prompt response to our requirements and monitor the products quality. For selecting suppliers, a due diligence check will be performed and may visit the production plants if necessary. The Group valued suppliers, apart from the quality of their products and services, especially the degree of environmental friendliness of the raw materials they provided. We required our suppliers to continuously increase the degree of environmental-friendliness of their skills and update old facilities when possible. With the introduction of technologically-advanced facilities of more environmental-friendly and low consumption, the consumption of resources and emission of pollutants can both be reduced. There were 102 suppliers located in China, 6 suppliers in Vietnam and 20 suppliers in Cambodia.

(2) Product Responsibility

To further enhance competitiveness, the Group has placed a high emphasis on the policies of quality assurance and product responsibility. We have quality assurance departments to check on the raw materials and finished goods to ensure meeting the standard of the Group and customers. The team also performed quality checks at different production stages to ensure the production procedures are in line with the operation guidelines. In 2021, the Group did not recall any products due to safety and health reasons. Due to the characteristics of our OEM business model, our customers may directly claim on products with defects or unsatisfied quality other than making complaints, and in 2021 the sales claim amount was less than HK$1 million out of our HK$1.15 billion revenue amount.

Our factories, and also the production premises, are operating in line with the strict requirements imposed by our international customers. Their requirements covered various aspects, including the production flow, storage, fire safety, etc. Our customers will also regularly perform site inspection to ensure everything meets their standards. During the past years, we passed all inspections and thus showed that our operation can match with the international standard.

To prevent the leak of customers' information and also protect the patents of customers, the Group exercised strict control over customers' information. Each major international customer of the Group (which contributed over 97% of the overall revenue of the Group) is handled by an individual team, and only senior staffs of each team can access to relevant customers' information. The senior management of the Company is responsible for overseeing and monitoring the overall customer information management effectiveness.

(3) Anti-corruption

The Group, committed to pursuing operation in good faith, constantly enhances internal control and monitoring mechanism within the enterprise, and stringently observes the rule on fair competition. Employees are required to strictly comply with provisions in relation to prohibition of commercial bribery acts under the Law Against Unfair Competition of the People's Republic of China, Criminal Law and Companies Ordinances, and all of the relevant management rules on integrity and self-discipline as stipulated by the Company. The Group is firmly against accepting commercial bribery, committing bribery and receiving gifts arising from other improper commercial acts, and establishes a management system and measures on capital management to prevent money laundering. The Company will promptly denounce and report to the relevant department for suspected personnel.

The Group regularly organizes anti-corruption trainings to enhance employees' understanding of job-related crimes and the study of relevant laws and regulations, and incorporates the study of internal compliance management system into the normalized and institutionalized training mechanism to enhance employees' compliance awareness and cultivate corporate compliance culture. In 2021, the Group and its employees were not involved in any corruption litigation.

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
JUSTIN ALLEN HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Justin Allen Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 109, which comprise the consolidated statement of financial position as at 31 December 2021, 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 "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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 matter	How our audit addressed the key audit matter

Revenue recognition

Refer to Note 6 to the consolidated financial statements and the accounting policies in Note 4 to the consolidated financial statements

The Group's revenue arising from manufacturing and sales of sleepwear products, loungewear products, greige fabric and processing services.

Revenue from sales of products (sleepwear product, loungewear product and greige fabric) and processing services for the year ended 31 December 2021 amounted to approximately HK$1,178,252,000 and HK$3,351,000 respectively. The Group has operations in several geographical locations.

Revenue arising from sales of products is recognised when the control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the price to sell the products and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location and the risks of obsolescence and loss have been transferred to the customers.

We focused on this area due to the large volume of revenue transactions derived from sales in different geographical locations such that we have incurred significant time and resources in carrying out our work in these locations.

Our audit procedures in related to revenue recognition included:

- We understood and evaluated management's key internal controls that are present in the Group's sales from end-to-end.
- We tested samples of sales transactions against sales orders, shipping documents, invoices and other supporting documents. To the extent that those sales have been settled, we also reviewed bank remittance advices and/or bank statements in support of the payments made by the customers.
- Furthermore, we tested sales transactions that took place shortly before and after the balance sheet date to assess whether sales transactions were recognised in the correct reporting periods.
- Our work also included testing of a sample of revenue-related journal entries by inquiring management of their nature and inspecting the relevant supporting documents.

We found that the Groups' sales transactions being tested were recognised in a manner consistent with the Group's accounting policy for revenue recognition.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

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

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

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

The directors 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 disclose requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITORS' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong 29 April 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	6	**1,181,603**	857,431
Cost of sales		**(871,139)**	(615,317)
Gross profit		**310,464**	242,114
Other income	7	**11,924**	4,993
Other gains and losses, net	8	**(3,016)**	(5,078)
Selling and distribution expenses		**(54,403)**	(49,144)
Administrative expenses		**(64,465)**	(53,738)
Finance costs	9	**(4,889)**	(5,277)
Profit before tax		**195,615**	133,870
Income tax expense	10	**(37,336)**	(27,649)
Profit for the year	11	**158,279**	106,221
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**8,299**	13,419
Other comprehensive income for the year		**8,299**	13,419
Total comprehensive income for the year		**166,578**	119,640
Profit/(loss) for the year attributable to:			
Owners of the Company		**158,316**	105,609
Non-controlling interests		**(37)**	612
		158,279	106,221
Total comprehensive income for the year attributable to:			
Owners of the Company		**165,871**	117,208
Non-controlling interests		**707**	2,432
		166,578	119,640
Earnings per share, basic and diluted (HK cents)	13	**12.67**	8.45

The accompanying notes from 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	15	**144,656**	146,209
Right-of-use assets	16	**50,274**	51,753
Deposits paid for acquisition of property, plant and equipment		**17**	126
Rental deposits	19	**1,616**	1,616
Deferred tax assets	17	**1,820**	2,300
		198,383	202,004
Current assets			
Inventories	18	**146,962**	103,322
Trade and other receivables	19	**164,471**	77,492
Financial assets at fair value through other comprehensive income	20	**55,597**	32,452
Financial assets at fair value through profit or loss	21	**127,603**	76,606
Bank balances and cash	22	**98,476**	85,924
		593,109	375,796
Current liabilities			
Trade and other payables	23	**184,835**	130,496
Lease liabilities	24	**1,066**	2,200
Bank borrowings	25	**35,520**	–
Financial liabilities at fair value through profit or loss	21	**928**	–
Tax payable		**15,929**	12,819
		238,278	145,515
Net current assets		**354,831**	230,281
Total assets less current liabilities		**553,214**	432,285

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities	24	**580**	1,229
		580	1,229
Net assets		**552,634**	431,056
Capital and reserves			
Share capital	26	**12,500**	12,500
Reserves		**512,181**	391,310
Equity attributable to owners of the Company		**524,681**	403,810
Non-controlling interests	28	**27,953**	27,246
Total equity		**552,634**	431,056

The consolidated financial statements on pages 41 to 109 were approved and authorised for issue by the Board of Directors on 29 April 2022 and signed on its behalf by:

Mr. Tam Kwok Pui
Executive Director

Ms. Yeung Suk Foon Paulina
Executive Director

The accompanying notes from 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	**Share premium**	**Statutory reserve**	**Other reserve**	**Exchange reserve**	**Retained profits**	**Sub-total**	**Non-controlling interests**	**Total**
		(Note i)	(Note ii)	(Note iii)	(Note iv)				
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2020	12,500	113,535	942	20,942	(16,851)	184,034	315,102	24,814	339,916
Profit for the year	–	–	–	–	–	105,609	105,609	612	106,221
Other comprehensive income:									
– Exchange differences arising on translation of foreign operations	–	–	–	–	11,599	–	11,599	1,820	13,419
Total comprehensive income for the year	–	–	–	–	11,599	105,609	117,208	2,432	119,640
Transfer to statutory reserve	–	–	245	–	–	(245)	–	–	–
Dividends (Note 14)	–	–	–	–	–	(28,500)	(28,500)	–	(28,500)
As at 31 December 2020 and 1 January 2021	**12,500**	**113,535**	**1,187**	**20,942**	**(5,252)**	**260,898**	**403,810**	**27,246**	**431,056**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**158,316**	**158,316**	**(37)**	**158,279**
Other comprehensive income:									
– Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**7,555**	**–**	**7,555**	**744**	**8,299**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**7,555**	**158,316**	**165,871**	**707**	**166,578**
Dividends (Note 14)	**–**	**–**	**–**	**–**	**–**	**(45,000)**	**(45,000)**	**–**	**(45,000)**
As at 31 December 2021	**12,500**	**113,535**	**1,187**	**20,942**	**2,303**	**374,214**	**524,681**	**27,953**	**552,634**

The accompanying notes from an integral part of these consolidated financial statements.

Notes:

(i) Share premium

As at 31 December 2018, the share premium represents the difference between the par value of shares of Justin Allen Overseas Limited ("JA Overseas"), a subsidiary of the Group, issued to the shareholders and the considerations received from the shareholders. On 27 February 2019, pursuant to the sale and purchase agreements entered into between Strategic King, the Company, and the non-controlling shareholders of JA Overseas, the Company allotted 10,679 shares and 1,267 shares to Strategic King and the non-controlling shareholders of JA Overseas, respectively, to acquire the entire shareholdings of JA Overseas. Accordingly, share premium of HK$30,405,000 is reclassified as other reserve. JA Overseas becomes a wholly-owned subsidiary of the Company upon the completion of the transaction.

Upon the completion of global offering, the Company had issued and fully paid 1,250,000,000 ordinary shares. As at 31 December 2019, the share premium represents the difference between the par value of shares of Justin Allen Holdings Limited issued and the considerations received from the shareholders.

(ii) Statutory reserve

Pursuant to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to transfer 10% of its profit after tax per statutory financial statements (as determined by the management of the subsidiary) to the statutory reserve. The statutory reserve is discretionary when the reserve balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expend the existing operations or can be converted into additional capital of the subsidiary.

(iii) Other reserve

As at 1 January 2018, other reserve represents deemed contributions of HK$110,705,000 from Mr. Edmond Tam for capital injections in Henan Kaiyu Spinning, Weaving & Apparel Limited ("Henan Kaiyu"), a subsidiary of the Group. On 11 December 2018, pursuant to a sale and purchase agreement entered into between JA Overseas and Mr. Edmond Tam, JA Overseas agrees to purchase and Mr. Edmond Tam agrees to sell the entire issued shares of Power Summit Investments Limited ("Power Summit"), the immediate holding company of Henan Kaiyu, at cash consideration of RMB90,000,000 (equivalent to HK$103,257,000).

Other reserve represented the difference between the Group's shares of nominal value of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon reorganisation.

(iv) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Profit before tax		**195,615**	133,870
Adjustments for:			
Finance costs	9	**4,889**	5,277
Interest income	7	**(9,514)**	(1,028)
Dividend income	7	**(916)**	–
Depreciation of property, plant and equipment	15	**12,604**	11,896
Depreciation of right-of-use assets	16	**3,779**	3,512
Reversal for expected credit loss recognised on trade and other receivables, net	8	**(704)**	(39)
Fair value change on financial assets at fair value through profit or loss	8	**8,076**	(25)
(Gain)/loss on disposal/write off of property, plant and equipment	8	**(65)**	3,915
Exchange realignment		**(197)**	3,186
Operating cash flows before movements in working capital		**213,567**	160,564
(Increase)/decrease in inventories		**(40,741)**	13,969
(Increase)/decrease in trade and other receivables		**(85,755)**	13,332
Increase in trade receivables at fair value through other comprehensive income		**(23,145)**	(4,981)
Increase in trade and other payables		**53,873**	29,258
Cash generated from operations		**117,799**	212,142
Hong Kong Profit Tax paid		**(30,657)**	(18,529)
PRC Enterprise Income Tax paid		**(3,197)**	(2,643)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**83,945**	190,970
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(8,028)**	(7,293)
Placement of financial assets at fair value through profit or loss		**(130,597)**	(76,579)
Withdrawal of financial assets at fair value through profit or loss		**72,452**	–
Interest received		**9,514**	652
Proceeds from disposal of property, plant and equipment		**407**	–
Dividend income		**916**	–
NET CASH USED IN INVESTING ACTIVITIES		**(55,336)**	(83,220)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(101,829)**	(139,181)
Interest paid		**(4,679)**	(4,876)
Dividends paid	33	**(45,000)**	(28,500)
New bank borrowings raised		**137,349**	27,412
Payment of issue costs	33	**–**	(6,013)
Capital elements of lease rental paid	33	**(2,629)**	(2,640)
NET CASH USED IN FINANCING ACTIVITIES		**(16,788)**	(153,798)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**11,821**	(46,048)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**85,924**	131,750
EFFECT OF FOREIGN EXCHANGE RATE		**731**	222
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR REPRESENTING CASH AND BANK BALANCES		**98,476**	85,924

The accompanying notes from an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Justin Allen Holdings Limited (the "Company") is an investment holding company. The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacturing and sales of sleepwear products, loungewear product, greige fabric and processing services.

The Company was incorporated in the Cayman Islands on 31 May 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 November 2019.

The address of the Company's registered office is Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands and the Company's principal place of business is 31/F, Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Hong Kong.

In the opinion of the directors, the Company's parent and ultimate holding company is Strategic King Holdings Limited ("Strategic King"), a company incorporated in the British Virgin Islands ("BVI") and wholly-owned by Mr. Tam Kwok Pui, Edmond ("Mr. Edmond Tam") and Ms. Yeung Suk Foon, Paulina ("Ms. Paulina Yeung"), the spouse of Mr. Edmond Tam, (the "Ultimate Controlling Shareholders").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). The functional currency of the Company is United States dollars ("USD"). The directors of the Company adopted HK$ as presentation currency. For the convenience of the financial statements users, the consolidated financial statement are presented in HK$, as the Company's shares are listed on The Stock Exchange of Hong Kong Limited. All values are rounded to the nearest thousand dollars (HK$'000) except otherwise indicated.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all new and amendments will have no material impact on the consolidated financial statements on the foreseeable future.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of preparation

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES

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

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries *(continued)*

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of profit or loss and other comprehensive income.

Basis of consolidation

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(continued)*

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Separate financial statements

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

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

Revenue Recognition

Revenue from contracts with customers

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue Recognition *(continued)*

Revenue from contracts with customers *(continued)*

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

The Group principally engages in the manufacturing and sales of sleepwear products, loungewear products and greige fabric. The Group recognises the revenue at a point in time when the control of products is transferred to the customer, i.e., when the goods have been delivered to customers.

For processing services, such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls when the Group provides processing services. Revenue is recognised for these processing services based on the stage of completion of the contract using input method.

The progress towards complete satisfaction of a performance obligation for processing services is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Lease

Definition of a lease

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Lease *(continued)*

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Lease *(continued)*

The Group as a lessee *(continued)*

Lease liabilities

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

The lease payments included:

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

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

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

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

Lease modifications

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Lease *(continued)*

The Group as a lessee *(continued)*

Lease modifications (continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Borrowing costs

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Taxation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(continued)*

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also 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.

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Provision

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(continued)*

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

Interest income which are derived from the financial assets are presented as "other income".

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term;

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

(ii) Trade receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for trade receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these receivables had been measured at amortised cost. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

The Group perform impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, trade receivables at FVTOCI and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually.

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

(i) Significant increase in credit risk

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk *(continued)*

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 afore-going, 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 reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

(ii) Definition of default

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL *(continued)*

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and trade receivables without reserve that are measured at FVTOCI where the corresponding adjustment is recognised through a loss allowance account. For trade receivables without recourse that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

On derecognition of a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL (continued)

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as foreign exchange options, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, lease liabilities and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Related parties

(a) A person, or a close member of that person's family, is related to the Group 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 the Group's parent.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(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); or

(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 family members of an individual are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of the person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

Segment reporting

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting *(continued)*

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment, 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 judgement 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, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2021, the carrying amount of property, plant and equipment and right-of-use assets are approximately HK$144,656,000 and HK$50,274,000, respectively (2020: HK$146,209,000 and HK$51,753,000). Any change in these estimates may have a material impact on the results of the Group.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(continued)*

Valuation of inventories

Inventories are stated at the lower of cost and net realisable value. In the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads, cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make sale.

Provision of ECL for trade and other receivables

The Group's management determines the provision of ECL for trade receivables based on the ECL which uses a lifetime expected loss allowance for all trade receivables. For other receivables, the provision of ECL is based on 12m ECL. The loss allowances for financial assets are 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. Management reassesses the provision at each reporting date.

The provision of ECL is sensitive to changes in estimates. The information about the ECL for trade and other receivables are disclosed in note 32(b).

6. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from manufacturing and sales of products, which are included sleepwear products, loungewear products, greige fabric and processing services for the years ended 31 December 2021 and 2020.

The Group has one operating segment based on information reported to the chief operating decision maker of the Group (the executive directors of the Company who are also directors of the operating subsidiaries) (the "CODM") for the purpose of resource allocation and performance assessment, which is the consolidated results of the Group. As a result, there is only one reporting segment of the Group. No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

Revenue from major products and services

Disaggregation of revenue from contracts with customers

	2021 **HK$'000**	2020 HK$'000
Sales of products		
– Sleepwear	**787,927**	529,726
– Loungewear	**364,944**	315,002
– Greige fabric	**25,381**	10,598
Processing services	**3,351**	2,105
	1,181,603	857,431
Timing of revenue recognition		
At a point in time	**1,178,252**	855,326
Over time	**3,351**	2,105
	1,181,603	857,431

For revenue from manufacturing and sales of products, which are included sleepwear products, loungewear products and greige products, is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). The normal credit period is 0 to 120 days upon delivery.

For processing services, such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as when the Group provides processing services. Revenue is recognised for these processing services based on the stage of completion of the contract using input method. No credit period is granted to the customers.

Revenue arising from sales of products and processing services are under fixed price arrangement with customers. During the years ended 31 December 2021 and 2020, all performance obligations for manufacturing and sales of sleepwear products, loungewear products and greige products, and processing services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied performance obligations as at the end of each reporting period is not disclosed.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The following is an analysis of the Group's revenue from external customers is presented based on the location of customers:

	2021 HK$'000	2020 HK$'000
Revenue		
United States of America	**1,004,353**	731,788
United Kingdom	**57,946**	34,881
Ireland	**44,802**	35,200
Canada	**28,274**	33,631
The PRC	**28,732**	12,703
Spain	**17,496**	9,228
	1,181,603	857,431

The analysis of Group's non-current assets by location of assets is as follows:

	2021 HK$'000	2020 HK$'000
Non-current assets		
The PRC	**160,274**	161,026
Hong Kong	**31,361**	32,527
Cambodia	**4,928**	6,151
	196,563	199,704

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Revenue from customers of the years ended 31 December 2021 and 2020 contributing over 10% of the Group's revenue are as follows:

	2021 HK$'000	2020 HK$'000
Customer A	**1,000,432**	730,038
Customer B	**122,853**	N/A*

* Revenue from the customers is less than 10% of the total revenue of the Group.

7. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Government grant (Note 1)	**1,022**	3,471
Interest income		
– Bank deposit	**356**	793
– Financial assets at fair value through profit or loss	**9,158**	235
Dividend income	**916**	–
Others (Note 2)	**472**	494
	11,924	4,993

Note 1: During the current year, the Group recognised government grants of HK$Nil (2020: HK$334,000) under the Employment Support Scheme launched by the Hong Kong government. The residual of the subsidies are subsidies grant by the PRC government to certain subsidiaries to the Group for their operating cost and enterprises development launched by the PRC. There are no unfulfilled conditions or contingencies relating to these subsidies.

Note 2: For the year ended 31 December 2021, others including sales of scrap materials amounted to HK$287,000 (2020: HK$62,000).

8. OTHER GAINS AND LOSSES, NET

	2021 HK$'000	2020 HK$'000
Gain/(loss) on disposal/written off of property, plant and equipment	**65**	(3,915)
Net foreign exchange gain/(loss)	**1,057**	(1,227)
Reversal for expected credit loss recognised on trade and other receivables, net	**704**	39
Fair value change on financial assets at fair value through profit or loss, net		
– Realized gain	**3,234**	–
– Unrealized (loss)/gain	**(8,076)**	25
	(3,016)	(5,078)

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowings	**4,679**	4,876
Interest on lease liabilities	**210**	401
	4,889	5,277

10. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
The income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	32,864	25,678
PRC Enterprise Income Tax	3,544	1,391
Cambodia Income Tax	458	–
	36,866	27,069
Deferred tax charge (Note 17)	470	580
	37,336	27,649

(a) Cayman Islands

The Company was incorporated in the Cayman Islands as exempted companies with limited liability and, accordingly, is exempted from payment of Cayman Islands income tax.

(b) British Virgin Islands income tax

Entities incorporated in the British Virgin Islands as an exempted company with limited liability under the Company Law of British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income tax.

(c) Hong Kong Profits Tax

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

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

10. INCOME TAX EXPENSE *(Continued)*

(d) PRC Enterprise Income Tax

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the years ended 31 December 2021 and 2020.

Pursuant to the EIT Law of PRC and the Detailed Implementation Rules, distribution of the profits earned by the PRC subsidiaries since 1 January 2008 to holding companies incorporated in Hong Kong is subject to the PRC withholding tax at tax rate of 5%.

(e) Cambodia Income Tax

Pursuant to the relevant laws and regulations in Cambodia, the tax rate of the Cambodian subsidiary is 20% during the years ended 31 December 2021 and 2020.

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

	2021 **HK$'000**	2020 HK$'000
Profit before tax	**195,615**	133,870
Tax at average income tax rate (Note)	**33,055**	23,320
Tax effect of expenses not deductible for tax purpose	**3,613**	4,163
Tax effect of income not taxable for tax purpose	**(450)**	(195)
Tax effect of deductible temporary differences not recognised	**1,093**	971
Tax effect of tax losses not recognised	**25**	–
Tax effect of tax losses utilised	**–**	(610)
Income tax expense for the year	**37,336**	27,649

Note: The average income tax rate for the years ended 31 December 2021 and 2020 represented the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of profit before tax and the tax rate of the relevant entities of the corresponding years.

11. PROFIT FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Profit for the year has been arrived at after charging/(crediting):		
Directors' remuneration (Note 12)	**5,689**	5,314
Other staff costs:		
Salaries and other benefits	**118,121**	91,126
Retirement benefit scheme contributions	**8,708**	4,145
	126,829	95,271
Auditors' remuneration	**1,500**	1,400
Depreciation of property, plant and equipment (Note 15)	**12,604**	11,896
Depreciation of right-of-use assets (Note 16)	**3,779**	3,512
Cost of inventories recognised as an expense	**778,842**	563,855
Expenses related to short-term leases	**967**	401
Reversal for expected credit loss recognised on trade and other receivables, net (Note 8)	**(704)**	(39)

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Mr. Tam Kwok Pui, Ms. Paulina Yeung and Mr. So Lie Mo, Raymond are executive directors of the Company for the years ended 31 December 2021 and 2020, and Mr. Edmond Tam is also the chief executive officer of the Company.

Mr. Lui Ho Ming, Paul and Mr. Woo Chun Fai were appointed as independent non-executive directors of the Company on 26 July 2019. Mr. Law Tze Lun was appointed as independent non-executive director of the Company on 20 March 2020 and resigned on 1 December 2021. Mr. Mak King Sau was appointed as an independent non-executive director of the Company on 1 December 2021.

(a) Directors' and chief executive's emoluments

During the years ended 31 December 2021 and 2020, the emoluments paid or payable to the directors of the Company disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance are as follows:

For the year ended 31 December 2021

		Other emoluments			
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Performance based bonuses (Note) HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Tam Kwok Pui	–	1,329	1,200	–	2,529
Ms. Paulina Yeung	–	1,140	1,000	–	2,140
Mr. So Lie Mo, Raymond	–	360	–	–	360
Independent Non-executive Directors					
Mr. Law Tze Lun[1]	165	–	–	–	165
Mr. Mak King Sau[2]	15	–	–	–	15
Mr. Lui Ho Ming, Paul	240	–	–	–	240
Mr. Woo Chun Fai	240	–	–	–	240
	660	2,829	2,200	–	5,689

Notes:

1 Resigned as Independent Non-executive Directors on 1 December 2021.

2 Appointed as Independent Non-executive Directors on 1 December 2021.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and chief executive's emoluments *(continued)*

For the year ended 31 December 2020

		Other emoluments			
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Performance based bonuses (Note) HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Tam Kwok Pui	–	1,165	1,200	–	2,365
Ms. Paulina Yeung	–	990	1,000	5	1,995
Mr. So Lie Mo, Raymond	–	330	–	–	330
Independent Non-executive Directors					
Mr. Lai Yat Kwong, Fred[1]	53	–	–	–	53
Mr. Law Tze Lun[2]	131	–	–	–	131
Mr. Lui Ho Ming, Paul	220	–	–	–	220
Mr. Woo Chun Fai	220	–	–	–	220
	624	2,485	2,200	5	5,314

Note:

1 Resigned as Independent Non-executive Directors on 20 March 2020.
2 Appointed as Independent Non-executive Directors on 20 March 2020.

The executive directors' emoluments shown above were for their services in connection with the managements of the affairs of the Company and the Group.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Five highest paid employees

The five highest paid employees of the Group during the year included two directors (2020: two directors), details of whose remuneration are set out in note 12(a) above. Details of the remaining three (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and other benefits	1,959	1,832
Performance based bonuses (Note)	93	157
Retirement benefit scheme contributions	36	36
	2,088	2,025

Note: The performance based bonuses are determined on the performance of the employees and the profitability of the Company for the years ended 31 December 2021 and 2020.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
Nil to HK$1,000,000	3	3

Other than certain directors agreed to waive remuneration in aggregate HK$Nil (2020: HK$270,000) to support the Group under COVID-19 pandemic during year ended 31 December 2021, there was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year ended 31 December 2021. No emoluments were paid by the Group to any of the directors, the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2021 and 2020.

13. EARNINGS PER SHARE

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

	2021 **HK$'000**	2020 HK$'000
Earnings:		
Earnings for the purpose of calculating basic earnings per share (Profit for the year attributable to the owners of the Company)	**158,316**	105,609
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,250,000**	1,250,000

Basic and diluted earnings per share for the years ended 31 December 2021 and 2020 was the same as there were no potential ordinary shares in issue during the years ended 31 December 2021 and 2020.

14. DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2021 **HK$'000**	2020 HK$'000
Final dividend proposed after the end of reporting period of HK$0.059 per share (2020: HK$0.036 per share)	**73,750**	45,000

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2021 **HK$'000**	2020 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.036 per share (2020: HK$0.0228)	**45,000**	28,500

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
As at 1 January 2020	149,068	2,114	33,934	10,268	1,669	11,708	208,761
Additions	–	786	2,372	514	–	4,461	8,133
Transfers	–	–	3,672	–	–	(3,672)	–
Disposals/write off	–	–	(6,323)	(305)	(96)	(391)	(7,115)
Currency realignment	4,965	133	2,872	464	73	745	9,252
As at 31 December 2020 and 1 January 2021	154,033	3,033	36,527	10,941	1,646	12,851	219,031
Additions	–	17	3,450	1,734	65	2,762	8,028
Transfers	–	–	627	–	–	(627)	–
Disposals/write off	–	–	(902)	(141)	(69)	–	(1,112)
Currency realignment	3,486	72	856	272	39	432	5,157
As at 31 December 2021	**157,519**	**3,122**	**40,558**	**12,806**	**1,681**	**15,418**	**231,104**
Accumulated depreciation							
As at 1 January 2020	31,015	1,590	19,019	7,564	902	–	60,090
Provided for the year	6,173	574	3,740	1,205	204	–	11,896
Eliminated on disposals/write off	–	–	(1,924)	(217)	(59)	–	(2,200)
Currency realignment	1,727	89	821	351	48	–	3,036
As at 31 December 2020 and 1 January 2021	38,915	2,253	21,656	8,903	1,095	–	72,822
Provided for the year	6,544	467	4,270	1,124	199	–	12,604
Eliminated on disposals/write off	–	–	(580)	(135)	(55)	–	(770)
Currency realignment	1,019	56	485	205	27	–	1,792
As at 31 December 2021	**46,478**	**2,776**	**25,831**	**10,097**	**1,266**	**–**	**86,448**
Carrying amounts							
As at 31 December 2021	**111,041**	**346**	**14,727**	**2,709**	**415**	**15,418**	**144,656**
As at 31 December 2020	115,118	780	14,871	2,038	551	12,851	146,209

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

Land and buildings	2.5%–5% or over the term of the lease
Leasehold improvements	20% or over the term of the lease, whichever is shorter
Plant and machinery	10–33.3%
Furniture, fixtures and equipment	20–33.3%
Motor vehicles	20%

The Group has pledged land and buildings with a carrying value of approximately HK$93,415,000 and HK$115,118,000 as at 31 December 2021 and 2020, respectively, to secure general banking facilities granted to the Group. In addition, the Group has pledged plant and machinery with a carrying value of approximately HK$2,643,000 and HK$10,525,000 as at 31 December 2021 and 2020, respectively, to secure general banking facilities granted to the Group.

16. RIGHT-OF-USE ASSETS

	Leasehold land (Note a) HK$'000	Land and buildings (Note b) HK$'000	Total HK$'000
As at 1 January 2020	46,519	5,851	52,370
Depreciation provided during the year	(1,056)	(2,456)	(3,512)
Currency realignment	2,811	84	2,895
As at 31 December 2020 and 1 January 2021	48,274	3,479	51,753
Depreciation provided during the year	(1,127)	(2,652)	(3,779)
Currency realignment	1,466	834	2,300
As at 31 December 2021	**48,613**	**1,661**	**50,274**

The right-of-use assets represent the Group's right-to-use underlying leased land and premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and impairment losses, if any, and adjusted for any remeasurement of the lease liabilities.

Notes:

(a) It represented the carrying amount of the title of the leasehold land of factory conducting fabric and garment production in Henan Province, the PRC ("Henan Factory"). The Group owns leasehold land where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

(b) For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 year to 2 years (2020: 2 years to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Right-of-use assets with a carrying value of approximately HK$48,613,000 (2020: HK$48,274,000) have been pledged to secure bank facility granted to the Group as at 31 December 2021.

17. DEFERRED TAX ASSETS

The following is the deferred tax assets recognised and movements:

	Unrealised profit on inventories HK$'000	Allowance for ECL of trade receivables HK$'000	Other temporary difference HK$'000	Total HK$'000
As at 1 January 2020	1,828	252	800	2,880
(Charged)/credited to profit or loss (Note 10)	(591)	11	–	(580)
As at 31 December 2020 and 1 January 2021	1,237	263	800	2,300
Charged to profit or loss (Note 10)	(399)	(71)	–	(470)
Currency realignment	–	(10)	–	(10)
As at 31 December 2021	**838**	**182**	**800**	**1,820**

No deferred tax asset has been recognised in respect of the unutilised tax losses of HK$17,612,000 and HK$17,465,000 as at 31 December 2021 and 2020, respectively, due to the unpredictability of future profit streams. Unrecognised tax losses of approximately HK$17,612,000 and HK$17,465,000 as at 31 December 2021 and 2020, respectively, in the tax jurisdiction of the PRC may be carried forward for five years.

The Group has other deductible temporary difference amounted to HK$800,000 as at 31 December 2020 and 2021. No deferred tax asset has been recognised in respect of such temporary difference during the years ended 31 December 2021 and 2020, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC companies from 1 January 2008 onwards. Deferred taxation has not been provided for the years ended 31 December 2021 and 2020 in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to approximately HK$21,237,000 and HK$14,694,000, respectively, at 31 December 2021 and 2020, as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

18. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**80,156**	54,164
Work in progress	**13,815**	17,836
Finished goods	**52,991**	31,322
	146,962	103,322

19. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**37,813**	20,913
Less: allowance for ECL	**(251)**	(412)
	37,562	20,501
Other receivables and prepayment included in current assets:		
Other receivables in respect of factored trade receivables	**33,941**	25,928
Prepayments	**46,573**	6,943
Prepayments to import-export corporations (Note 1)	**33,614**	22,119
Deposits	**1,757**	13
Other tax recoverable	**4,485**	2,272
Other receivables (Note 2)	**8,413**	2,034
	128,783	59,309
Less: allowance for ECL	**(258)**	(702)
	128,525	58,607
Less: rental deposits (non-current portion)	**(1,616)**	(1,616)
	126,909	56,991
	164,471	77,492

Note: 1. Prepayments to import-export corporation mainly represented the prepayments in advance made by Justin Allen Limited, a subsidiary of the Group, to an independent import-export corporation A and the prepayments in advance made by Shanghai Jielong Trading Limited, a subsidiary of the Group, to another independent import-export corporation.

2. As at 31 December 2021, other receivables comprise interest receivable of approximately HK$1,772,000 (2020: HK$235,000).

19. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows a credit period of 0 to 120 days to its customers.

The following is an aged analysis of trade receivables net of allowance for expected credit losses, presented based on the delivery dates at the end of each reporting period:

	2021	2020
	HK$'000	HK$'000
0–30 days	**25,799**	16,257
31–60 days	**11,225**	585
61–90 days	**512**	3,654
Over 90 days	**26**	5
	37,562	20,501

Details of impairment assessment of trade and other receivables for the years ended 31 December 2021 and 2020 are set out in note 32(b).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	HK$'000	HK$'000
Trade receivables at FVTOCI	**56,069**	33,023
Less: allowance for ECL	**(472)**	(571)
	55,597	32,452

The following is an aging analysis of trade receivables at FVTOCI presented based on the delivery dates at the end of each reporting period:

	2021	2020
	HK$'000	HK$'000
0–30 days	**55,478**	32,452
31–60 days	**119**	–
	55,597	32,452

Details of impairment assessment of trade receivables at FVTOCI for the years ended 31 December 2021 and 2020 are set out in note 32(b).

21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **HK$'000**	2020 HK$'000
Financial assets		
Forward foreign exchange contract (Note 1)	**–**	45
Investments in listed bonds (Note 2)	**89,931**	76,561
Bonds funds (Note 3)	**5,970**	–
Investment funds (Note 4)	**30,669**	–
Foreign exchange options (Note 5)	**1,033**	–
	127,603	76,606
Financial liabilities		
Foreign exchange options (Note 5)	**928**	–
	928	–

Notes:

1. The Group entered into a forward exchange contract to buy US$1.5 million ("Contract Amount") matured at 28 January 2021 at exchange rate of RMB6.554 to US$1 ("Contract Rate"). When the forward exchange contract becomes mature, the Group will receive or paid the amount which equals to the multiple of the Contract Amount and the net difference between the Contract Rate and the exchange rate at the market.

2. As at 31 December 2021, the Group held listed bonds with fixed interest ranged from 2.437% to 7.950% (2020: 4.700% to 7.875%) and maturity dates from 3 January 2022 to 26 July 2027 (2020: 12 February 2021 to 16 July 2023).

3. As at 31 December 2021, the Group invested in certain bonds funds denominated in USD with principal amount USD440,000 operated by banks and investment management firms.

4. As at 31 December 2021, the Group invested in certain investment funds with notional amount of approximately USD3,900,000 operated by investment management firms.

5. As at 31 December 2021, the Group held certain foreign exchange options between US$ and RMB, expiry from 5 January 2022 to 10 November 2022.

6. For information about methods and assumption using in determining the fair value of financial assets and financial liabilities at FVTPL, please refer to note 32(c).

22. BANK BALANCES AND CASH

	2021 HK$'000	2020 HK$'000
Cash on hand and in bank	**98,476**	85,924

As at 31 December 2021, bank balances carry interest at market rates which ranged from 0.01% to 2.00% (2020: 0.01% to 2.00%).

The Group's bank balances and cash that were denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2021 HK$'000	2020 HK$'000
Denominated in HK$	**51,185**	15,718
Denominated in Renminbi ("RMB")	**2**	2
Denominated in Canadian dollar ("CAD")	**129**	279
Denominated in Kampuchean Riel ("KHR")	**509**	36
Denominated in United States dollar ("USD")	**54**	462

As at the end of the reporting period, the cash and cash equivalents denominated in RMB amounted to approximately RMB18,974,000 (2020: approximately RMB20,577,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

23. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	HK$'000
Trade payables	**93,174**	47,968
Prepayments from and purchase payables due to import-export corporations (Note)	**25,469**	15,651
Accrued expenses	**57,396**	51,426
Other tax payables	**3,271**	6,328
Payables for acquisition of property, plant and equipment	**1,612**	1,229
Other payables	**3,913**	7,894
	184,835	130,496

Note: Prepayments from and purchase payables due to import-export corporations mainly represented to the balance due to an independent import-export corporation A by Shanghai Jielong Trading Limited and the balance due to another independent import-export corporation B by Justin Allen Limited.

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

	2021	2020
	HK$'000	HK$'000
0–30 days	**86,316**	44,160
31–60 days	**6,760**	3,010
61–90 days	**–**	151
Over 90 days	**98**	647
	93,174	47,968

The credit period on purchases of goods is 0 to 90 days upon the issue of invoices.

24. LEASE LIABILITIES

The carrying amounts of the lease liabilities at 31 December 2021 and 2020 are set out as below:

	2021 HK$'000	2020 HK$'000
Non-current	**580**	1,229
Current	**1,066**	2,200
	1,646	3,429

	2021		2020	
	Minimum lease payments due HK$'000	**Present value of lease liabilities HK$'000**	Minimum lease payments due HK$'000	Present value of lease liabilities HK$'000
Lease liabilities comprises:				
– within one year	**1,130**	**1,066**	2,385	2,200
– more than one year but not exceeding two years	**598**	**580**	791	744
– more than two years but not exceeding five years	**–**	**–**	502	485
	1,728	**1,646**	3,678	3,429
Less: future finance charge	**(82)**	**–**	(249)	–
Present value of lease liabilities	**1,646**	**1,646**	3,429	3,429

The weighted average incremental borrowing rates applied to lease liabilities ranged from 6.18% to 10% (2020: from 6.18% to 10%).

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The total cash outflows for leases including payments of lease liabilities and short-term leases for the year ended 31 December 2021 was amounted to HK$2,629,000 and HK$967,000 (2020: HK$2,640,000 and HK$401,000), respectively.

25. BANK BORROWINGS

	2021 HK$'000
Bank loans, secured and guaranteed	35,520
Carrying amount repayable:	
– within one year	35,520
The exposure of the Group's borrowings are as follows:	
Fixed-rate borrowings	35,520
Borrowings were denominated in the following currency:	
USD	23,400
RMB	12,120
	35,520

As at 31 December 2021, the range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings were as follows:

	2021
Effective interest rates:	
Fixed-rate borrowings	1.32%–4.70%

As at 31 December 2021, bank borrowings amounting to HK$23,400,000 are personally guaranteed by Mr. Edmond Tam. As at 31 December 2021, unutilised bank facilities are secured by land and buildings, plant and machinery and right-of-use assets of the Group with carrying amounts of HK$93,415,000, HK$2,643,000 and HK$48,613,000 respectively. As at 31 December 2020, unutilised bank facilities are secured by land and buildings, plant and machinery and right-of-use assets of the Group with carrying amounts of HK$115,118,000, HK$10,525,000 and HK$48,274,000 respectively. Details of the personal guarantees from a shareholder are set out in note 34(c).

26. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Authorised:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	50,000,000,000	500,000
Issue and fully paid:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,250,000,000	12,500

27. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial Position of the Company

	Notes	**2021 HK$'000**	2020 HK$'000
Non-current asset			
Investments in a subsidiary		**20,609**	20,609
Current assets			
Other receivables		**206**	198
Amount due from a subsidiary		**231,388**	156,500
Cash and cash equivalents		**779**	12,609
		232,373	169,307
Current liabilities			
Accrual and other payables		**4,421**	10,421
Amounts due to subsidiaries		**47,672**	2,661
		52,093	13,082
Net current assets		**180,280**	156,225
Net assets		**200,889**	176,834
Capital and reserve			
Share capital	26	**12,500**	12,500
Reserves	27(b)	**188,389**	164,334
Total equity		**200,889**	176,834

The financial statements were approved and authorised for issue by the Board of Directors on 29 April 2022 and are signed on its behalf by:

Tam Kwok Pui	**Yeung Suk Foon Paulina**
Director	*Director*

27. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

(b) Reserves of the Company

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
As at 1 January 2020	113,535	28,463	141,998
Profit and total comprehensive income for the year	–	50,836	50,836
Dividend (Note 14)	–	(28,500)	(28,500)
As at 31 December 2020 and 1 January 2021	**113,535**	**50,799**	**164,334**
Profit and total comprehensive income for the year	**–**	**69,055**	**69,055**
Dividend (Note 14)	**–**	**(45,000)**	**(45,000)**
As at 31 December 2021	**113,535**	**74,854**	**188,389**

28. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

Details of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Principal place of operations	Nominal value of issued share capital	Percentage of equity interests and voting power attributable to the Company		Principal activities
				2021	2020	
Directly						
Justin Allen Overseas Limited ("JA Overseas")	BVI, 26 April 2012	Hong Kong	USD11,947	**100%**	100%	Investment holding
Indirectly						
Castle Eagle Investments Limited	BVI, 28 October 2013	Hong Kong	USD1	**100%**	100%	Investment holding
Jie Wei (Cambodia) Garment	Cambodia, 9 February 2011	Cambodia	USD1,000,000	**100%**	100%	Manufacturing and Factory Limited sales of sleepwear products, loungewear products and processing services
Justin Allen Limited	Hong Kong, 1 March 1983	Hong Kong	HK$100,000	**100%**	100%	Sales of sleepwear products and loungewear products
Shanghai Jielong Trading Limited (Note 1)	The PRC, 9 June 2006	Shanghai, The PRC	RMB1,000,000	**100%**	100%	Sales of fabric
Justin Allen Hong Kong Limited	Hong Kong, 14 January 2016	Hong Kong	HK$1,000	**100%**	100%	Investment holding
Power Summit Investments Limited	BVI, 16 May 2012	Hong Kong	USD1	**100%**	100%	Investment holding
Justin Allen Investment (China) Limited	Hong Kong, 27 July 2011	Hong Kong	HK$100,000	**100%**	100%	Inactive
Henan Kaiyu Spinning, Weaving & Apparel Limited ("Henan Kaiyu") (Note 2)	The PRC, 1 June 2011	Henan, The PRC	RMB119,744,836	**75%**	75%	Manufacturing and sales of sleepwear products, loungewear products and greige fabric and processing services
JAVN Investments Limited	BVI, 6 July 2020	Hong Kong	USD1	**100%**	100%	Investment holding
Common Investment Limited	BVI, 24 December 2020	Hong Kong	USD1	**100%**	N/A	Investment holding
JAVN Hong Kong Limited	Hong Kong, 4 June 2021	Hong Kong	HK$54,600,100	**100%**	N/A	Investment holding
JACA Investments Limited	BVI, 13 October 2021	Hong Kong	USD100	**100%**	N/A	Investment holding

Notes:

1. The Company is a Taiwan, Hong Kong or Macau legal person sole investment limited liability company.

2. The Company is a Taiwan, Hong Kong or Macau and domestic joint venture limited liability company.

28. PARTICULARS OF SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ operations	Proportion of ownership interests and voting rights held by non-controlling interests As at 31 December		(Loss)/profit allocated to non-controlling interests Year ended 31 December		Accumulated non-controlling interests As at 31 December	
		2021	2020	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Henan Kaiyu	The PRC	**25%**	25%	**(37)**	612	**27,953**	27,246

Summarised financial information in respect of the Group's subsidiary that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Henan Kaiyu

	As at 31 December	
	2021 HK$'000	2020 HK$'000
Non-current assets	**138,468**	138,699
Current assets	**82,797**	49,798
Current liabilities	**(102,443)**	(72,503)
	118,822	115,994
Equity attributable to owners of the Company	**90,869**	88,748
Non-controlling interests	**27,953**	27,246
	118,822	115,994

28. PARTICULARS OF SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiary that has material non-controlling interests *(Continued)*

Henan Kaiyu *(Continued)*

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Revenue	**250,348**	155,857
Expenses	**(250,495)**	(153,410)
(Loss)/profit for the year	**(147)**	2,447
(Loss)/profit attributable to owners of the Company	**(110)**	1,835
(Loss)/profit attributable to non-controlling interests	**(37)**	612
(Loss)/profit for the year	**(147)**	2,447
Other comprehensive income attributable to owners of the Company	**2,231**	5,460
Other comprehensive income attributable to non-controlling interests	**744**	1,820
Other comprehensive income	**2,975**	7,280
Total comprehensive income for the year attributable to:		
Owners of the Company	**2,121**	7,295
Non-controlling interests	**707**	2,432
	2,828	9,727
Net cash (outflow)/inflow from operating activities	**(5,769)**	25,279
Net cash outflow from investing activities	**(4,941)**	(3,972)
Net cash inflow/(outflow) from financing activities	**12,565**	(15,300)
Effect of foreign exchange rate changes	**(66)**	111
Net cash inflow	**1,789**	6,118

29. RETIREMENT BENEFIT SCHEMES

The Group provides defined contribution plans for its employees in Hong Kong, the PRC and Cambodia.

Hong Kong

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, in which the contribution is matched by the employee.

The PRC and Cambodia

The Group also participates in defined contribution retirement schemes organised by the relevant local government authorities in the PRC and Cambodia. Certain employees of the Group eligible for participating in the retirement schemes are entitled to retirement benefits from the schemes.

The Group is required to make contributions to the retirement schemes up to the time of retirement of the eligible employees, excluding those employees who resign before their retirement, at a percentage that is specified by the local government authorities.

The total expenses recognised in consolidated statement of profit or loss which amounted to HK$8,708,000 and HK$4,150,000 for the years ended 31 December 2021 and 2020, respectively, represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

Share Option Scheme

The Company has a share option scheme which was adopted on 17 October 2019. The purpose of the share option scheme is to grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive directors) of our Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries as incentives or rewards for their contribution or potential contribution to our Company and/or any of its subsidiaries and retain high-calibre employees.

The purpose of the Share Option Scheme is to grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive directors) of our Company or any of its Subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its Subsidiaries (the "Participants") as incentives or rewards for their contribution or potential contribution to our Company and/or any of its subsidiaries and retain high-calibre employees.

On and subject to the terms of the Share Option Scheme, the Board shall be entitled at any time to offer to grant to any non-executive Director or independent non-executive Director of our Company appointed, or any director of any of the subsidiaries, or any employee (whether full time or part time) of our Company or its subsidiaries, including any executive Director as the Board may think fit, an option to subscribe for such number of Shares as the Board may determine at the exercise price. The basis of eligibility of any of the class of Participants to the grant of any options shall be determined by the Board from time to time on the basis of their contribution to our Group.

29. RETIREMENT BENEFIT SCHEMES *(Continued)*

Share Option Scheme *(Continued)*

The Share Option Scheme shall take effect conditional upon (i) the passing of the necessary resolutions by the Board and the shareholders of our Company to approve and adopt the rules of the Scheme; (ii) no objection having been received by our Company from the Listing Committee prior to the listing of the Shares on the Stock Exchange in relation to the adoption of any of the terms of the Scheme; (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of options under the Scheme; (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, following the waiver(s) of any conditions) by the Sole Global Coordinator (acting for and on behalf of the Underwriters) and not being terminated in accordance with their terms or otherwise; and (v) the commencement of dealings in the Shares on the Stock Exchange.

The total number of securities available for issue under the Share Option Scheme as at the date of this annual report was 125,000,000 shares which represented approximately 10% of the issued share capital of the Company as at the date of this annual report.

No option had been granted or agreed to be granted as at the date of this annual report.

30. CAPITAL COMMITMENTS

	2021 **HK$'000**	2020 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the year	**829**	364

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the years ended 31 December 2021 and 2020.

The capital structure of the Group consists of net debt, which includes the secured bank borrowings disclosed in note 25, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at amortised cost (including bank balance and cash)	**178,134**	133,685
Trade receivables at FVTOCI	**55,597**	32,452
Financial assets at FVTPL	**127,603**	76,606
	361,334	242,743
Financial liabilities		
Financial liabilities at amortised cost	**193,261**	111,946
Financial liabilities at FVTPL	**928**	–
	194,189	111,946

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade receivables at FVTOCI, financial assets at FVTPL, bank balances and cash, trade and other payables, financial liabilities at FVTPL, lease liabilities and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group undertakes certain transactions denominated in foreign currencies which are different from USD and RMB, the functional currency of the respective group entities. The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The carrying amounts of the Group's foreign currencies denominated monetary assets and monetary liabilities as at 31 December 2021 and 2020 are as follows:

	Assets		Liabilities	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
HK$	**85,126**	41,773	**25,470**	15,653
USD	**54**	463	**–**	–
RMB	**2**	2	**2,183**	2,641
CAD	**129**	279	**–**	–
KHR	**509**	36	**–**	–

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis

Under the pegged exchange rate system, the financial impact arising from changes in exchange rates between HK$ and USD is not expected to be significant and therefore, the corresponding sensitivity analysis is not prepared.

The above RMB, CAD and KHR denominated assets are insignificant to the Group. Accordingly, no sensitivity analysis is presented in management's opinion.

The Company is mainly operated in its local jurisdiction with most of the transactions settled in its functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to financial assets and financial liabilities at FVTPL (see note 21 for details), fixed-rate bank borrowings (see note 25 for details) and lease liabilities (see note 24 for details). However, management considers the fair value interest rate risk is insignificant as they are relatively short-term.

The Group is also exposed to cash flow interest rate risk in relation to bank balances (see note 22 for details) due to the fluctuation of the prevailing market interest rate.

Bank balances are excluded from sensitivity analysis as the management consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

The Group currently does not have an interest rate hedging policy to hedge against the exposure. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

No sensitivity analysis for the years ended 31 December 2021 and 2020 since the Group did not have variable interest-bearing bank borrowings at the end of the reporting period.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 60% and 61% of the total gross trade receivables was due from the Group's largest customer as at 31 December 2021 and 2020, respectively, and 98% and 99% of the total gross trade receivables was due from the five largest customers as at 31 December 2021 and 2020, respectively.

In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets, except for trade receivables, that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12m ECL.

Trade receivables

For trade receivables (including trade receivables at FVTOCI), the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items individually.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Other receivables

For other receivables, the Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12m ECL, since the directors of the Company assessed that there has not been any significant increase in credit risk since initial recognition.

In determining the expected credit losses, the Group determines the ECL on these items individually based on past default experience of the counterparty and reputation, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

Bank balances

The bank balances are determined to have low credit risk. The credit risk on bank balances is limited because the counterparties are reputable banks and the credit risk is low. Thus, no loss allowance is recognised.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Credit rating

As part of the Group's credit risk management, the Group applied internal credit rating for its customers. The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables
Group A	The counter party has a low risk of default based on historical repayment records and has a good reputation	Lifetime ECL – not credit-impaired
Group B	The counter party has higher creditability but sometimes repays after due dates	Lifetime ECL – not credit-impaired
Group C	The counter party usually settles after due dates with a higher-risk of default	Lifetime ECL – not credit-impaired
Group D	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Group E	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
As at 31 December 2021					
Trade receivables at FVTOCI					
Trade receivables	20	N/A	(Note ii)	Lifetime ECL	**56,069**
Financial assets at amortised cost					
Trade receivables	19	N/A	Group A	Lifetime ECL not credit-impaired	**37,748**
			Group C	Lifetime ECL not credit-impaired	**65**
Other receivables	19	N/A	(Note i)	12 months ECL	**42,354**
Bank balances and cash	22	A+ to BBB-	N/A	12-months ECL	**98,476**

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
As at 31 December 2020					
Trade receivables at FVTOCI					
Trade receivables	20	N/A	(Note ii)	Lifetime ECL	33,023
Financial assets at amortised cost					
Trade receivables	19	N/A	Group A	Lifetime ECL not credit-impaired	20,850
			Group C	Lifetime ECL not credit-impaired	63
Other receivables	19	N/A	(Note i)	12 months ECL	27,975
Bank balances and cash	22	A+ to BBB-	N/A	12-months ECL	85,924

Notes:

i For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

ii For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on trade receivables individually. The average ECL rate is 0.77% (2020: 1.74%).

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

In the opinion of the directors of the Company, the trade receivables within Groups A and C at the end of the reporting period which have been past due 90 days or more are not considered as in default by considering the expected subsequent and historical repayment from the trade receivables.

Movement in the allowance for ECL of trade receivables and other receivables:

	Trade receivables		Financial assets at FVTOCI	Other receivables	
	Lifetime ECL (not credit-impaired) HK$'000	Lifetime (credit-impaired) HK$'000	Lifetime ECL (not credit-impaired) HK$'000	12-months ECL HK$'000	Total HK$'000
As 1 January 2020	1,393	1,983	135	196	3,707
Written off	–	(1,983)	–	–	(1,983)
(Reversal)/provision of allowance for ECL	(981)	–	436	506	(39)
As at 31 December 2020 and 1 January 2021	**412**	**–**	**571**	**702**	**1,685**
Reversal of allowance for ECL	**(161)**	**–**	**(99)**	**(444)**	**(704)**
As at 31 December 2021	**251**	**–**	**472**	**258**	**981**

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on external borrowings and advances from shareholders as significant sources of liquidity.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables

As at 31 December 2021

	Weighted average interest rate %	On demand or less than 3 months HK$'000	1 year to 2 years HK$'000	2 years to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	N/A	156,095	–	–	156,095	156,095
Secured bank borrowings						
– fixed rate	2.47	36,221	–	–	36,221	35,520
Lease liabilities	6.86	1,130	598	–	1,728	1,646
		193,446	598	–	194,044	193,261

As at 31 December 2020

	Weighted average interest rate %	On demand or less than 3 months HK$'000	1 year to 2 years HK$'000	2 years to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount Carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	N/A	108,517	–	–	108,517	108,517
Lease liabilities	8.31	2,385	791	502	3,678	3,429
		110,902	791	502	112,195	111,946

32. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of financial instruments.

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

The Group's trade receivables at FVTOCI, financial assets at FVTPL and financial liabilities at FVTPL are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined.

	Fair value as at 31 December 2021 HK$'000	Fair value as at 31 December 2020 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Financial assets				
Trade receivables at FVTOCI	**55,597**	32,452	Level 2	Discounted cash flow method. The key input is market interest rate.
Forward foreign exchange contracts	**–**	45	Level 2	Discounted cash flow method. The key inputs are forward exchange rates and contracted forward rates.
Investments in listed bonds	**89,931**	76,561	Level 1	Quoted bid prices in an active market.
Bonds funds	**5,970**	–	Level 2	The net assets value of the fund. The key input is the fair value of the underlying assets and liabilities
Investment funds	**30,669**	76,561	Level 2	The net assets value of the fund. The key input is the fair value of the underlying assets and liabilities
Foreign exchange options	**1,033**	–	Level 2	Discounted cash flow method. The key inputs are forward exchange rates and contracted forward rates.
Financial liabilities				
Foreign exchange options	**928**	–	Level 2	Discounted cash flow method. The key inputs are forward exchange rates and contracted forward rates.

There is no transfer between different levels of the fair value hierarchy during the years ended 31 December 2021 and 2020.

32. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost during the years ended 31 December 2021 and 2020 approximate their fair values.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest payable	Dividend payable	Bank borrowings	Deferred issue costs	Lease liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2020	–	–	111,769	6,013	5,605	123,387
Financing cash flows, net	(4,876)	(28,500)	(111,769)	(6,013)	(2,640)	(153,798)
Interest expense	4,876	–	–	–	401	5,277
Dividend (Note 14)	–	28,500	–	–	–	28,500
Exchange difference	–	–	–	–	63	63
As at 31 December 2020 and 1 January 2021	**–**	**–**	**–**	**–**	**3,429**	**3,429**
Adoption of HKFRS 16	**–**	**–**	**–**	**–**	**594**	**594**
Financing cash flows, net	**(4,679)**	**(45,000)**	**35,520**	**–**	**(2,629)**	**(16,788)**
Interest expense	**4,679**	**–**	**–**	**–**	**210**	**4,889**
Dividend (Note 14)	**–**	**45,000**	**–**	**–**	**–**	**45,000**
Exchange difference	**–**	**–**	**–**	**–**	**42**	**42**
As at 31 December 2021	**–**	**–**	**35,520**	**–**	**1,646**	**37,166**

34. MATERIAL RELATED PARTY DISCLOSURES

(a) Related party transactions

During the years ended 31 December 2021 and 2020, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	2021 HK$'000	2020 HK$'000
Ms. Paulina Yeung	Rental expense	**150**	117

(b) Compensation of key management personnel

Compensation paid to key management personnel of the Group represented the remuneration of directors and other members of key management are disclosed in note 12.

(c) Personal guarantees from a shareholder

As at 31 December 2021 the bank borrowings amounting to HK$23,400,000 (2020: HK$Nil) granted to the Group are secured by personal guarantees from Mr. Edmond Tam.

35. EVENTS AFTER THE REPORTING PERIOD

No subsequent events occurred after 31 December 2021 which may have a significant effect on the assets and liabilities of future operations of the Group.

36. CONTINGENT LIABILITIES

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

37. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

38. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 April 2022.

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,181,603**	857,431	701,285	608,386	524,852
Listing expenses	**–**	–	(27,085)	(16,878)	(500)
Profit before tax	**195,615**	133,870	72,702	55,356	63,189
Income tax expense	**(37,336)**	(27,649)	(17,859)	(13,131)	(11,778)
Profit for the year	**158,279**	106,221	54,843	42,225	51,411
Profit attributable to:					
Owners of the Company	**158,316**	105,609	52,403	37,165	46,565
Non-controlling interests	**(37)**	612	2,440	5,060	4,846
	158,279	106,221	54,843	42,225	51,411

ASSETS AND LIABILITIES

	At 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**791,492**	577,800	568,676	478,235	451,277
Total liabilities	**(238,858)**	(146,744)	(228,760)	(278,717)	(156,762)
Net assets	**552,634**	431,056	339,916	199,518	294,515
Capital and reserves attributable to:					
Owners of the Company	**524,681**	403,810	315,102	156,418	248,464
Non-controlling interests	**27,953**	27,246	24,814	43,100	46,051
	552,634	431,056	339,916	199,518	294,515