GROWN UP GROUP

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

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

Annual Report
2022

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Fung Bing Ngon Johnny

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Hing Suen (appointed on 1 April 2022)
Mr. Wong Kai Hing
Mr. Chan Ting Leuk Arthur (appointed on 3 August 2022)
Mr. Tang Tin Lok Stephen (resigned on 1 April 2022)
Mr. Lau Ning Wa Ricky (resigned on 6 May 2022)

AUDIT COMMITTEE

Mr. Tsang Hing Suen *(Chairman)* (appointed on 1 April 2022)
Mr. Tang Tin Lok Stephen (resigned on 1 April 2022)
Mr. Lau Ning Wa Ricky (resigned on 6 May 2022)
Mr. Wong Kai Hing
Mr. Chan Ting Leuk Arthur (appointed on 3 August 2022)

NOMINATION COMMITTEE

Mr. Thomas Berg *(Chairman)*
Mr. Tang Tin Lok Stephen (resigned on 1 April 2022)
Mr. Lau Ning Wa Ricky (resigned on 6 May 2022)
Mr. Wong Kai Hing
Mr. Tsang Hing Suen (appointed on 1 April 2022)
Mr. Chan Ting Leuk Arthur (appointed on 3 August 2022)

REMUNERATION COMMITTEE

Mr. Wong Kai Hing *(Chairman)*
Mr. Lau Ning Wa, Ricky (resigned on 6 May 2022)
Mr. Tang Tin Lok Stephen (resigned on 1 April 2022)
Mr. Thomas Berg
Mr. Tsang Hing Suen (appointed on 1 April 2022)
Mr. Chan Ting Leuk Arthur (appointed on 3 August 2022)

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

Mr. Thomas Berg (resigned on 22 April 2022)
Ms. Shut Ya Lai
Mr. Ngai Tsz Hin Michael (appointed on 22 April 2022)

AUDITOR

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

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.grown-up.com

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

PRINCIPAL BANKER

Hang Seng Bank Limited

STOCK CODE

1842

FINANCIAL HIGHLIGHTS

Financial Results on continuing operation	Year ended 31 December 2022 HK$'000	2021 HK$'000
Revenue	**394,119**	304,716
(Loss)/Profit for the year	**(466)**	5,256
Basic (loss)/earning per share (HK cents)	**(0.05)**	0.53
Diluted (loss)/earning per share (HK cents)	**(0.05)**	0.53

Statement of Financial Position	As at 31 December 2022 HK$'000	2021 HK$'000
Non-current assets	**72,616**	46,748
Current assets	**203,259**	182,135
Total assets	**275,875**	228,883
Current liabilities	**138,463**	122,948
Non-current liabilities	**3,181**	1,206
Total liabilities	**141,644**	124,154
Net assets	**134,231**	104,729

Ratio Analysis		
Current ratio (times)	**1.5**	1.5
Gearing ratio	**51.3%**	35.3%

Notes:

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

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

CHAIRPERSON'S STATEMENT

Dear Valued Shareholders,

On behalf of the board of directors (the "Directors") (the "Board") of Grown Up Group Investment Holdings Limited (the "Company"), together with its subsidiaries (collectively, the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2022 (the "Reporting Period").

The year 2022 was a tough and challenging year to the Group. The Group's performance was still heavily affected by the COVID-19 pandemic (the "Pandemic") during the Reporting Period. With the strict COVID-19 containment measures being implemented by the PRC Government, the Group's business operations in the PRC were adversely influenced as mandatory lockdowns were put in place when COVID-19 cases were identified. The Group's factories located in the PRC were forced to suspend their operations from time to time during the Reporting Period. With the easing of the "zero-COVID" policy in the PRC and the COVID restriction in Hong Kong in early 2023, it is expected the economies of Hong Kong and the PRC are going to revive gradually and will benefit the Group's performance at certain extent in 2023.

During the Reporting Period, the Group has witnessed an improvement in the private label products business, with its revenue increasing from approximately HK$304.7 million for the year ended 31 December 2021 to approximately HK$394.1 million for the Reporting Period. Such increase was mainly attributable to the significant increase in the sales of essential bags during the Reporting Period.

The dropping of the COVID-19 containment measures will no doubt spur global economic growth, but the effect on economic revival is likely to be diminished by the escalated Russia-Ukraine War and high inflation rate. The Russia-Ukraine War caused inflationary expectations to soar and the world's inflation rate has reached 8.8% in 2022 due to supply chain disruptions and energy price shocks. As central banks across the world simultaneously raise interest rates in response to inflation, the global economy is warned of rising recession risk, which in turn may negatively affect the Group's business operations. Apart from the above, with the adverse effects of the deteriorating relationship between the US and the PRC and the potential drop in consumers' demand as well as volatile exchange rates, it is foreseeable that the Group's overall performance could be weakened. To stay competitive, the Group is proactively working on various mitigation policies and seeking for opportunities to work with new customers and carry out new projects, and will continue to maintain its focus in increasing profitability and strengthening its competitive edge.

To alleviate the Group's cash flow pressure triggered by the above worldwide adverse impacts, on 9 November 2022, the Company entered into a placing agreement with a placing agent and had placed a total of 200,000,000 placing shares at the placing price of HK$0.16 per placing share to independent investors. The placement was completed on 5 December 2022 with a net proceed (after deduction of all relevant expenses) of approximately HK$31.5 million. The funds raised from such placing of shares were used to (i) fund its existing business operation; (ii) increase brand awareness by participating in an NFT-themed project; (iii) repay its outstanding liabilities; and (iv) use as general working capital of the Group. We believe that the NFT-themed tourism project is an opportunity to raise the Group's brand awareness with an aim to drive sales, so that it can synergise with the Group's tourism-related manufacturing business and generate more sales in the long term.

Moving forward, the Company will continue to monitor the situations, and carry out practicable measures to adapt to the ever-changing environment and explore new business opportunities. We remain confident in sustaining long-term growth in our business.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my sincere gratitude to our partners, the Group's management teams and employees for their unwavering commitment, dedication and support. We would like to thank all parties who have contributed to our performance in 2022, and extend our appreciation to our stakeholders, including our shareholders, customers, suppliers and government authorities for the continued support and trust in us. We are looking forward to bringing value to our shareholders and sharing our greater success with you all.

Thomas Berg
Chairman and executive Director

Hong Kong
30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

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

During the Reporting Period, the Group's performance were overwhelmed by the following three factors, namely (i) the "zero-COVID" approach adopted by the PRC government in tackling the Pandemic; (ii) the escalated Russia-Ukraine War; and (iii) the increased global inflation rate and interest rate. The Group managed to record a 29% growth in revenue as travel bans and quarantine measures were lifted in most of the countries in 2022 and travelling resumed, leading to a rising demand for bags and luggage. To sustain such increase, the Group is actively seeking for opportunities to work with new customers and carry out new projects.

Though with a focus in supplying functional and essential products with private labels, such as tool bags, sports bags, technical and medical related products, the Group has continuously diversified its customer portfolio throughout the Reporting Period. To further maintain the competitive position in the bags and luggage industry, the Group will keep on expanding its customer base and supply chain network, in a hope to fulfill the customers' needs and expectations.

The revenue of our private label products business for the Reporting Period increased by approximately HK$89.4 million or approximately 29.3%, from approximately HK$304.7 million for the year ended 31 December 2021 to approximately HK$394.1 million for the Reporting Period. Such increase was mainly attributable to the significant increase in sales of essential bags during the Reporting Period. The breakdown of the revenue by product portfolio and product category are set out as below:

	Year ended 31 December			
	2022		2021	
	Revenue HK$'000	**%**	Revenue HK$'000	%
Private label products				
Backpack and others	**204,194**	**52**	101,366	33
Tool bags	**105,318**	**27**	130,961	43
Luggage	**15,595**	**4**	6,893	2
Medical bags and related supplies	**69,012**	**17**	65,496	22
Total	**394,119**	**100**	304,716	100

Cost of Sales and gross profit

Despite growth in revenue, our gross profit and gross profit margin decreased from approximately HK$59.9 million and 19.6% for the year ended 31 December 2021 to approximately HK$58.8 million and 14.9% for the Reporting Period. The drop in both gross profit and gross profit margin was mainly due to the relatively larger increase in cost of sales by approximately 36.9% during the Reporting Period, which was mainly driven by the increase in production and raw material costs as well as the increase in sales of essential bags with lower profit margins during the Reporting Period.

Selling and Distribution Expenses

Our selling and distribution expenses increased by approximately HK$1.8 million from approximately HK$12.5 million for the year ended 31 December 2021 to approximately HK$14.3 million for the Reporting Period. Such increase was mainly driven by the increase of sales activities during the Reporting Period.

Administrative Expenses

Our administrative expenses increased by approximately HK$2.0 million from approximately HK$39.5 million for the year ended 31 December 2021 to approximately HK$41.5 million for the Reporting Period. Such increase was mainly due to the increase in employee benefit expenses and directors' emoluments by approximately HK$5.5 million, which were offset by (i) the decrease in depreciation of right-of-use assets and property, plant and equipment by approximately HK$1.5 million and (ii) the reported exchange gain (net) of approximately HK$3.8 million.

Finance Costs

Our finance costs, net increased by approximately HK$2.2 million from approximately HK$1.7 million for the year ended 31 December 2021 to approximately HK$3.9 million for the Reporting Period. Such increase was mainly driven by the significant increase in interest rates and the increase in bank borrowings for the Reporting Period.

Income Tax

For the Reporting Period, the Group's income tax expenses amounted to approximately HK$0.4 million, as compared with approximately HK$15,000 income tax credit for the year ended 31 December 2021.

Loss for the year

The Group reported both loss from continuing operation and net loss of approximately HK$0.5 million during the Reporting Period as compared to profit from continuing operation of approximately HK$5.3 million and net loss of approximately HK$3.0 million (which accounted for loss from discontinued operation of approximately HK$8.3 million) for the year ended 31 December 2021. The loss for the Reporting Period was mainly attributable to (i) a lower average gross profit margin as a result of the increase in production costs and the relatively larger increase in sales of essential bags with lower margins during 2022; (ii) the recognition of impairment loss ("**Impairment Loss**") on the outstanding trade receivable due from a former customer of the Group of approximately HK$3.6 million; and (iii) the recognition of fair value loss ("**Fair Value Loss**") of approximately HK$4.0 million relating to the value of the surrender charge of a key man insurance policy (the "**Policy**") as at 31 December 2022. Details of the Policy have been disclosed in the Company's other announcement dated 8 August 2022. If the above non-cash Impairment Loss and Fair Value Loss were to be excluded, the Company would have recorded a profit before tax to approximately HK$7.5 million for 2022.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

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

On 9 November 2022, the Company entered into a placing agreement (the "Placing Agreement") with a placing agent (the "Placing Agent"), pursuant to which the Company has conditionally agreed to place through the Placing Agent, a maximum of 200,000,000 new shares (the "Placing Shares") at the placing price of HK$0.16 per Placing Share under the general mandate (the "Placing"). The Placing was completed on 5 December 2022 (the "Completion"). The Company has fully placed an aggregate of 200,000,000 Placing Shares to not less than six independent placees, representing (i) 20% of the issued share capital of the Company immediately prior to the Completion; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the 200,000,000 Placing Share. The Company's issued share capital increased from 1,000,000,000 to 1,200,000,000 immediately after the Completion. The aggregate nominal value of the Placing Shares was HK$2,000,000 based on the nominal value of HK$0.01 per share. The net proceeds from the issue of the Placing Shares after deduction of all relevant expenses amounted to approximately HK$31.1 million and the net issue price of HK$0.16 per Placing Share. For details on the use of proceeds from the Placing, please refer to the section "Use of proceeds from the Placing" below.

As at 31 December 2022, the Group had net current assets of approximately HK$64.8 million (31 December 2021: HK$59.2 million), cash and bank balances and pledged deposits amounted to approximately HK$91.4 million (31 December 2021: HK$58.2 million) and bank borrowings amounted to approximately HK$63.7 million (31 December 2021: HK$32.4 million). The Group's cash and bank balances as at 31 December 2022 were mainly denominated in Renminbi ("RMB"), Hong Kong Dollars ("HK$") and United Stated Dollars ("USD"). The Group's borrowings carried interest at rates ranging from 5.0% to 6.5% per annum as at 31 December 2022 (2021: 1.9% to 5.8%), and from 1.5% to 7.8% per annum during the Reporting Period (31 December 2021: 1.8% to 5.8%).

The Group's gearing ratio as at 31 December 2022 was 51.3% (31 December 2021: 35.3%), calculated by dividing total debt by total equity multiplied by 100%. Total debt is defined as the sum of lease liabilities and bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

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

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2022 and 2021.

EMPLOYEE INFORMATION

As at 31 December 2022, the Group had approximately 399 employees. Salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis. Remuneration is reviewed annually. Staff benefits include contribution to mandatory contribution fund, discretionary bonus and share options. As at the date of this annual report, no share option has been granted or agreed to be granted to employees of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Reporting Period, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

For the year ended 31 December 2021, the Company entered into a sale and purchase agreement (the "**SPA**") on 29 November 2021, of which the Company agreed to sell and the purchaser, a company indirectly wholly-owned by Mr. Thomas Berg ("**Mr. Berg**"), an executive Director and the chairman of the Company, agreed to acquire the entire issued share capital of Grown-Up Licenses Limited ("**GPL HK**"), the then indirect wholly-owned subsidiary of the Company, for a consideration of HK$30,500,000 (the "**Connected Transaction**"). The SPA was completed on 31 December 2021. For details of the Connected Transaction, please refer to the Company's announcements dated 29 October 2021, 31 December 2021, 1 March 2022 and 30 March 2022, respectively.

SIGNIFICANT INVESTMENT HELD

Save for the financial assets at FVTPL in relation to the subscription of key management insurance contracts and the investment in NFT-themed project during the Reporting Period as disclosed in note 19, there were no other material investments held by the Group (31 December 2021: nil) as at 31 December 2022. Please refer to the Company's announcements dated 8 August 2022 and 9 November 2022 respectively for further details.

CHARGE ON ASSETS

As at 31 December 2022 and 2021, the following assets were pledged to banks to secure general banking facilities granted to the Group:

(i) Land and buildings with carrying values of approximately HK$1.1 million (2021: approximately HK$1.1 million);

(ii) Pledged deposits of approximately HK$45.9 million (2021: approximately HK$48.8 million); and

(iii) Financial assets at FVTPL of HK$26.3 million (2021: HK$7.0 million).

FOREIGN CURRENCY EXPOSURE

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

DIVIDEND

The Board did not recommend the payment of a final dividend by the Company for the Reporting Period (2021: nil).

USE OF PROCEEDS FROM LISTING

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

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

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

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

Intended use of Net Proceeds	Description of the Net Proceeds utilised during the Reporting Period
Enhancing information technology management system	• Upgraded IT facility and system.

USE OF THE PROCEEDS FROM THE PLACING

As disclosed in the section headed "Capital Structure, Liquidity, Financial Resources and Gearing", on 5 December 2022, the Group completed the Placing and placed 200,000,000 Placing Shares at the placing price of HK$0.16 per Placing Share. The net proceeds from the Placing, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) amounted to approximately HK$31.3 million. As disclosed in the Company's announcement dated 9 November 2022, the Group intends to apply the net proceeds from the Placing to (1) fund the existing business operation; (2) increase brand awareness by participating in an non-fungible token ("NFT")-themed project; (3) repay the outstanding liabilities; and (4) use as general working capital of the Group.

As at 31 December 2022, the net proceeds from the Placing were utilised by approximately HK$13.6 million comprised of (i) increasing of brand awareness by cooperating with an independent third party in developing an NFT theme project of approximately HK$8.0 million; (ii) repayment of bank loans of approximately HK$2.6 million; and (iii) general working capital to accommodate daily operational needs of HK$3.0 million. It is expected that the unutilised proceeds of approximately HK$17.7 million as at 31 December 2022 will be utilised as intended by the end of 31 December 2023.

CONVERTIBLE BONDS

On 12 May 2022, the Company entered into a subscription agreement (the "Subscription Agreement") with the subscriber (the "Subscriber"), pursuant to which the Subscriber agreed to subscribe, and the Company agreed to issue convertible bonds (the "Convertible Bonds") in an aggregate principal amount of HK$15,000,000 with the conversion price of HK$1.68 per conversion share. On 16 May 2022, the Company entered into a supplemental subscription agreement (the "Supplemental Subscription Agreement", together with the Subscription Agreement, the "Subscription Agreements") with the Subscriber, pursuant to which the conversion price has changed from HK$1.68 per conversion price to HK$2.09 per conversion share, which was the closing price per share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the Supplemental Subscription Agreement. The Convertible Bonds shall bear interest from and including the date of its issue at 2.5% per annum on the outstanding principal amount thereof. Based on the conversion price of HK$2.09 per conversion share, a total of 7,177,033 conversion shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds, which will represent approximately 0.72% of the existing issued share capital of the Company and approximately 0.71% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares. The Company intended to use the net proceeds from the Convertible Bonds, which was estimated to be HK$15.0 million, as general working capital of the Group to support its existing business operations and the development of the Group's potential projects in the sphere of digital assets.

The Subscription Agreements were lapsed on 30 September 2022 as the conditions precedent set forth in the Subscription Agreements were not fulfilled by the long stop date, i.e. 30 September 2022. For further details of the Convertible Bonds, please refer to the announcements of the Company dated 12 May 2022, 16 May 2022 and 30 September 2022, respectively.

CONTINUING CONNECTED TRANSACTION

On 31 December 2021, Grown-Up Manufactory Limited ("**GPM**"), a subsidiary of the Company, entered into a framework supply agreement (the "**Framework Supply Agreement**") with GPL HK, pursuant to which GPM and its subsidiaries agreed to sell and GPL HK and its subsidiaries ("**GPL Group**") agreed to purchase backpack, bags and luggage products (the "**Products**"). GPL HK, is a former subsidiary of the Group which is now indirectly and wholly-owned by Mr. Berg, an executive Director and the chairman of the Board.

The pricing of the Products is agreed between the Group and GPL Group, which shall be determined in the ordinary course business on normal commercial terms, negotiated on arm's length basis by both parties and based on the prevailing market price at the time of the transaction (which shall be on terms no less favourable than those offered by the Group to the independent third parties and/or prevailing in the market for the Products of similar type and quality)

For the Reporting Period, the proposed cap for the transaction amounts under the Framework Supply Agreement and the actual transaction amounts under the Framework Supply Agreement were as follows:

	Proposed cap for transaction amount	**Actual transaction amount**
	HK$'000	HK$'000
Sales by the Group to GPL Group	70,000	62,245

Pursuant to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "Stock Exchange") (the "Listing Rules"), GPL HK is a connected person of the Company and the transaction contemplated under the Framework Supply Agreement constituted continuing connected transaction of the Company.

The independent non-executive Directors confirmed that the above continuing connected transaction was entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or better; and (iii) in accordance with the Framework Supply Agreement on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Grant Thornton Hong Kong Limited ("Grant Thornton"), the Company's independent auditor, was engaged to report on the continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Grant Thornton has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed above pursuant to Rule 14A.56 of the Listing Rules.

Grant Thornton has confirmed in a letter to the Board that, nothing has come to their attention that causes the auditor to believe that the transaction under the Framework Supply Agreement: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with each of the Master Agreement and Framework Agreement; and (iv) have exceeded the cap.

A copy of the auditor's letter was provided to the Stock Exchange by the Company in accordance with Rule 14A.57 of the Listing Rules.

Save for the related party transactions as disclosed in note 30, the Group had not entered into any connected transaction during the Reporting Period, which is required to be disclosed under Chapter 14A of the Listing Rules.

DISCLOSABLE TRANSACTION

On 12 January 2022, GPM took out a life insurance policy (the "Policy") with Hang Seng Insurance Company Limited ("Hang Seng Insurance") and placed an initial single premium of US$2,994,160 (equivalent to approximately HK$23,300,000) by way of cash thereunder with Hang Seng Insurance. Mr. Berg is the insured person and GPM is both the policyholder and the beneficiary of the Policy.

The amount of the initial single premium was agreed between GPM and Hang Seng Insurance after arm's length negotiation with reference to, amongst other things, Mr. Berg's age, gender and the sum at risk and amount of death benefit payable to GPM in the event of the death of Mr. Berg. In the event that GPM surrenders the Policy during the policy term, the maximum amount receivable by GPM under the Policy on a guaranteed basis would be US$2,849,788 (equivalent to approximately HK$22,170,000). In the event that Mr. Berg resigns from his office as an executive Director and the chairman of the Board and/or is no longer employed or engaged with the Group in the future, GPM may apply for a change of the insured person under the Policy to including without limitation, such person of comparable importance to the management of the Group, subject to Hang Seng Insurance's discretion.

The Company is of the view that the Policy offers timely financial benefit and security to the Group and confidence to the Group's stakeholders and business partners to the Group's benefit in the unfortunate event of the loss of Mr. Berg. The Board confirmed that the terms of the Policy and the transaction contemplated thereunder are fair and reasonable and the entry of the Policy is in the interests of the Company and the shareholders as a whole.

The entry of the Policy constituted a discloseable transaction under Chapter 14 of the Listing Rules. For details of the Policy, please refer to the announcement of the Company dated 8 August 2022. Save as disclosed above, the Group had not entered into any notifiable transaction during the Reporting Period, which is required to be disclosed under Chapter 14 of the Listing Rules.

OUTLOOK AND PROSPECTS

The Group is committed to maintaining its leading position in the bags and luggage industry. During the Reporting Period, the Pandemic and the Russia-Ukraine War loomed over the Group's business operations. Nevertheless, we never stopped perusing ideas to expand our business footprint worldwide. We will keep on enhancing our design, research and development capabilities and keeping ourselves abreast of the latest trend to meet the needs of our customers.

The year 2023 will remain to be a challenging year for the Group. Despite the fact that the world has changed its approach in tackling the Pandemic, from tough containment measures, such as mandatory quarantines, city lockdowns and travel bans, to the scrapping of all containment measures and advocating the attitude of "Living with COVID" in 2022, the global economy is facing the threat of recession in 2023 because of the Russia-Ukraine War and high inflation rate.

MANAGEMENT DISCUSSION AND ANALYSIS

The dropping of the COVID-19 containment measures will no doubt spur global economic growth, but the effect on economic revival is likely to be diminished by the escalated Russia-Ukraine War which has continuously disrupted energy and food supply. The disturbance of the Russia-Ukraine War in the global supply chain had caused the prices of commodities, food, petroleum and raw materials to increase tremendously, resulting in rising world inflation rate which peaked at 8.8% in 2022, and is forecasted to stay at 6.5% in 2023. With the high inflation rate, the US Federal Reserve and the European Central Bank increased the benchmarked interest rates in late 2022 and it is expected that the US Federal Reserve is going to take a more aggressive direction should the inflation rates remain high in the coming months in 2023. Countries may be subject to economic austerity to overcome the risk of recession.

Tensions between the US and the PRC were also heightened with the Chinese surveillance balloons being shot down by the US military force in the US in early 2023, leading to geopolitical friction between the two nations. With all these adverse effects, it is foreseeable that the Group's performance will weaken. Consumers will be less likely to spend on luxury items under tight fiscal policies to avoid debts and high living costs. Our customers will be more cautious in placing orders with the Group in view of the potential drop in consumers' demand. Volatile exchange rates may also place a heavy burden on the Group as the Group works with customers located in different parts of the world.

To stay competitive, the Group will continue to maintain its focus in increasing profitability and strengthening its competitive edge. In order to mitigate the negative effect of the US tariffs on the Group's products, the Group will carry on its expansion plan to broaden its supply chain and production footprint and divert some of its production plant out of the PRC. Such expansion can also benefit the Group as it can offer competitive price and flexibility to its customers, without being heavily charged on the US tariffs as the Group's products are manufactured out of the PRC. In 2023, the Group will further optimise and enhance the production capacity of its own and partnered factories located in the PRC and Southeast Asia to boost the Group's performance. With effective cost control measures, the Group will plan and adjust its budget prudently for the benefits of the Group's business operations. In addition, in view of the expected economy recovery post Pandemic, the Group is exploring opportunities to raise the Group's brand awareness with an aim to drive sales. The Group has participated in the NFT-themed tourism project during the Reporting Period, which the Directors believe that it can synergise with the Group's tourism-related manufacturing business and generate more sales in the long term.

Subject to the ever-changing market-conditions, namely (i) the Russia-Ukraine War; (ii) the high inflation rate and interest rate in the world; and (iii) the deteriorating relationship between the US and the PRC, the Group will stay cautious in 2023 by constantly monitoring the latest circumstances and adjusting its business strategies accordingly to meet its goals and targets.

Moving forward, the Group will maintain its strategic focus to achieve on profitability and strengthen its competitive edge by delivering greater value to its customers through quality management, competitive pricing and customer service. The Group will also cautiously explore and identify any new business opportunities with an objective to broaden its business scope and benefit from diversified return from the future.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS

Executive Directors

Mr. Thomas Berg ("**Mr. Berg**"), aged 51, is the chairman of our Board and an executive Director. He was concurrently appointed as an executive Director and the chairman of our Board on 16 March 2018. He is also the Director of certain subsidiaries of the Group. He is mainly responsible for overall business development as well as financial and strategic planning of the Group. He is also the chairman of the nomination committee (the "Nomination Committee") and a member of the remuneration committee (the "Remuneration Committee") of the Group.

Mr. Berg has more than 27 years of experience in the sales and marketing industry. From August 1994 to December 1996, Mr. Berg worked for Pacific Market International, a drinkware, bag and luggage supplier, at which his last position was sales executive. In October 1996, Mr. Berg entered into a cooperation agreement with Grown-Up Manufactory Limited ("GPM") to manage our Group's business in Europe, and subsequently joined the Group and was appointed as managing director of the Europe office of GPM in January 1997. In April 2002, Mr. Berg was further appointed as director of GPM. From January 2005 to August 2015, he worked as group chief executive officer of GPM. From December 2005 to June 2012, he was appointed as managing director of Grown-Up ApS. Since April 2015, Mr. Berg has been serving as group executive chairman of GPM.

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

As at 31 December 2022, Mr. Berg was interested in 88.7% of the issued share capital of GP Group Investment Holding Limited ("GPG") and was deemed to be interested in 510,000,000 shares (representing 42.5% of the aggregate number of shares in issue) held by GPG within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). Save as disclosed above, Mr. Berg (i) had no other interests in any shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Morten Rosholm Henriksen ("**Mr. Henriksen**"), aged 54, is an executive Director. He was appointed as an executive Director on 16 March 2018. He is mainly responsible for overall management of our business operation.

Mr. Henriksen has more than 31 years of experience in the sales and marketing industry. From January 1995 to December 1999, Mr. Henriksen worked for Forlaget Benjamin ApS (currently known as Benjamin Media A/S), at which his last position was publisher. From December 2000 to August 2004, Mr. Henriksen was appointed as managing director of Trade2Trade World Wide ApS (currently known as eBay Classifieds Scandinavia ApS). In January 2005, Mr. Henriksen joined the Group, and was appointed as a board member of Berg Brand Management ApS. Since September 2006, Mr. Henriksen has been appointed as managing director of Grown-Up Licenses ApS. In February 2007, Mr. Henriksen was further appointed as a management board member of BBM Berg Brand Management GmbH.

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

As 31 December 2022, Mr. Henriksen was interested in 11.3% of the issued share capital of GPG. Save as disclosed above, Mr. Henriksen (i) had no interests in any shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Cheng Wai Man (鄭偉民) ("**Mr. Cheng**"), aged 63, is an executive Director. He was appointed as an executive Director on 16 March 2018. He is mainly responsible for overall management of our business operation.

Mr. Cheng has more than 28 years of experience in the bags selling, manufacturing and trading industry. In October 1993, Mr. Cheng joined the Group and has been serving as director of GPM since then.

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

Ms. Shut Ya Lai (薛雅麗) (“**Ms. Shut**”), aged 40, is an executive Director, the chief executive officer and the joint company secretary of the Group. She was appointed as an executive Director and the chief executive officer on 12 January 2022. She is mainly responsible for the Company’s overall strategic planning and managing the Group’s operation.

Ms. Shut, has more than 18 years of experience in the auditing and accounting industry. From September 2004 to April 2012, Ms. Shut worked for Ernst & Young at which her last position was manager. Ms. Shut joined the Group as assistant financial controller of GPM, one of the subsidiaries of the Company in February 2013. She was subsequently promoted to financial controller in September 2013, group financial controller in March 2015 and group finance director in June 2016. Since March 2018, she has been serving as the company secretary of the Group as well.

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

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

Non-executive Director

Mr. Fung Bing Ngon Johnny (馮炳昂) (“**Mr. Fung**”), aged 67, is a non-executive Director. He was appointed as a non-executive Director on 16 March 2018. He is mainly responsible for providing strategic advice to the Group.

Mr. Fung has more than 28 years of experience in the handbags manufacturing and trading industry. In October 1993, Mr. Fung joined the Group and has been serving as director of GPM since then.

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

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

Independent non-executive Directors

Mr. Tsang Hing Suen (曾慶煊) ("**Mr. Tsang**"), aged 38, was appointed as an independent non-executive Director on 1 April 2022. He is responsible for providing independent advice to the Group. He is the chairman of the audit committee (the "Audit Committee") of the Group, and a member of each of the Nomination Committee and Remuneration Committee.

Mr. Tsang has over 15 years of experience in accounting and audit in Hong Kong since September 2007. He has worked for various organisations including international accounting firms and a securities firm. During the past eight years, he held various senior positions including a managerial grade position in the assurance department of an international accounting firm and a financial controller of a securities firm licensed under the Securities and Futures Ordinance.

Mr. Tsang obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University in December 2007. He has been a member of The Hong Kong Institute of Certified Public Accountants since September 2012.

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

Mr. Wong Kai Hing (黃繼興) ("**Mr. Wong**"), aged 48, was appointed as our independent non-executive Director on 21 April 2021. He is responsible for providing independent advice to our Group. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

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

Mr. Wong is currently an independent non-executive director of Tempus Holdings Limited (騰邦控股有限公司) (stock code: 6880) and Xiwang Property Holdings Company Limited (西王置業控股有限公司) (stock code: 2088), and the issued shares of which are listed on the Stock Exchange, respectively. Mr. Wong was also an independent non-executive director of Hon Corporation Limited, the issued shares of which was listed on the Stock Exchange and was delisted from the Stock Exchange on 22 June 2022.

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

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

Mr. Chan Ting Leuk Arthur (陳霆畧) ("**Mr. Chan**"), aged 42, was appointed as an independent non-executive Director on 3 August 2022. He is responsible for providing independent advice to the Group. He is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

Mr. Chan has over 17 years of experience in business and technology development. He is a director of Fu Hoi Insurance Management Limited which is engaged in investment, business development and compliance. Mr. Chan is also a co-founder and director of each of Micron Digital Corporation (HK) Limited, a company that leverages technology on motion sensors and The Trend (HK) Holding Limited T/A EHUBS, a company focusing on medication delivery solutions in China.

Mr. Chan obtained a master's degree of Engineering Science from The University of New South Wales in 2004, and had completed a bachelor's degree in Computing Science at Queen's University in 2003.

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

Senior Management

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

Joint Company Secretaries

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

Mr. Ngai Tsz Hin Michael (倪子軒) ("**Mr. Ngai**"), aged 34, was appointed as the joint company secretary on 24 March 2022. He is a practicing solicitor in Hong Kong, and currently the founder of Michael Ngai & Co. and a partner of Khoo & Co.. Mr. Ngai has been an independent non-executive director of Coolpad Group Limited, the shares of which are listed on the Stock Exchange (stock code: 2369), since January 2022. He also services as a company secretary of various companies listed on the Stock Exchange. He obtained the Bachelor of Laws and postgraduate certificate in laws from the City University of Hong Kong in 2011 and 2012, respectively.

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

CORPORATE GOVERNANCE REPORT

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

THE BOARD

Composition

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

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

Executive Directors:

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

Non-Executive Director:

Mr. Fung Bing Ngon Johnny

Independent Non-Executive Directors:

Mr. Tsang Hing Suen (appointed on 1 April 2022)
Mr. Wong Kai Hing
Mr. Chan Ting Leuk Arthur (appointed on 3 August 2022)
Mr. Tang Tin Lok Stephen (resigned on 1 April 2022)
Mr. Lau Ning Wa Ricky (resigned on 6 May 2022)

Pursuant to the Code Provision C.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. To ensure the balance of power and authority, the roles of the chairman and the chief executive officer are segregated and performed by Mr. Thomas Berg and Ms. Shut Ya Lai, respectively. The primary role of the chairman is to provide guidance and leadership to the Board and to ensure that the Board discharges its responsibilities effectively. The chief executive officer is responsible for the day-to-day management of the Group's business.

Board Diversity Policy

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

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

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

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

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

During the Reporting Period, the Group had appointed eight Directors, one of which was female. The Nomination Committee was of the opinion that the Board consists of members with diversified gender, age, education background, professional/ business experience, skills and knowledge.

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

Executive Directors

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

Non-Executive Director

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

Independent Non-Executive Directors

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

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

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

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

Appointment, Re-Election and Removal of Directors

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

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

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

Role and Responsibilities

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

The principal roles of the Board are:

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

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

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

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

Directors' Insurance

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

Directors' Training and Professional Development

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

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

	Type of trainings
Mr. Thomas Berg	A&B
Mr. Morten Rosholm Henriksen	B
Mr. Cheng Wai Man	B
Ms. Shut Ya Lai (appointed on 12 January 2022)	A&B
Mr. Brian Worm (resigned on 12 January 2022)	N/A
Mr. Fung Bing Ngon Johnny	B
Mr. Tsang Hing Suen (appointed on 1 April 2022)	A&B
Mr. Wong Kai Hing	A&B
Mr. Chan Ting Leuk Arthur (appointed on 3 August 2022)	A&B
Mr. Tang Tin Lok Stephen (resigned on 1 April 2022)	A&B
Mr. Lau Ning Wa Ricky (resigned on 6 May 2022)	A&B

A: attending seminars/conferences/forums

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

Board Meetings and General meeting

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

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

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

	Meetings attended/ Meetings convened
Mr. Thomas Berg	8/12
Mr. Morten Rosholm Henriksen	9/12
Mr. Cheng Wai Man	10/12
Ms. Shut Ya Lai (appointed on 12 January 2022)	11/11
Mr. Brian Worm (resigned on 12 January 2022)	N/A
Mr. Fung Bing Ngon Johnny	3/12
Mr. Tsang Hing Suen (appointed on 1 April 2022)	7/7
Mr. Wong Kai Hing	12/12
Mr. Chan Ting Leuk Arthur (appointed on 3 August 2022)	3/3
Mr. Tang Tin Lok Stephen (resigned on 1 April 2022)	3/4
Mr. Lau Ning Wa Ricky (resigned on 6 May 2022)	6/6

During the Reporting Period, an annual general meeting was held on 24 June 2022 (the “2022 AGM”). Apart from Mr. Thomas Berg and Mr. Morten Rosholm Henriksen who were unable to attend the 2022 AGM due to other business engagements, all the remaining Directors attended the 2022 AGM either in person or by electronic means.

BOARD COMMITTEES

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

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

Audit Committee

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

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

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

	Meetings attended/ Meetings convened
Mr. Tsang Hing Suen *(Chairman)* (appointed on 1 April 2022)	2/2
Mr. Wong Kai Hing	3/3
Mr. Chan Ting Leuk Arthur (appointed on 3 August 2022)	2/2
Mr. Tang Tin Lok Stephen (resigned on 1 April 2022)	1/1
Mr. Lau Ning Wa Ricky (resigned on 6 May 2022)	1/1

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

- reviewed the audited annual results and annual report of the Group for the year ended 31 December 2021;
- reviewed the unaudited interim results of the Group for the six months ended 30 June 2022;
- reviewed the Group's financial information, financial report system, risk management and internal control procedures;
- reviewed the Company's external auditors' independence and objective;
- reviewed the Company's external auditors' management letter, significant findings and recommendations;
- reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- reviewed and discussed the reports from the Company's external consultant with the management; and
- met with the Company's external auditors, in the absence of the management.

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

Remuneration Committee

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

The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Wong Kai Hing, Mr. Tsang Hing Suen and Mr. Chan Ting Leuk Arthur and an executive Director, namely Mr. Thomas Berg. Mr. Wong Kai Hing is the Chairman of the Remuneration Committee. The Company has complied with Rule 3.25 of the Listing Rules of which the Remuneration Committee is chaired by an independent non-executive Director and the majority member are independent non-executive Directors.

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

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

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

Further details of the Directors' and chief executives' emoluments and the five highest paid individuals are set out in Notes 8 and 31 to the consolidated financial statements.

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

	Meeting attended/ Meeting convened
Mr. Wong Kai Hing *(Chairman)*	3/3
Mr. Lau Ning Wa, Ricky (resigned on 6 May 2022)	3/3
Mr. Tang Tin Lok Stephen (resigned on 1 April 2022)	1/2
Mr. Thomas Berg	2/3
Mr. Tsang Hing Suen (appointed on 1 April 2022)	N/A
Mr. Chan Ting Leuk Arthur (appointed on 3 August 2022)	N/A

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

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

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

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

Nomination Committee

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

The Nomination Committee consists of an executive Director, namely Mr. Thomas Berg and three independent non-executive Directors, namely Mr. Wong Kai Hing, Mr. Tsang Hing Suen and Mr. Chan Ting Leuk Arthur. Mr. Thomas Berg is the chairman of the Nomination Committee. The Company has complied with Rule 3.27A of the Listing Rules of which the Nomination Committee is chaired by the chairman of the Board and comprises a majority of independent non-executive directors.

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

	Meetings attended/ Meetings convened
Mr. Thomas Berg *(Chairman)*	4/4
Mr. Tang Tin Lok Stephen (resigned on 1 April 2022)	1/3
Mr. Lau Ning Wa Ricky (resigned on 6 May 2022)	3/3
Mr. Wong Kai Hing	4/4
Mr. Tsang Hing Suen (appointed on 1 April 2022)	1/1
Mr. Chan Ting Leuk Arthur (appointed on 3 August 2022)	N/A

During the Reporting Period, the Nomination Committee had reviewed the Board Diversity Policy and reported on the Board's composition under diversified perspectives and had monitored the implementation of the Board Diversity Policy. The Nomination Committee had also recommended to re-elect Mr. Wong Kai Hing and Mr. Chan Ting Leuk Arthur at the forthcoming AGM.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The auditor's reporting responsibilities are set out in the section headed "Independent Auditor's Report" in this annual report.

AUDITOR'S REMUNERATION

For the Reporting Period, the fee paid/payable to Grant Thornton by the Group, is set out as follows:

	HK$'000
Audit services	850
Non-audit services	64

The amount of fee incurred for the non-audit services represented approximately HK$64,000 of the tax service and consultancy fees paid to Grant Thornton as the tax representative of certain subsidiaries of the Group. The Audit Committee was satisfied that non-audit services for the Reporting Period did not affect the independence of the auditor.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

INSIDE INFORMATION POLICY

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

JOINT COMPANY SECRETARIES

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

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

Mr. Ngai has confirmed that for the Reporting Period, he has taken no less than 40 hours of professional training to upgrade his skills and knowledge, which is in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Convening General Meetings by Shareholders

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

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

Such requisition shall be made in writing to the Board or the Company Secretary by mail at Flat D, 7/F, Block 2, Tai Ping Industrial Centre, 55 Ting Kok Road, Tai Po, New Territories, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at Shareholders' Meeting

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

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

Procedures by which Enquiries may be Put to the Board

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

INVESTOR RELATIONS

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

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

The annual general meeting of the Company will be held on Thursday, 25 May 2023, the notice of which shall be sent to the shareholders of the Company by not less than 21 days prior to the meeting.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

A special resolution has been passed at the 2022 AGM to adopt the Restated Articles in order to comply with the Listing Rules.

A copy of the Restated Articles is posted on the designated websites of the Stock Exchange and the Company.

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company, the principal activities of its principal subsidiaries are set out in Note 33 to the consolidated financial statements.

RESULTS/BUSINESS REVIEW

The results of the Group for the Reporting Period are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on pages 70 to 71 in this annual report. The business review of the Group for the Reporting Period is set out in the section headed "Management Discussion and Analysis" on pages 6 to 14 in this annual report.

SHARE CAPITAL

Details of movement in the share capital of the Company during the Reporting Period are set out in Note 25 to the consolidated financial statements.

RESERVES

Details of movement in the reserves of the Group during the Reporting Period are set out in the section headed "Consolidated Statement of Changes in Equity" on page 74 in this annual report.

DISTRIBUTABLE RESERVES

The Directors consider that the Company's reserves available for distribution to shareholders comprise the share premium, capital reserve and the accumulated losses which amounted to HK$131.4 million (2021: HK$104.5 million). Under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2022, the Company had distributable reserves amounting to HK$131.4 million (2021: HK$104.5 million). Under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account, capital reserve and the retained earnings are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

DIVIDEND POLICY

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

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

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

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

FINAL DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

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

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

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

Save as the abovementioned principal risks and uncertainties, other risks and uncertainties had been evaluated by the Company as set out in the Management Discussion and Analysis and Note 32 to the financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

Employees

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

Customers

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

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

Suppliers and subcontractors

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

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

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

DONATIONS

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

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Thursday, 25 May 2023 and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, both dates inclusive, during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 19 May 2023.

DIRECTORS

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

Executive Directors:

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

Non-Executive Director:

Mr. Fung Bing Ngon Johnny

Independent Non-Executive Directors:

Mr. Tsang Hing Suen (appointed on 1 April 2022)
Mr. Wong Kai Hing
Mr. Chan Ting Leuk Arthur (appointed on 3 August 2022)
Mr. Tang Tin Lok Stephen (resigned on 1 April 2022)
Mr. Lau Ning Wa Ricky (resigned on 6 May 2022)

Each of Mr. Cheng Wai Man and Mr. Fung Bing Ngon Johnny has informed the Company that he will retire as executive Director and non-executive Director respectively after the conclusion of the AGM and will not offer himself for re-election at the AGM. In accordance with article 83 and 84 of the Restated Articles, Mr. Wong Kai Hing and Mr. Chan Ting Leuk Arthur will retire as Directors by rotation and, being eligible, offer themselves for re-election at the AGM.

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

COMPETING INTERESTS

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

NON-COMPETITION UNDERTAKING

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements is set out on page 158 in this annual report.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

During the Reporting Period, neither the Company nor any of its subsidiaries has entered into or there subsisted any equity-linked agreement, or any agreement requiring the Company or any of its subsidiaries to enter into the agreement that will or may result in the issuance of shares by the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

EMPLOYEES AND EMOLUMENT POLICY OF THE GROUP

As at 31 December 2022, the Group had 399 employees (31 December 2021: 410). Total staff costs, including the salaries, wages, other allowances, redundancy cost and pension cost but excluding the emoluments of the Directors, during the Reporting Period amounted to approximately HK$48.8 million (2021: HK$59.0 million). Remuneration packages including salaries, Mandatory Provident Fund, discretionary bonuses are granted to employees according to individual performance. To attract and retain valuable employees, the Group has issued an internal guideline to assess the performance of the employees, and regular training programmes are provided to the employees to develop and enhance their knowledge and skills.

EMOLUMENT POLICY FOR DIRECTORS

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

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

Details of the Directors' and chief executives' emoluments and the five highest paid individuals are set out in Notes 8 and 31 to the consolidated financial statements.

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

As at 31 December 2022, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code in the Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long position in shares of the Company

Director	Nature of interest	Number of shares	Percentage of issued share capital
Mr. Thomas Berg ("Mr. Berg")(Note 2)	Interest in controlled corporation	510,000,000 (L)(Note 1)	42.50%

Notes:

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

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

Long position in the ordinary shares of associated corporation

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

Notes:

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

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

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

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

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

As at 31 December 2022, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Shareholder	Nature of interest	Number of shares	Percentage of issued share capital
Berg Group(Note 2)	Interest in controlled corporation	510,000,000 (L)(Note 1)	42.50%
GPG(Note 2)	Beneficial owner	510,000,000 (L)(Note 1)	42.50%

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

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 30 May 2019 (the "Adoption Date").

The purpose of the Share Option Scheme is to (i) attract and retain the best available personnel; (ii) to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group; and (iii) to promote the success of the business of our Group.

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.

A maximum of 100,000,000 shares, being 10% of the total number of shares in issue as at the Adoption Date and being 8.3% of the total number of shares in issue as at the date of this annual report, may be issued upon exercise of all options to be granted under the Share Option Scheme. The total number of shares issued and to be issued upon exercise of options granted to any participant under the Share Option Scheme in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Any further grant of options in excess of such limit must be separately approved by the shareholders in general meeting with such grantee and his close associates abstaining from voting.

The subscription price of the shares in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the share option; and (iii) the nominal value of a share on the date of grant of the share option.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on the Adoption Date and shall expire at the close of business on the business day immediately preceding the 10th anniversary thereof.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the Adoption Date, and there was no outstanding share option as at 31 December 2022.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Sales

—	the largest customer	19.1% (For the year ended 31 December 2021: 19.8%)
—	five largest customers	67.4% (For the year ended 31 December 2021: 46.1%)

Purchases

—	the largest supplier	30.5% (For the year ended 31 December 2021: 24.5%)
—	five largest suppliers	48.9% (For the year ended 31 December 2021: 47.8%)

Save for the section "Management discussion and analysis — Continuing connected transaction" disclosed, none of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

CONTINUING CONNECTED TRANSACTION AND RELATED PARTY TRANSACTIONS

On 31 December 2021, a framework supply agreement (the "Framework Supply Agreement") was entered into between GPM, an indirect wholly-owned subsidiary of the Company, and GPL HK in relation to the production and supply of backpack and luggage products (the "Products") to GPL Group by GPM and its subsidiaries. For details of the Framework Supply Agreement and the continuing connected transaction, please refer to the section "Management discussion and analysis — Continuing connected transaction" in this annual report.

Details of the significant related party transactions undertaken in the normal course of business are set out in Note 30 to the consolidated financial statements, and none of which constitutes a discloseable connected transaction as defined under the Listing Rules.

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

SUBSIDIARIES

Details of the principal subsidiaries of the Group are set out in Note 33 to the consolidated financial statements.

USE OF PROCEEDS

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

SUFFICIENCY OF PUBLIC FLOAT

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

RETIREMENT SCHEME

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

AUDITORS

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

EVENTS AFTER THE REPORTING PERIOD

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

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

Hong Kong, 30 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Grown Up Group Investment Holdings Limited (the "Company" together with its subsidiaries, hereinafter referred to as the "Group") is pleased to present our annual Environmental, Social and Governance Report for the year ended 31 December 2022 (the "ESG Report") to provide an overview of the Group's management of significant issues affecting the operation, including environmental, social and governance ("ESG") matters. The board of directors of the Company (the "Board") has overall responsibility for the Group's ESG strategy and reporting.

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

REPORTING PERIOD

The ESG Report illustrates the Group's initiative and performance regarding the environmental and social aspects during the reporting period from 1 January 2022 to 31 December 2022 (the "Reporting Period").

REPORTING SCOPE

The ESG Report covers all major subsidiaries of the Group in the People's Republic of China (the "PRC") (including Hong Kong) with core business that principally engaged in designing, developing, sourcing, manufacturing and selling a full range of bag, luggage and accessories, as well as medical related products, tool storage and tool accessories. The disposal of a subsidiary with an office in Beijing in 2022 led to a change of reporting scope during the Reporting Period. The Group will continue in assessing the impacts of its business on the major ESG aspects and to include in the ESG Report.

REPORTING BASIS

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

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

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

SOURCES OF INFORMATION

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

ACCESS TO THIS REPORT

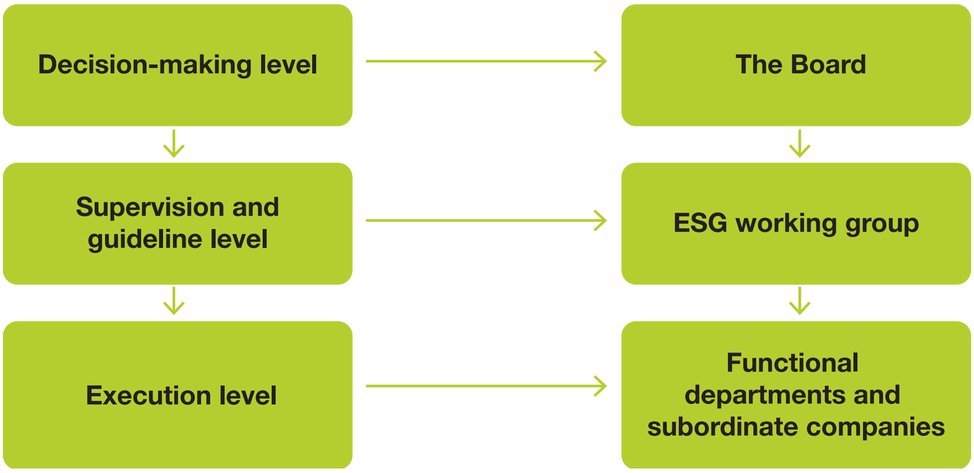
The ESG Report is available in Chinese and English versions. In case of any discrepancy between the Chinese and English versions of the Report, the English version shall prevail. You may visit the Group's official website at www.grown-up.com or the website of the Stock Exchange at http://www.hkex.com.hk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

CONTACT INFORMATION

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

SUSTAINABILITY GOVERNANCE

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



STAKEHOLDERS ENGAGEMENT

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

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

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

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

MATERIALITY ASSESSMENT

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

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

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

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

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

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

Note: Presented in bold.

A. ENVIRONMENTAL ASPECTS

Aspect A1: EMISSIONS

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

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

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

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

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

Aspect A2: USE OF RESOURCES

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

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

— Adopting LED lighting in some production workshops and offices;

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

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

Looking forward, as an advocate of the Paris agreement and the Hong Kong's climate action plan 2050, our Group actively seek for green measures to minimize carbon emissions. The Company will implement the solar photovoltaic system in our factory in Jiangxi, the PRC in 2024 and related suppliers bidding process will be commenced in 2023. We plan to install solar panels on the rooftop of our factory with a capacity of 40kW to further reduce GHG emissions.

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

Aspect A3: THE ENVIRONMENT AND NATURAL RESOURCES

The Group raises staff's awareness on environmental issues through education and training; enlist employees' support in improving the Group's performance; promote environmental awareness amongst the customers, business partners and shareholders; support community activities in relation to environmental protection and sustainability; and evaluate regularly and monitor past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned in the sections "A1: Emissions" and "A2: Use of Resource", the Group strives to minimise the impacts to the environment and natural resources.

ASPECT A4: CLIMATE CHANGE

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

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

Risk Identification

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

Risk Assessment

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

Risk Response

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

Risk Monitoring and Reporting

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

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

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

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

B. SOCIAL ASPECTS

Aspect B1: EMPLOYMENT

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

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

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

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

Aspect B2: HEALTH AND SAFETY

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

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

Aspect B3: DEVELOPMENT AND TRAINING

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

Aspect B4: LABOUR STANDARDS

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

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

Aspect B5: SUPPLY CHAIN MANAGEMENT

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

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

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

Aspect B6: PRODUCT RESPONSIBILITY

Quality control

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

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

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

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

Quality control of raw materials

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

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

Quality control in the production process

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

Quality control of the finished goods

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

Intellectual property

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

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

Customer data protection and privacy

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

Aspect B7: ANTI-CORRUPTION

To ensure operation efficiency and employees' development in a fair and honest working environment, the Group has established guidelines in employment handbook to promote business ethics and integrity so as to avoid suspected corruption, extortion and money laundering. Channels such as by letter, meeting or phone call for employees to report suspected corruption are provided. If there are any suspected case related to corruption, employees are encouraged to report the related cases through the mentioned channels. All these practical actions not only win the trust of customers, but also enhance the sense of belonging and fair play among our employees. Besides, anti-corruption training was provided to total 59 employee (including management and staff) (2021: 121 employee) through internal training with total training hours of 32.8 hours noted (2021: 63.5 hours) during the Reporting Period. The Group has also formulated an anti-corruption policy in March 2022 to facilitate the employees' compliance with the applicable Hong Kong laws.

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

Whistle-Blowing

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

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

Aspect B8: COMMUNITY INVESTMENT

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

APPENDIX I OVERVIEW OF KEY PERFORMANCE INDICATORS

1. Environmental Aspects(Note 1)

No. of KPIs	KPIs	Unit	2022	2021
A1.1 Emissions	Sulphur Dioxide (SO_x)	kg	**0.20**	0.20
	Nitrogen Oxides (NO_x)	kg	**9.56**	9.77
	Particulate Matter (PM)	kg	**0.57**	0.58
A1.2 Greenhouse gas emissions	Scope 1 Direct emissions	tons of equivalent CO_2 emission	**37.28**	36.63
	Scope 2 Indirect emissions	tons of equivalent CO_2 emission	**656.11**	646.61
	Total	tons of equivalent CO_2 emission	**693.39**	683.24
	Intensity	tons of equivalent CO_2 emission/ Revenue HK$'000	**0.0019**	0.0022
A1.4 Non-hazardous waste	Total non-hazardous waste	tons	**0.72**	0.72
	Intensity	tons/Revenue HK$'000	**0.000002**	0.000002
A2.1 Energy consumption	Unleaded petrol	kWh	**126,927.82**	123,768.43
	Liquefied petroleum gas	kWh	**8,346.67**	9,459.56
	Natural gas	kWh	**111,380.09**	114,630.09
	Purchased electricity	kWh	**1,055,766.00**	1,041,580.00
	Total	kWh	**1,302,420.58**	1,289,438.08
	Intensity	kWh/Revenue HK$'000	**3.49**	4.23
A2.2 Water consumption	Total water consumption	tons	**64,080.96**	50,135.20
	Intensity	tons/Revenue HK$'000	**0.17**	0.16
A2.5 Packaging material	Plastic	tons	**Nil**	0.6
	Paper	tons	**157.60**	168.60

Note:

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

2. Social Aspects

No. of KPIs	KPIs	Unit	2022	2021
B1.1 Total number of employees	**By gender**			
	Male	person	135	141
	Female	person	253	253
	By employment type			
	Full-time	person	388	394
	Part-time	person	Nil	Nil
	By age group			
	30 or below	person	15	23
	31–40	person	113	116
	41–50	person	207	213
	51 or above	person	53	42
	By geographical region			
	PRC	person	373	379
	Hong Kong(Note 2)	person	15	15
B1.2 Employee turnover rate	**Turnover rate by gender**			
	Male	%	7	21
	Female	%	7	32
	Turnover rate by age group			
	30 or below	%	47	87
	31–40	%	3	27
	41–50	%	6	27
	51 or above	%	11	7
	By geographical region			
	PRC	%	7	29
	Hong Kong	%	20	Nil
B2.1 Number and rate of work-related fatalities(Note 3)	Number of work-related fatalities	person	Nil	Nil
	Rate of work-related fatalities	%	Nil	Nil
B2.2 Number of working days lost due to work injury	Number of working days lost due to work injury	day	11	60

No. of KPIs	KPIs	Unit	2022	2021
B3.1 Percentage of trained employees	**Percentage of trained employees**		**100**	88
	By gender			
	Male	%	**100**	100
	Female	%	**100**	75
	By rank			
	Normal	%	**100**	88
	Middle	%	**100**	76
	Senior	%	**50**	100
B3.2 Average training hours completed per employee	**Average training hours completed per employee**		**29.71**	23.50
	By gender			
	Male	hour	**31.89**	30.13
	Female	hour	**28.55**	19.81
	By rank			
	Normal	hour	**28.93**	23.61
	Middle	hour	**39.72**	20.14
	Senior	hour	**9.75**	35.59
B5.1 Number of suppliers	**Number of suppliers by geographical region**			
	PRC	supplier	**205**	176
	Hong Kong	supplier	**5**	8
	Others	supplier	**10**	13
	Total	supplier	**220**	197
B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons	Percentage of total products sold or shipped subject to recalls for safety and health reasons	case	**Nil**	Nil
B6.2 Number of complaints about products and services	Number of complaints about products and service received	case	**Nil**	1 (Note 4)
B7.1 Legal cases in relation to corruption	Number of legal cases in relation to corruption filed and concluded	case	**Nil**	Nil

No. of KPIs	KPIs	Unit	2022	2021
B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Note 5			
B8.2 Resources contributed (e.g. money or time) to the focus area	Note 5			

Notes:

2. As at 31 December 2022, our Group had 7 male directors (2021: 8) and 1 female director (2021: nil), respectively.

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

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

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

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

OPINION

We have audited the consolidated financial statements of Grown Up Group Investment Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 70 to 157, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How the matter was addressed in our audit
Expected credit losses ("ECL") assessment of trade receivables	
We identified the ECL assessment of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant judgment and management estimates in evaluating the ECL allowance of the Group's trade receivables at the end of the reporting period. As disclosed in notes 2.9 and 32.5 to the consolidated financial statements, the Group recognised an ECL allowance for trade receivables based on lifetime ECL in the current year. In calculating the ECL allowance, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. In addition, trade receivables with significant outstanding balances are assessed for ECL allowance individually. As disclosed in note 18 to the consolidated financial statements, the carrying amount of the Group's trade receivables amounted to HK\$60,956,000, net of ECL allowance of HK\$6,577,000 as at 31 December 2022. The Group recognised an ECL allowance of HK\$3,628,000 on trade receivables for the current year.	Our procedures in relation to the ECL assessment of trade receivables included the following: • obtained an understanding of the Group's process and control over credit risk assessment and how management estimates the ECL allowance of trade receivables; • assessed the appropriateness of ECL model used by management in calculating the ECL allowance of trade receivables with the assistance from the auditor's expert; • obtained and tested the aging of trade receivables which is assessed based on provision matrix, reviewed their history of repayment and management's assessment on the financial capability of the debtors and forward-looking information used; • assessed management's basis and judgment in determining ECL allowance on trade receivables, including the appropriateness of classification in the provision matrix on a sample basis and their identification of significant outstanding balances, and the reasonableness of the ECL rates, taking into consideration of historical loss rates and forward-looking information with the assistance from the auditor's expert; and • checked, on a sample basis, the accuracy of the ECL allowance of trade receivables in accordance with the ECL rates applied by the Group.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How the matter was addressed in our audit
Valuation of inventories	
We identified the valuation of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements and the involvement of subjective judgment and management estimates in evaluating the net realisable value of the Group's inventories at the end of the reporting period. As disclosed in notes 2.11 and 4 to the consolidated financial statements, inventories are stated at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. As disclosed in note 17 to the consolidated financial statements, the carrying amount of inventories amounted to HK$27,848,000, net of provision for inventories of HK$496,000 as at 31 December 2022. The Group recognised provision of HK$496,000 on inventories for the current year.	Our procedures in relation to the valuation of inventories included the following: • understood and evaluated the basis of estimation of the net realisable value of inventories through discussion with management on the general pattern of the Group's product lifecycle, marketing and retail pricing strategy, sales forecast of each individual stock keeping units ("SKUs") on a season by season basis and latest market conditions; • re-calculated, on a sample basis, the inventory provision made on individual SKUs; • checked, on a sample basis and analysed the aging of inventories; • checked, on a sample basis, the volume and price of future sales of inventories by reviewing the volume and price of inventories sold subsequent to the end of the reporting period; and • assessed the sufficiency of impairment where the estimated net realisable value is lower than the cost.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements 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.

AUDITOR'S 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

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

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

30 March 2023

Ng Ka Kong
Practising Certificate No.: P06919

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Continuing operation			
Revenue	5	394,119	304,716
Cost of sales	7	(335,278)	(244,847)
Gross profit		58,841	59,869
Other income and gains, net	6	4,325	1,204
Selling and distribution expenses	7	(14,255)	(12,484)
Administrative expenses	7	(41,519)	(39,536)
Expected credit losses ("ECL") allowance of trade receivables	7	(3,628)	(2,072)
Profit from continuing operation		3,764	6,981
Finance income	9	266	192
Finance costs	9	(4,143)	(1,932)
Finance costs, net	9	(3,877)	(1,740)
(Loss)/Profit before income tax		(113)	5,241
Income tax (expense)/credit	10	(353)	15
(Loss)/Profit for the year from continuing operation		(466)	5,256
Discontinued operation			
Loss for the year from discontinued operation	11	–	(8,264)
Loss for the year		(466)	(3,008)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Continuing operation		
Other comprehensive loss		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(1,550)	(167)
Other comprehensive loss for the year from continuing operation	(1,550)	(167)
Total comprehensive loss for the year	(2,016)	(3,175)

	Note	2022 HK cents	2021 HK cents
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company			
Basic and diluted	12		
— From continuing operation		(0.05)	0.53
— From discontinued operation		–	(0.83)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	18,259	20,795
Right-of-use assets	14.1	6,130	5,067
Financial assets at fair value through profit or loss ("FVTPL")	19	34,274	7,002
Investment property	15	1,400	1,400
Intangible assets	16	10,224	10,663
Deferred tax assets	24	2,329	1,821
		72,616	46,748
Current assets			
Inventories	17	27,848	15,810
Trade and other receivables	18	76,755	108,139
Financial assets at FVTPL	19	7,213	–
Pledged deposits	20	45,860	48,771
Cash at bank and on hand	20	45,583	9,415
		203,259	182,135
Total assets		275,875	228,883
EQUITY			
Capital and reserves			
Share capital	25	12,000	10,000
Other reserves		52,229	24,261
Retained earnings		70,002	70,468
Total equity		134,231	104,729

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	14.1	3,181	1,206
		3,181	1,206
Current liabilities			
Trade and other payables	21.1	58,380	64,693
Contract liabilities	21.2	5,801	187
Lease liabilities	14.1	1,961	3,379
Bill payables	22	6,565	21,578
Bank borrowings	23	63,740	32,367
Tax payables		2,016	744
		138,463	122,948
Total liabilities		141,644	124,154
Total equity and liabilities		275,875	228,883
Net current assets		64,796	59,187
Total assets less current liabilities		137,412	105,935

Thomas Berg
Director

Shut Ya Lai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company					
	Share capital HK$'000 (note 25)	**Share premium** HK$'000	**Capital reserve** HK$'000	**Exchange reserve** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000
As at 1 January 2021	10,000	61,931	(34,809)	(2,694)	73,476	107,904
Loss for the year	–	–	–	–	(3,008)	(3,008)
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations	–	–	–	(167)	–	(167)
Total comprehensive loss for the year	–	–	–	(167)	(3,008)	(3,175)
As at 31 December 2021 and 1 January 2022	10,000	61,931	(34,809)	(2,861)	70,468	104,729
Issuance of shares through placing (note 25)	**2,000**	**29,518**	**–**	**–**	**–**	**31,518**
Transactions with owners	**2,000**	**29,518**	**–**	**–**	**–**	**31,518**
Loss for the year	**–**	**–**	**–**	**–**	**(466)**	**(466)**
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(1,550)**	**–**	**(1,550)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(1,550)**	**(466)**	**(2,016)**
As at 31 December 2022	**12,000**	**91,449**	**(34,809)**	**(4,411)**	**70,002**	**134,231**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash generated from operations	28.1	**1,103**	9,999
Income tax refund		**411**	815
Net cash generated from operating activities		**1,514**	10,814
Cash flows from investing activities			
Interest received		**266**	194
Purchase of property, plant and equipment	13	**(701)**	(1,464)
Proceeds from disposal of property, plant and equipment	28.1	**8,610**	195
Additions in financial assets at FVTPL		**(31,294)**	–
Disposal of subsidiaries	27	**–**	27,612
Decrease in pledged deposits		**2,911**	–
Net cash (used in)/generated from investing activities		**(20,208)**	26,537
Cash flows from financing activities			
Net proceeds from placement of shares		**31,518**	–
Proceeds from bank borrowings	28.2	**137,379**	31,840
Repayments of bank borrowings	28.2	**(117,223)**	(32,000)
Interest paid	28.2	**(4,143)**	(3,213)
Principal elements of lease payments	28.2	**(3,061)**	(4,937)
Net cash generated from/(used in) financing activities		**44,470**	(8,310)
Net increase in cash and cash equivalents		**25,776**	29,041
Cash and cash equivalents/(Cash deficits) at the beginning of the year		**8,888**	(18,517)
Effects of foreign exchange rate changes		**(825)**	(1,636)
Cash and cash equivalents at the end of the year	20	**33,839**	8,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

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

The consolidated financial statements for the year ended 31 December 2022 were approved for issue by the board of directors on 30 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The consolidated financial statements have been prepared on the historical cost basis, except for investment property and certain financial assets which are stated at fair values. The measurement bases are fully described in the accounting policies below.

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

2.2 Basis of consolidation

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

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency translation

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

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 2.17) are initially recognised at acquisition cost and/or manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management, including costs of testing whether the related assets are functioning properly. They are subsequently stated at cost less accumulated depreciation and impairment losses, if any.

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

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

Accounting policy for depreciation of right-of-use assets is set out in note 2.17.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on retirements or disposals are determined by comparing the sales proceeds with carrying amounts and are recognised within "Other income and gains, net" in profit or loss.

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

2.5 Investment property

Investment property is a car parking space which is owned to earn rental income.

Investment property is initially measured at cost, including those costs directly attributable to the acquisition of the investment property. Subsequently, it is carried at fair value. Changes in fair values are presented in profit or loss within "Other income and gains, net" or "Administrative expenses".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

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

Other intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use.

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

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.7.

Brand licences and distribution rights

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

Other intangible assets (other than goodwill) (Continued)

Golf club membership

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

Computer software systems

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

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

2.7 Impairment of non-financial assets

The following assets are subject to impairment testing:

— goodwill arising on acquisition of a subsidiary;

— other intangible assets;

— property, plant and equipment;

— right-of-use asset; and

— the Company's investment in a subsidiary.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets (Continued)

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

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

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

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

2.8 Financial instruments

Recognition and derecognition

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

Financial assets

Classification and initial measurement of financial assets

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

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

— amortised cost; or

— fair value (either through other comprehensive income or through profit or loss).

The classification is determined by both:

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

— the contractual cash flow characteristics of the financial asset.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets

Debt investments

<u>Financial assets at amortised cost</u>

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

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

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

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

Financial assets at FVTPL

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

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include bank borrowings, lease liabilities, bill payables and trade and other payables.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

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

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

Bank borrowings

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

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

Trade and other payables and bill payables

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

2.9 Impairment of financial assets

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

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

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

— financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

— financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of financial assets (Continued)

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

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

Trade receivables

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

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

Other financial assets measured at amortised cost

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

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

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

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

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

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

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 32.5.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Inventories

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

2.12 Cash and cash equivalents

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

2.13 Share capital

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

2.14 Discontinued operation

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

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

2.15 Borrowing costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Provisions

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

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

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

2.17 Leases

Definition of a lease and the Group as a lessee

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

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

Measurement and recognition of leases as a lessee (Continued)

The Group has elected to account for short-term leases assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less. The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

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

The Group as a lessor

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

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

When the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

The Group sub-leases some of its properties and the sub-lease contracts are classified as operating leases.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

The group entities established in the PRC make monthly contributions to a central pension scheme operated by the local municipal government. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

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

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

Short-term employee benefits

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition

Revenue from contracts with customers

Revenue mainly arises from designing, developing, sourcing, manufacturing and selling full range of bag, luggage and accessories, as well as medical related products, tool storage and tool accessories.

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

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when (or as) performance obligation(s) are satisfied

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (Continued)

Sales of goods

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

The Group provides defective allowance for return of a whole shipment of goods to us due to manufacturing defect.

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

Cash or bank acceptance notes collected from certain wholesalers/customers before product delivery is recognised as contract liabilities (note 2.22).

Rental income

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

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income and gains, net" in the consolidated statement of profit or loss and other comprehensive income.

2.21 Dividend distribution

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

2.22 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

2.23 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Accounting for income taxes (Continued)

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

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

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

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

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

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

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

— income or loss excluding reversals of temporary differences; and

— reversals of existing temporary differences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Accounting for income taxes (Continued)

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

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

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

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

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

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

(i) the same taxable entity; or

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

2.24 Segment reporting

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on 1 January 2022

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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

Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts and related amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. New and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimation uncertainty

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

ECL allowance of trade receivables

The Group assesses ECL allowance of trade receivables based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 2.9. When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and ECL allowance in the periods in which such estimate has been changed.

As at 31 December 2022, the carrying amount of trade receivables amounted to HK$60,956,000, net of ECL allowance of HK$6,577,000 (2021: HK$60,017,000, net of ECL allowance of HK$2,949,000). The Group recognised ECL allowance of HK$3,628,000 (2021: HK$2,072,000 for continuing operation and HK$56,000 for discontinued operation) on trade receivables for the year ended 31 December 2022.

Net realisable value of inventories

Net realisable value of inventories (note 17) is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. If the actual net realisable values of inventories are more or less than expected as a result of change in market condition, material reversal of or provision for impairment loss may result.

As at 31 December 2022, the carrying amount of inventories amounted to HK$27,848,000, net of provision for inventories of HK$496,000 (2021: HK$15,810,000, no provision). The Group recognised provision of HK$496,000 (2021: nil) for continuing operation and nil (2021: HK$613,000) for discontinued operation on inventories for the year ended 31 December 2022.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Estimation uncertainty (Continued)

Impairment of goodwill

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

Impairment of property, plant and equipment, right-of-use assets and other intangible assets with finite useful lives

Property, plant and equipment, right-of-use assets and other intangible assets with finite useful lives are stated at costs less accumulated depreciation or amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying amount 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 CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2022, the carrying amounts of property, plant and equipment, right-of-use assets and other intangible assets with finite useful lives are HK$18,259,000, (2021: HK$20,795,000), HK$6,130,000 (2021: HK$5,067,000) and HK$766,000 (2021: HK$1,205,000), respectively (notes 13, 14.1 and 16). No impairment loss has been recognised during the years ended 31 December 2022 and 2021.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Estimation uncertainty (Continued)

Fair value of investment property

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

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

As at 31 December 2022, the carrying amount of the Group's investment property amounted to HK$1,400,000 (2021: HK$1,400,000). Details of the fair value measurements are disclosed in note 15.

Fair value of investment in NFT-themed Project (as defined in note 19)

The Group's investment in NFT-themed Project is classified as financial assets at FVTPL that is not traded in an active market and was carried at fair value. The fair value is determined by using valuation techniques, details of which are set out in note 32.8. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Group bases its assumptions on observable data as far as possible but this is not always available. In that case the Group uses the best information available. Estimated fair value may vary from the actual price that would be achieved in an arm's length transaction at the reporting period.

As at 31 December 2022, the carrying amount of the Group's investment in NFT-themed Project amounted to HK$8,000,000 (2021: nil).

Critical accounting judgments

Income taxes

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

5. SEGMENT INFORMATION

The CODM examines the Group's performance from product perspective and has identified two reportable segments of its business comprising, (i) the private label products segment and (ii) the branded label products segment.

The private label products segment — private label products are produced and sold under both Original Equipment Manufacturer ("OEM") and Original Design Manufacturer ("ODM") businesses to the brand owners or their licensees.

The branded label products segment — branded label products include products branded under the Group's proprietary Ellehammer brand as well as the licensed brands, distributed through the Group's sales network comprising of third party distributors and self-operated distribution channel.

During the year ended 31 December 2021, the branded label products operation has been disposed of and classified as discontinued operation and the related information has been set out in note 11.

During the year ended 31 December 2022, the Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the designing, developing, sourcing, manufacturing and selling full range of bag, luggage and accessories, as well as medical related products, tool storage and tool accessories under the private label products segment. This operating segment has been identified on the basis of internal management reports reviewed by the CODM. The CODM mainly reviews revenue derived from the private label products segment. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, other than the entity-wide disclosure, no segment analysis is presented.

	2022 **HK$'000**	2021 HK$'000
Continuing operation		
Sales of goods	**394,119**	304,716
Timing of revenue recognition:		
At a point in time	**394,119**	304,716
Discontinued operation		
Sales of goods	**–**	120,655
Timing of revenue recognition:		
At a point in time	**–**	120,655

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

5. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2022, there were three (2021: two) customers which individually contributed over 10% of the Group's total revenue. The revenue contributed from each of these customers was as follows:

	2022 HK$'000	2021 HK$'000
Continuing operation		
Customer A	74,803	84,268
Customer B	N/A*	33,045
Customer C	75,098	N/A*
Customer D	62,245	N/A*

* The customers did not contribute over 10% of revenue from continuing operation of the Group.

The Group's revenue from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Continuing operation				
Europe	190,212	108,844	896	1,803
North America	153,445	156,414	–	–
The PRC	42,018	36,758	22,140	18,759
Hong Kong	1,110	260	12,977	17,363
Asia-Pacific	5,166	662	–	–
Others	2,168	1,778	–	–
	394,119	304,716	36,013	37,925
Discontinued operation				
Europe	–	54,211	–	–
North America	–	4,868	–	–
The PRC	–	22,935	–	–
Middle East	–	10,711	–	–
Asia-Pacific	–	21,574	–	–
Others	–	6,356	–	–
	–	120,655	–	–

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the asset.

5. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by reportable segment as reviewed by the CODM during the year ended 31 December 2021:

Year ended 31 December 2021

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

5. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021 (Continued)

	Continuing operation	Discontinued operation	
	Private label products HK$'000	Branded label products HK$'000	Total HK$'000
Other segment information:			
Amortisation of intangible assets	(411)	(11,924)	(12,335)
ECL allowance of trade receivables	(2,072)	(56)	(2,128)
Depreciation of property, plant and equipment	(2,864)	(16)	(2,880)
Depreciation of right-of-use assets	(3,938)	(293)	(4,231)
Provision for inventories	–	(613)	(613)
Additions to non-current assets during the year	2,699	11,268	13,967

6. OTHER INCOME AND GAINS, NET

	2022 HK$'000	2021 HK$'000
Continuing operation		
Rental income	503	810
Gain on disposal of property, plant and equipment	7,156	193
Gain on lease modification	–	56
Unrealised fair value losses on financial assets at FVTPL, net	(3,780)	–
Others (note)	446	145
	4,325	1,204
Discontinued operation		
License fee waiver	–	1,221
Others	–	24
	–	1,245

6. OTHER INCOME AND GAINS, NET (CONTINUED)

Note: Others mainly represented government subsidies for stabilising employment in the PRC amounted to HK$128,000 (2021: HK$97,000).

In addition, during the year ended 31 December 2022, the Group recognised funding support amounted to HK$312,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding was to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the subsidy, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

There were no unfulfilled conditions and other contingencies attached to the receipt of the above subsidies.

7. EXPENSES BY NATURE

	2022 HK$'000	2021 HK$'000
Continuing operation		
Cost of inventories sold (note 17)	302,461	212,234
Employee benefit expenses (note 8)	48,762	47,711
Transportation and freight charges	6,104	4,504
Amortisation of intangible assets	428	411
Depreciation of right-of-use assets	2,868	3,938
Depreciation of property, plant and equipment	2,156	2,864
Directors' emoluments	9,379	5,927
Expenses related to short-term leases	499	248
Auditor's remuneration		
— Audit services	850	946
— Non-audit services	64	21
ECL allowance of trade receivables	3,628	2,072
Legal and professional fees	3,314	2,191
Sample costs	2,323	1,626
Sales and marketing expenses	4,898	3,852
Design and development expenses	779	1,581
Exchange differences	(3,542)	250
Provision for inventories (note 17)	496	–
Others	9,213	8,563
	394,680	298,939
Representing:		
Cost of sales	335,278	244,847
Selling and distribution expenses	14,255	12,484
Administrative expenses	41,519	39,536
ECL allowance of trade receivables	3,628	2,072
	394,680	298,939

7. EXPENSES BY NATURE (CONTINUED)

	2022 HK$'000	2021 HK$'000
Discontinued operation		
Cost of inventories sold (note 17)	–	79,840
Employee benefit expenses (note 8)	–	11,249
Transportation and freight charges	–	6,926
Amortisation of intangible assets	–	11,924
Depreciation of right-of-use assets	–	293
Depreciation of property, plant and equipment	–	16
Directors' emoluments	–	1,278
License fees	–	494
Auditor's remuneration		
— Audit services	–	402
— Non-audit services	–	34
ECL allowance of trade receivables	–	56
Legal and professional fees	–	3,216
Sample costs	–	81
Sales and marketing expenses	–	5,612
Design and development expenses	–	2,473
Exchange differences	–	824
Provision for inventories (note 17)	–	613
Others	–	2,988
	–	128,319
Representing:		
Cost of sales	–	85,506
Selling and distribution expenses	–	32,675
Administrative expenses	–	10,082
ECL allowance of trade receivables	–	56
	–	128,319

8. EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTORS' EMOLUMENTS)

	2022 HK$'000	2021 HK$'000
Continuing operation		
Salaries, wages and other allowances	44,039	42,747
Pension costs	4,723	4,964
	48,762	47,711
Discontinued operation		
Salaries, wages and other allowances	–	11,044
Pension costs	–	205
	–	11,249

As at 31 December 2022 and 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

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

Five highest paid individuals

For the year ended 31 December 2022, the five highest paid individuals whose emoluments were the highest in the Group include 4 (2021: 3) directors, whose emoluments are reflected in note 31. The emoluments paid/payable to the remaining 1 (2021: 2) individuals, during the year ended 31 December 2022 are as follows:

	2022 HK$'000	2021 HK$'000
Salaries, wages and other allowances	936	2,460
Pension costs	18	36
	954	2,496

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

	2022 HK$'000	2021 HK$'000
Emolument bands:		
Nil to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	–	2
	1	2

There was no emolument paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2022 (2021: nil).

9. FINANCE COSTS, NET

	2022 HK$'000	2021 HK$'000
Continuing operation		
Finance income		
Interest income from bank deposits	**266**	192
Finance costs		
Interest expenses on bank borrowings and bank overdrafts	**(4,028)**	(1,696)
Interest expenses on lease liabilities	**(115)**	(236)
	(4,143)	(1,932)
Finance costs, net	**(3,877)**	(1,740)
Discontinued operation		
Finance income		
Interest income from bank deposits	**–**	2
Finance costs		
Interest expenses on bank borrowings and bank overdrafts	**–**	(1,267)
Interest expenses on lease liabilities	**–**	(14)
Notional interest on license fee payables	**–**	(199)
	–	(1,480)
Finance costs, net	**–**	(1,478)

10. INCOME TAX EXPENSE/(CREDIT)

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year ended 31 December 2022, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of the estimated assessable profits of qualifying entities are taxed at 8.25%, and the estimated assessable profits above HK$2 million are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

The Group's PRC subsidiaries are subject to the China Corporate Income Tax ("CIT") at the rate of 25% (2021: 25%) for the year ended 31 December 2022. Certain PRC subsidiaries of the Group that qualify as small and thin-profit enterprises with an annual taxable income of Renminbi ("RMB") 1 million or less are applicable to the effective CIT rate of 5% (2021: 5%). Where the taxable income exceeds RMB1 million but does not exceed RMB3 million, the RMB1 million portion will be subject to an effective CIT rate of 2.5% (2021: 5%), whereas the excess portion will be subject to the effective CIT rate of 5% (2021: 10%) for the year ended 31 December 2022.

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

The Group's subsidiaries in Denmark are subject to income tax at the rate of 22% (2021: 22%) for the year ended 31 December 2022.

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

	2022 HK$'000	2021 HK$'000
Continuing operation		
Current income tax		
— Hong Kong Profits Tax	138	100
— CIT	894	63
— Denmark income tax	–	2
— Over-provision from prior years	(171)	(2,022)
Deferred income tax (note 24)	(508)	1,842
	353	(15)
Discontinued operation		
Current income tax		
— Hong Kong Profits Tax	–	–
— CIT	–	–
— Denmark income tax	–	–
— Over-provision from prior years	–	(204)
Deferred income tax (note 24)	–	(1,120)
	–	(1,324)

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

The income tax expense/(credit) for the year can be reconciled to the (loss)/profit before income tax as follows:

	2022 HK$'000	2021 HK$'000
Continuing operation		
(Loss)/Profit before income tax	(113)	5,241
Tax calculated at domestic tax rates applicable to profits in respective countries	(402)	1,048
Tax effect on non-taxable income	(91)	–
Tax effect on non-deductible expenses	1,428	1,117
Over-provision from prior years	(171)	(2,022)
Tax effect of unrecognised temporary difference	(223)	(271)
Tax effect of unrecognised tax losses	(23)	113
Effect of two-tiered profits tax rates regime	(165)	–
Income tax expense/(credit)	353	(15)
Discontinued operation		
Loss before income tax	–	(7,897)
Tax calculated at domestic tax rates applicable to profits in respective countries	–	(1,978)
Tax effect on non-deductible expenses	–	46
Over-provision from prior years	–	(204)
Utilisation of tax losses previously not recognised	–	–
Tax effect of unrecognised temporary difference	–	271
Tax effect of unrecognised tax losses	–	541
Income tax credit	–	(1,324)

11. DISCONTINUED OPERATION

On 29 October 2021, the Company entered into a sale agreement to dispose of branded label products operation of the Group. The disposal was completed on 31 December 2021, on which date control of the branded label products operation was passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 27. Upon completion of the disposal, the Group's branded label product operation was ceased. Accordingly, the operation was classified as discontinued operation.

The results of the branded label products operation for the year ended 31 December 2021, were as follows:

	Notes	2021 HK$'000
Revenue	5	120,655
Cost of sales	7	(85,506)
Gross profit		35,149
Other income and gains, net	6	1,245
Selling and distribution expenses	7	(32,675)
Administrative expenses	7	(10,082)
ECL allowance of trade receivables	7	(56)
Loss from discontinued operation		(6,419)
Finance income	9	2
Finance costs	9	(1,480)
Finance costs, net	9	(1,478)
Loss before income tax		(7,897)
Income tax credit	10	1,324
Loss for the year		(6,573)
Loss on disposal of subsidiaries	27	(1,691)
Loss for the year from discontinued operation attributable to owners of the Company		(8,264)

11. DISCONTINUED OPERATION (CONTINUED)

Cash flows from discontinued operation are analysed as follows:

	2021 HK$'000
Net cash outflows from operating activities	(14,496)
Net cash inflows from investing activities	15,864
Net cash outflows from financing activities	(1,551)
Net cash outflows	(183)

12. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share are calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the years ended 31 December 2022 and 2021.

Continuing operation

The calculation of the basic (loss)/earnings per share from continuing operation attributable to owners of the Company is based on the following data:

	2022 HK$'000	2021 HK$'000
Loss for the year attributable to owners of the Company	**(466)**	(3,008)
Less: loss for the year from discontinued operation	**–**	8,264
(Loss)/Profit for the purpose of basic (loss)/earnings per share from continuing operation	**(466)**	5,256
Weighted average number of ordinary shares in issue (thousands of shares)	**1,014,795**	1,000,000
Basic (loss)/earnings per share (HK cents)	**(0.05)**	0.53

Diluted loss per share from continuing operation is the same as basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2022.

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

Discontinued operation

During the year ended 31 December 2021, basic and diluted loss per share from discontinued operation was HK0.83 cents per share based on the loss for the year from discontinued operation of HK$8,264,000 and the weighted average number of ordinary shares of 1,000,000,000.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery, furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2021					
Cost	32,395	10,180	31,562	4,707	78,844
Accumulated depreciation	(12,693)	(9,561)	(29,984)	(4,707)	(56,945)
Net carrying amount	19,702	619	1,578	–	21,899
Year ended 31 December 2021					
Opening net carrying amount	19,702	619	1,578	–	21,899
Additions	–	1,143	321	–	1,464
Depreciation	(1,014)	(1,000)	(866)	–	(2,880)
Disposal	–	–	(2)	–	(2)
Disposal of subsidiaries (note 27)	–	–	(11)	–	(11)
Exchange realignment	–	–	325	–	325
Closing net carrying amount	18,688	762	1,345	–	20,795
As at 31 December 2021 and 1 January 2022					
Cost	32,395	11,323	32,107	4,180	80,005
Accumulated depreciation	(13,707)	(10,561)	(30,762)	(4,180)	(59,210)
Net carrying amount	18,688	762	1,345	–	20,795
Year ended 31 December 2022					
Opening net carrying amount	**18,688**	**762**	**1,345**	**–**	**20,795**
Additions	**–**	**–**	**701**	**–**	**701**
Depreciation	**(1,008)**	**(707)**	**(441)**	**–**	**(2,156)**
Disposal	**(801)**	**–**	**(653)**	**–**	**(1,454)**
Exchange realignment	**–**	**246**	**127**	**–**	**373**
Closing net carrying amount	**16,879**	**301**	**1,079**	**–**	**18,259**
As at 31 December 2022					
Cost	**30,618**	**5,763**	**28,687**	**4,136**	**69,204**
Accumulated depreciation	**(13,739)**	**(5,462)**	**(27,608)**	**(4,136)**	**(50,945)**
Closing net carrying amount	**16,879**	**301**	**1,079**	**–**	**18,259**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ended 31 December 2022, depreciation for continuing operation of HK$1,291,000 (2021: HK$1,611,000) and HK$865,000 (2021: HK$1,253,000) were included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income, respectively.

As at 31 December 2022, land and buildings with carrying amount of HK$1,085,000 (2021: HK$1,140,000) were pledged to secure bank borrowings of the Group as set out in note 23.

14. LEASES

14.1 Amounts recognised in the consolidated statement of financial position

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

	2022 HK$'000	2021 HK$'000
Right-of-use assets		
Leasehold land	1,060	1,200
Buildings	5,070	3,721
Motor vehicles	–	146
	6,130	5,067
Lease liabilities		
Current	1,961	3,379
Non-current	3,181	1,206
	5,142	4,585

14. LEASES (CONTINUED)

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

The following tables show the remaining contractual maturities of the Group's lease liabilities:

	2022 HK$'000	2021 HK$'000
Total minimum lease payments:		
— Due within one year	2,162	3,477
— Due in the second to fifth years	3,336	1,243
	5,498	4,720
Future finance charges on lease liabilities	(356)	(135)
Present value of lease liabilities	5,142	4,585
Present value of minimum lease payments:		
— Due within one year	1,961	3,379
— Due in the second to fifth years	3,181	1,206
	5,142	4,585
Less: portion due within one year included under current liabilities	(1,961)	(3,379)
Portion due after one year included under non-current liabilities	3,181	1,206

Additions to the right-of-use assets in relation to buildings during the year ended 31 December 2022 were nil (2021: HK$1,764,000).

Additions from lease modification to the right-of-use assets in relation to buildings during the year ended 31 December 2022 were HK$4,034,000 (2021: HK$1,218,000).

As at 31 December 2022, lease liabilities amounted to HK$5,142,000 (2021: HK$4,585,000) are effectively secured by the related underlying assets as the rights to the leased assets would be reverted to the lessors in the event of default by repayment by the Group.

14. LEASES (CONTINUED)

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

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

	2022 HK$'000	2021 HK$'000
Continuing operation		
Depreciation of right-of-use assets		
Leasehold land	37	38
Buildings	2,685	3,242
Motor vehicles	146	633
Machinery	–	25
	2,868	3,938
Interest expenses on lease liabilities (note 9)	115	236
Gain on lease modification (note 6)	–	56
Expenses related to short-term leases (note 7) (included in administrative expenses)	499	248
Discontinued operation		
Depreciation of right-of-use assets		
Buildings	–	293
Interest expenses on lease liabilities (note 9)	–	14

The total cash outflow for leases, including the payments made in relation to lease liabilities and expenses relating to short-term lease payments for the year ended 31 December 2022 were HK$3,675,000 (2021: HK$5,435,000).

14. LEASES (CONTINUED)

14.3 Details of the lease activities

As at 31 December 2022 and 2021, the Group has entered into leases for leasehold land, buildings and motor vehicles.

Type of right-of-use asset	Number of lease	Range of remaining lease term	Particular
Leasehold land (note)	1 (2021: 1)	31.68 years (2021: 32.68 years)	All lease payments are prepaid upon entering the contract
Buildings	3 (2021: 3)	0.25 to 2.96 years (2021: 0.95 to 3.08 years)	Not contain any renewal but contain termination options
Motor vehicles	Nil (2021: 2)	Nil (2021: 0.35 to 0.74 years)	Only subject to monthly fixed payment

The Group expects the termination options are not likely to be exercised.

Note: Leasehold land represents the land use right in the PRC under medium term lease of not more than 50 years.

15. INVESTMENT PROPERTY

	2022 HK$'000	2021 HK$'000
As at 1 January and 31 December	**1,400**	1,400

The Group's investment property is a car park located in Hong Kong and which is measured at fair value. At the end of each reporting period, management discussed with an independent qualified professional valuer regarding the valuation processes and the reasonableness of valuation results carried out for the property. Management considered that the current use of this property equates to its highest and best use. The fair values of the Group's investment property as at 31 December 2022 and 2021 have been determined on the basis of valuations carried out by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer. The valuations were arrived at using direct comparison method, where the values were assessed by reference to the comparable properties of similar size, character and location, factoring in all the respective advantages and disadvantages of each property in order to arrive at a comparable capital value.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2022	**–**	**1,400**	**–**	**1,400**
As at 31 December 2021	–	1,400	–	1,400

There were no transfers between Levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2022 and 2021.

16. INTANGIBLE ASSETS

	Goodwill HK$'000	Brand licenses and distribution rights HK$'000	Golf club membership HK$'000	Computer software systems HK$'000	Total HK$'000
As at 1 January 2021					
Cost	14,881	79,640	550	2,151	97,222
Accumulated amortisation	–	(57,661)	–	(519)	(58,180)
Net carrying amount	14,881	21,979	550	1,632	39,042
Year ended 31 December 2021					
Opening net carrying amount	14,881	21,979	550	1,632	39,042
Addition	–	10,739	–	–	10,739
Amortisation	–	(11,924)	–	(411)	(12,335)
Disposal of subsidiaries (note 27)	(5,973)	(20,450)	–	–	(26,423)
Exchange realignment	–	(344)	–	(16)	(360)
Closing net carrying amount	8,908	–	550	1,205	10,663
As at 31 December 2021 and 1 January 2022					
Cost	8,908	–	550	2,135	11,593
Accumulated amortisation	–	–	–	(930)	(930)
Net carrying amount	8,908	–	550	1,205	10,663
Year ended 31 December 2022					
Opening net carrying amount	**8,908**	**–**	**550**	**1,205**	**10,663**
Amortisation	**–**	**–**	**–**	**(428)**	**(428)**
Exchange realignment	**–**	**–**	**–**	**(11)**	**(11)**
Closing net carrying amount	**8,908**	**–**	**550**	**766**	**10,224**
As at 31 December 2022					
Cost	**8,908**	**–**	**550**	**2,129**	**11,587**
Accumulated amortisation	**–**	**–**	**–**	**(1,363)**	**(1,363)**
Closing net carrying amount	**8,908**	**–**	**550**	**766**	**10,224**

16. INTANGIBLE ASSETS (CONTINUED)

Impairment of goodwill

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

	2022 HK$'000	2021 HK$'000
Private label segment	8,908	8,908

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using terminal growth rate of 2% (2021: 2%). This terminal growth rate does not exceed the average long term growth rate for the relevant markets. At the end of the reporting period, the key assumptions used to the discounted cash flows forecast in each CGU of the Group are as follows:

	2022	2021
Gross margin	16% to 17%	17%
Growth rates	3.5% to 7%	1.08% to 5%
Pre-tax discount rate	14.5%	14%

16. INTANGIBLE ASSETS (CONTINUED)

Impairment of goodwill (Continued)

As at 31 December 2022 and 2021, the recoverable amount of the CGU containing goodwill and the corresponding headroom were as follows:

	2022 HK$'000	2021 HK$'000
Recoverable amount	114,628	183,044
Headroom	79,977	145,177

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

Private label segment	2022 HK$'000	2021 HK$'000
Gross margin decreased by 1%	45,600	103,170
Growth rates per annum decreased by 1%	70,207	132,835
Pre-tax discount rate per annum increased by 1%	70,432	122,289

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

Impairment of golf club membership

The directors assessed the recoverable amount of golf club membership using fair value less cost of disposal method in the impairment assessment at the end of each reporting period. As at 31 December 2022 and 2021, no impairment was adjusted to the carrying amount of golf club membership to its recoverable amount.

17. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	**1,671**	5,045
Work-in-progress	**11,989**	10,140
Finished goods	**14,188**	625
	27,848	15,810

For the year ended 31 December 2022, the cost of inventories sold recognised as an expense and included in cost of sales for continuing operation and discontinued operation amounted to HK$302,461,000 (2021: HK$212,234,000) and nil (2021: HK$79,840,000), respectively.

During the year ended 31 December 2022, the Group has made a provision of HK$496,000 (2021: nil) for continuing operation and nil (2021: HK$613,000) for discontinued operation on inventories for slow moving inventories.

18. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**67,533**	62,966
Less: ECL allowance	**(6,577)**	(2,949)
Trade receivables, net	**60,956**	60,017
Prepayments for purchases from suppliers	**8,504**	14,021
Deposits paid	**671**	564
Discount received from suppliers	**–**	1,245
Other prepayments and receivables	**6,624**	3,317
Consideration receivable from disposal of subsidiaries (note 30)	**–**	28,975
	76,755	108,139

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Majority of payment terms with customers are within 60 to 90 (2021: 60 to 90) days and certain major customers were granted with longer credit terms on discretion. As at 31 December 2022 and 2021, the aging analysis of trade receivables and net of ECL allowance based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
0–30 days	38,887	41,977
31–60 days	13,883	8,126
61–90 days	4,813	1,918
91–120 days	1,247	44
Over 120 days	2,126	7,952
	60,956	60,017

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

	2022 HK$'000	2021 HK$'000
As at 1 January	2,949	1,255
Disposal of subsidiaries	–	(434)
ECL allowance recognised during the year	3,628	2,128
As at 31 December	6,577	2,949

Details of ECL allowance assessment on trade and other receivables are set out in note 32.5.

19. FINANCIAL ASSETS AT FVTPL

	2022 HK$'000	2021 HK$'000
Non-current		
Key management insurance contracts (note i)	**26,274**	7,002
Investment in NFT-themed Project (note ii)	**8,000**	–
	34,274	7,002
Current		
Listed equity investments in Hong Kong	**7,213**	–
	41,487	7,002

Notes:

(i) As at 31 December 2022 and 2021, the Group's key management insurance contracts were pledged as collateral for the Group's bank borrowings, details of which are set out in note 23. The beneficiary of the key management insurance contracts are Grown-Up Manufactory Limited, a subsidiary of the Company.

(ii) On 19 December 2022, Ricktake Development Limited, a subsidiary of the Company, entered into a cooperation framework agreement (the "Agreement") with Cheung Chau Culture Company Limited, an independent third party. Pursuant to the Agreement, both parties agreed to cooperate in the development of NFT theme park for the promotion of tourism in Cheung Chau ("NFT-themed Project"). It was agreed that the Group invested HK$8,000,000 and would be entitled 10% of the revenue sharing of the NFT-themed Project for 8 years commencing from the date of agreement.

Details of the fair value measurements of the financial assets at FVTPL are set out in note 32.8.

20. CASH AND BANK BALANCES

	2022 HK$'000	2021 HK$'000
Cash at bank	45,557	9,373
Cash on hand	26	42
Cash at bank and on hand	45,583	9,415
Pledged deposits (note 23)	45,860	48,771
	91,443	58,186

As at 31 December 2022, the pledged deposits carried interests at 1.35% to 4.21% (2021: 0.0001% to 0.8%) per annum.

Included in cash and bank balances of the Group was HK$8,887,000 (2021: HK$942,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

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

	2022 HK$'000	2021 HK$'000
Cash at bank and on hand	45,583	9,415
Bank overdrafts (note 23)	(11,744)	(527)
Cash and cash equivalents	33,839	8,888

21. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

21.1 Trade and other payables

	2022 HK$'000	2021 HK$'000
Trade payables	41,492	54,382
Accruals and other payables (note)	16,888	10,311
	58,380	64,693

Note: Accruals and other payables mainly represented staff cost payables and subcontracting fee payables amounted to HK$5,618,000 (2021: HK$3,454,000) and HK$5,237,000 (2021: HK$3,793,000), respectively.

Majority of payment terms with suppliers are within 60 to 90 (2021: 60 to 90) days. As at 31 December 2022 and 2021, the aging analysis of trade payables of the Group by invoice date is as follows:

	2022 HK$'000	2021 HK$'000
0-30 days	10,299	24,519
31-60 days	17,623	13,193
61-90 days	8,070	8,469
Over 90 days	5,500	8,201
	41,492	54,382

21. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (CONTINUED)

21.2 Contract liabilities

	2022 HK$'000	2021 HK$'000
Receipts in advance from customers	5,801	187

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance with certain customers for sales of bags and luggage.

The increase in contract liabilities is mainly due to increase in the deposit received as a result of more orders received from customers during the year ended 31 December 2022.

The following table shows the amount of revenue recognised during the years ended 31 December 2022 and 2021 relates to carried forward contract liabilities.

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in the contract liabilities at the beginning of the year		
Sales of goods	187	3,667

22. BILL PAYABLES

	2022 HK$'000	2021 HK$'000
Bill payables (note 23)	6,565	21,578

The maturity dates of bill payables are normally within 90 (2021: 90) days.

23. BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
Secured and repayable on demand		
— Bank overdrafts (note 20)	**11,744**	527
— Bank borrowings	**51,996**	31,840
	63,740	32,367

As at 31 December 2022, the interest rates of the bank borrowings ranged from 5.0% to 6.5% (2021: 1.9% to 5.8%) per annum. For the years ended 31 December 2022 and 2021, the interest rates of the bank borrowings ranged from 1.5% to 7.8% (2021: 1.8% to 5.8%) per annum. Bank borrowings (excluding bank overdrafts) of HK$51,996,000 (2021: HK$31,840,000) subject to a repayment on demand clause from the banks are classified as current liabilities in the consolidated statements of financial position. Maturity analysis of these bank borrowings with a repayment on demand clause based on agreed scheduled repayments is set out in note 32.6. Bank overdrafts are repayable on demand.

As at 31 December 2022 and 2021, banking facilities made available to the Group were as follows:

	2022 HK$'000	2021 HK$'000
Available facilities	**150,592**	97,840
Facilities utilised by the Group		
— Bank borrowings	**51,996**	31,840
— Bank overdrafts	**11,744**	527
— Bill payables (note 22)	**6,565**	21,578
	70,305	53,945

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

As at 31 December 2022 and 2021, the above banking facilities were secured by:

(i) Land and buildings with carrying amount of HK$1,085,000 (2021: HK$1,140,000) (note 13);

(ii) Pledged deposits of HK$45,860,000 (2021: HK$48,771,000) (note 20); and

(iii) Financial assets at FVTPL of HK$26,274,000 (2021: HK$7,002,000) (note 19).

24. DEFERRED TAX

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

	2022 HK$'000	2021 HK$'000
Deferred tax assets, net	2,329	1,821

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

	2022 HK$'000	2021 HK$'000
As at 1 January	1,821	6,394
Disposal of subsidiaries	–	(3,851)
Credited/(Charged) to profit or loss (note 10)	508	(722)
As at 31 December	2,329	1,821

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

Deferred tax assets	**Lease liabilities** HK$'000	**Unrealised profit** HK$'000	**ECL allowance for trade receivables** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
As at 1 January 2021	1,488	857	–	5,730	8,075
Disposal of subsidiaries	–	(857)	–	(2,862)	(3,719)
Credited/(Charged) to profit or loss	–	–	487	(522)	(35)
As at 31 December 2021 and 1 January 2022	1,488	–	487	2,346	4,321
(Charged)/Credited to profit or loss	(1,488)	–	599	(172)	(1,061)
As at 31 December 2022	–	–	1,086	2,174	3,260

24. DEFERRED TAX (CONTINUED)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2022, the Group did not recognise deferred tax assets of HK$3,687,000 (2021: HK$3,710,000) in respect of tax losses of HK$15,924,000 (2021: HK$16,018,000) that can be carried forward against future taxable income. The expiry dates of the tax losses are as follows:

	2022 HK$'000	2021 HK$'000
With no expiry	5,312	5,312
Expiry of 5 years	10,612	10,706
	15,924	16,018

Deferred tax liabilities	Right-of-use assets HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
As at 1 January 2021	(1,446)	(235)	(1,681)
Disposal of subsidiaries	–	(132)	(132)
Charged to profit or loss	–	(687)	(687)
As at 31 December 2021 and 1 January 2022	(1,446)	(1,054)	(2,500)
Credited to profit or loss	1,446	123	1,569
As at 31 December 2022	–	(931)	(931)

As at 31 December 2022, deferred tax liabilities have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain PRC and Denmark subsidiaries amounted to HK$7,377,000 (2021: HK$7,119,000). Such amounts are expected to be reinvested and are not intended to be distributed to the shareholders outside the PRC and Denmark.

25. SHARE CAPITAL

	Number of ordinary shares at HK$0.01 each '000	HK$'000
Authorised:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**10,000,000**	**100,000**
Issued and fully paid:		
As at 1 January 2021, 31 December 2021 and 1 January 2022	1,000,000	10,000
Issuance of shares through placing (note)	**200,000**	**2,000**
As at 31 December 2022	**1,200,000**	**12,000**

Note: On 9 November 2022, the Company entered into a placing agreement with a placing agent in respect of the placement of 200,000,000 ordinary shares of HK$0.01 each to independent investors at a price of HK$0.16 per share. The placement was completed on 5 December 2022 and the aggregate cash subscription price received, before share issue expenses, was HK$32,000,000. This transaction resulted in an increase of the issued share capital and share premium account of HK$2,000,000 and HK$29,518,000, respectively.

26. DIVIDENDS

The board of directors of the Company does not recommend the payment of a dividend for the years ended 31 December 2022 and 2021.

27. DISPOSAL OF SUBSIDIARIES

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

Consideration received

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

27. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Analysis of assets and liabilities over which control was lost

	As at 31 December 2021 HK$'000
Property, plant and equipment (note 13)	11
Right-of-use assets	374
Intangible assets (note 16)	26,423
Deferred tax assets	3,748
Inventories	26,897
Trade and other receivables	33,238
Tax recoverable	782
Cash and cash equivalents	12,759
Trade and other payables	(11,264)
Contract liabilities	(5,986)
License fees payables	(16,346)
Lease liabilities	(380)
Bank overdrafts	(38,846)
Net assets	31,410
Less: unrealised profit	(532)
Net assets disposed of	30,878
Consideration received and receivable	30,500
Net assets disposed of	(30,878)
Less: transaction costs attributable to the disposal	(1,313)
Loss on disposal	(1,691)

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

Net cash inflow on disposal of subsidiaries

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

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

28.1 Cash generated from operations

	Notes	2022 HK$'000	2021 HK$'000
(Loss)/Profit before income tax			
— from continuing operation		(113)	5,241
— from discontinued operation	11	–	(7,897)
Adjustments for:			
Unrealised fair value losses on financial assets at FVTPL, net	6	3,780	–
Finance income		(266)	(194)
Finance costs		4,143	3,412
Depreciation of property, plant and equipment	13	2,156	2,880
Depreciation of right-of-use assets		2,868	4,231
Amortisation of intangible assets	16	428	12,335
ECL allowance of trade receivables	18	3,628	2,128
Provision for inventories	17	496	613
Gain on lease modification	6	–	(56)
Gain on disposal of property, plant and equipment	6	(7,156)	(193)
Operating profit before working capital changes		9,964	22,500
Changes in working capital:			
Inventories		(14,797)	9,628
Trade and other receivables		31,113	(36,607)
Financial assets at FVTPL		(6,971)	–
Trade and other payables		(8,807)	16,308
Contract liabilities		5,614	2,506
Bill payables		(15,013)	4,173
License fees payables		–	(8,509)
Cash generated from operations		1,103	9,999

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

	Notes	2022 HK$'000	2021 HK$'000
Net carrying amount	13	1,454	2
Gain on disposal of property, plant and equipment	6	7,156	193
Proceeds from disposal of property, plant and equipment		8,610	195

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

28.2 Reconciliation of liabilities from financing activities

	Lease liabilities HK$'000	Interest payables HK$'000	Bank borrowings HK$'000	Total HK$'000
As at 1 January 2021	6,976	–	32,000	38,976
Non-cash:				
— Interest expenses	250	2,963	–	3,213
— Acquisition of lease (note 14.1)	1,764	–	–	1,764
— Lease modification	1,162	–	–	1,162
— Disposal of subsidiaries (note 27)	(380)	–	–	(380)
Cash flows:				
— Capital element of lease rentals paid	(4,937)	–	–	(4,937)
— Interest element of lease rentals paid	(250)	–	–	(250)
— Repayment	–	(2,963)	(32,000)	(34,963)
— Proceeds	–	–	31,840	31,840
As at 31 December 2021 and 1 January 2022	4,585	–	31,840	36,425
Non-cash:				
— Interest expenses	**115**	**4,028**	**–**	**4,143**
— Lease modification (note 14.1)	**4,034**	**–**	**–**	**4,034**
— Exchange realignment	**(416)**	**–**	**–**	**(416)**
Cash flows:				
— Capital element of lease rentals paid	**(3,061)**	**–**	**–**	**(3,061)**
— Interest element of lease rentals paid	**(115)**	**–**	**–**	**(115)**
— Repayment	**–**	**(4,028)**	**(117,223)**	**(121,251)**
— Proceeds	**–**	**–**	**137,379**	**137,379**
As at 31 December 2022	**5,142**	**–**	**51,996**	**57,138**

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

28.3 Non-cash transactions

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

- During the year ended 31 December 2022, the Group received purchase discount from certain suppliers amounted to HK$5,602,000 (2021: HK$6,224,000), amount of HK$5,602,000 (2021: HK$4,979,000) was off-setting to trade payables in relation to the purchase made during the year.

- During the year ended 31 December 2021, intangible assets of brand license and distribution rights amounted to HK$10,739,000 was acquired and not yet settled as at 31 December 2021.

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

- During the year ended 31 December 2022, the Group's certain lease contracts were modified and which additions to right-of-use assets and lease liabilities amounted to HK$4,034,000 (2021: HK$1,218,000 and HK$1,162,000, respectively) was recognised at the lease commencement date.

29. COMMITMENTS

29.1 Lease commitments as lessee

At the end of the reporting period, the lease commitments for short-term leases are set out below.

	2022 HK$'000	2021 HK$'000
Within one year	50	56
After one year but within five years	30	–
	80	56

29. COMMITMENTS (CONTINUED)

29.2 Lease commitments as lessor

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

	2022 HK$'000	2021 HK$'000
Within one year	67	65

The Group leases its investment property (note 15) under operating lease arrangement which runs for an initial period of one year (2021: one year), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the tenant. The terms of the lease generally also require the tenant to pay security deposit.

30. RELATED PARTY TRANSACTIONS

The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the year ended 31 December 2022:

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

30. RELATED PARTY TRANSACTIONS (CONTINUED)

Transaction with related parties

	2022 HK$'000	2021 HK$'000
Consideration on disposal of subsidiaries:		
GP Brand & Licensing Holdings Limited* (note 27)	–	30,500
Sales of goods:		
Grown-Up Licenses Limited*	59,666	–
Grown-Up Luggage and Bags (Shenzhen) Co. Ltd*	2,579	–
Rental income:		
Grown-Up Licenses ApS	212	–

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

Balances with related parties

	Notes	2022 HK$'000	2021 HK$'000
Trade receivables:			
Grown-Up Licenses Limited	(i)	1,521	2,835
Grown-Up Luggage and Bags (Shenzhen) Co. Ltd	(i)	2,724	3,236
Contract liabilities:			
Grown-Up Licenses Limited	(i)	829	–
Consideration receivable from disposal of subsidiaries:			
GP Brand & Licensing Holdings Limited (note 27)	(ii)	–	28,975

Notes:

(i) The amounts due are unsecured, interest-free, repayable on credit terms and in trade nature.

(ii) The amount due is unsecured, interest-free and repayable on terms and conditions.

Key management personnel emoluments

Management is of the view that key management is merely composed of the board of directors and their emoluments are disclosed in note 31.

31. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing and other allowance HK$'000 (note i)	Pension costs HK$'000	Total HK$'000
Year ended 31 December 2022						
Executive directors						
Mr. Berg	–	2,250	500	1,953	18	4,721
Cheng Wai Man	–	984	500	–	18	1,502
Mr. Henriksen	263	–	500	–	–	763
Brian Worm (resigned on 12 January 2022)	–	28	412	–	2	442
Shut Ya Lai (appointed on 12 January 2022)	–	1,262	500	–	18	1,780
Non-executive director						
Fung Bing Ngon, Johnny	–	480	500	–	18	998
Independent non-executive directors						
Tang Tin Lok, Stephen (resigned on 1 April 2022)	60	–	–	–	–	60
Lau Ning Wa, Ricky (resigned on 6 May 2022)	42	–	–	–	–	42
Wong Kai Hing	120	–	–	–	–	120
Tsang Hing Suen (appointed on 1 April 2022)	90	–	–	–	–	90
Chan Ting Leuk Arthur (appointed on 3 August 2022)	49	–	–	–	–	49
	624	5,004	2,912	1,953	74	10,567

31. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing and other allowance HK$'000 (note i)	Pension costs HK$'000	Total HK$'000
Year ended 31 December 2021						
Executive directors						
Mr. Berg	–	2,160	–	1,863	18	4,041
Cheng Wai Man	–	984	–	–	18	1,002
Mr. Henriksen	–	1,203	–	–	74	1,277
Brian Worm	–	1,120	–	–	68	1,188
Non-executive director						
Fung Bing Ngon, Johnny	–	480	–	–	18	498
Independent non-executive directors						
Tang Tin Lok, Stephen	240	–	–	–	–	240
Lau Ning Wa, Ricky	120	–	–	–	–	120
Wong Kai Hing (appointed on 21 April 2021)	82	–	–	–	–	82
Jiang Yuan Kun (resigned on 21 April 2021) (note ii)	(51)	–	–	–	–	(51)
	391	5,947	–	1,863	196	8,397

Notes:

(i) The lease contract in relation to the lease payments of HK$1,188,000 (2021: HK$1,192,000) for the year ended 31 December 2022 presented in the housing and other allowance of the directors' emoluments above was included in right-of-use assets, the resulted charges to profit or loss for the year ended 31 December 2022 was included in the depreciation of right-of-use assets of HK$1,162,000 (2021: HK$1,148,000) and notional interest on lease liabilities of HK$20,000 (2021: HK$48,000).

(ii) Except for Jiang Yuan Kun agreed to waive all remuneration for his term of office during the year ended 31 December 2021, there were no arrangements under which a director waived or agreed to waive any remuneration during the years ended 31 December 2022 and 2021.

(iii) There was no emolument paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2022 and 2021.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks include market risk (foreign currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under the direction of the directors. Management reviews and approves principles for overall risk management, as well as policies and procedures covering specific areas, such as foreign currency risk, interest rate risk and credit risk. These policies and procedures enable management to make strategic and informed decision with regard to the operations of the Group.

32.1 Categories of financial assets and liabilities

	2022 HK$'000	2021 HK$'000
Financial assets at FVTPL	41,487	7,002
Financial assets at amortised cost		
Trade and other receivables	66,867	92,554
Pledged deposits	45,860	48,771
Cash at bank and on hand	45,583	9,415
	158,310	150,740
Financial liabilities at amortised cost		
Trade and other payables	57,394	63,972
Lease liabilities	5,142	4,585
Bill payables	6,565	21,578
Bank borrowings	63,740	32,367
	132,841	122,502

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.2 Foreign currency risk

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

The Group's financial assets including financial assets at FVTPL, trade and other receivables and cash and cash equivalents were substantially denominated in HK$, US$, RMB and DKK. The Group's financial liabilities including trade and other payables and bank borrowings were substantially denominated in HK$, US$ and RMB.

Financial assets and liabilities denominated in foreign currencies, translated into HK$ at the closing rates, are as follows:

	US$	**RMB**	**DKK**
	HK$'000	HK$'000	HK$'000
As at 31 December 2022			
Financial assets at FVTPL	**26,274**	**–**	**–**
Trade and other receivables	**48,716**	**23**	**–**
Cash and cash equivalents	**12,049**	**22**	**5**
Trade and other payables	**(21,694)**	**–**	**–**
Bank borrowings	**(346)**	**–**	**–**
	64,999	**45**	**5**
As at 31 December 2021			
Financial assets at FVTPL	7,002	–	–
Trade and other receivables	51,476	23	–
Cash and cash equivalents	18,308	1,883	5
Trade and other payables	(28,948)	(33)	–
	47,838	1,873	5

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.2 Foreign currency risk (Continued)

The following tables illustrate the sensitivity of the Group's (loss)/profit for the year and equity in regards to an appreciation in the functional currency of respective group entities against RMB and DKK. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	**Increase in loss for the year HK$'000**	**Decrease in equity HK$'000**
As at 31 December 2022			
RMB	**5%**	**2**	**2**
DKK	**5%**	**–***	**–***

	Sensitivity rate	Decrease in profit for the year HK$'000	Decrease in equity HK$'000
As at 31 December 2021			
RMB	5%	94	94
DKK	5%	–*	–*

* Less than HK$1,000

The same percentage depreciation in the functional currency of respective group entities against RMB and DKK would have the same magnitude on the Group's (loss)/profit for the years ended 31 December 2022 and 2021 and equity as at 31 December 2022 and 2021 but of opposite effect.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.3 Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices in respect of its listed equity investments classified as financial assets at FVTPL.

The sensitivity analysis has been determined based on the Group's exposure to equity price risk at the reporting date. If the price of the listed equity investments had been 5% higher/lower with all other variables held constant, the loss for the year ended 31 December 2022 would be decreased/increased by HK$361,000 (2021: nil), as a result of the changes in fair value of financial assets classified as FVTPL.

32.4 Interest rate risk

The Group's interest rate risk mainly arises from bank borrowings and bank overdrafts with variable rates. Bank borrowings are denominated in HK$, RMB and US$ and are subject to floating interest rates at the Hong Kong Interbank Offered Rate plus 1.3% (2021: 1.75% to 2%), China Loan Prime Rate plus 1.5% (2021: nil) and Simple Secured Overnight Financing Rate plus 1.75% (2021: nil). Bank overdrafts are denominated in HK$ and are subject to floating interest rates at the Hong Kong Interbank Offered Rate plus 1.7% (2021: nil) and bank's best lending rate minus 0.5% (2021: plus 0.75%). The Group is also exposed to fair value interest rate risk on its lease liabilities and the exposure is considered immaterial.

As at 31 December 2022, if interest rates on bank borrowings and bank overdrafts subject to variable rates had been 100 basis points higher/lower with all other variables held constant, the impact on the Group's loss for the year ended 31 December 2022 would have been HK$98,000 higher/lower (2021: profit for the year would have been HK$4,000 lower/higher).

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.5 Credit risk

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

Trade receivables

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

The Group applied the simplified approach in HKFRS 9 to measure the ECL allowance at lifetime ECL. Except for trade receivables with significant outstanding which are assessed individually, the Group determines the ECL allowance on the remaining balances by using a provision matrix grouped by common risk characteristic and the days past due. As part of the Group's credit risk management, the Group uses debtors' aging to assess the ECL allowance for its customers in relation to its operations because these customers consist of a number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Trade receivables with significant outstanding balances from certain customers with aggregate gross carrying amount of HK$6,536,000 (2021: HK$6,536,000) as at 31 December 2022 are assessed individually. The exposure to credit risk for these balances are assessed with an ECL allowance of HK$6,536,000 (2021: HK$2,914,000) was provided by the Group as at 31 December 2022. The remaining trade receivables with gross carrying amount of HK$60,997,000 (2021: HK$56,430,000) are assessed based on debtors' aging as well as forward-looking estimates at the end of each reporting date.

To measure the ECL allowance, trade receivables have been grouped based on the days past due. The expected loss rates are based on the payment profiles of sales over a period of the previous 48 months from each report date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of wholesalers/customers to settle the receivables. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall changes in the economic environment arising from COVID-19.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.5 Credit risk (Continued)

Trade receivables (Continued)

As at 31 December 2022 and 2021, the ECL allowance for trade receivables was assessed based on provision matrix as follows:

	Current HK$'000	1-365 days past due HK$'000	Total HK$'000
As at 31 December 2022			
ECL rate	**0.07%**	**0.07%**	
Gross carrying amount	**56,390**	**4,607**	**60,997**
Lifetime ECL	**38**	**3**	**41**
As at 31 December 2021			
ECL rate	0.06%	0.06%	
Gross carrying amount	51,060	5,370	56,430
Lifetime ECL	32	3	35

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, when the debtor has been placed under liquidation, has enter into bankruptcy proceedings or when the Group ceased to trade with the debtors and the amount is over 2 years past due.

As at 31 December 2022, the Group had a concentration of credit risk given that the top 5 customers account for 73% (2021: 59%) of the Group's total trade receivables.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.5 Credit risk (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, cash at banks and pledged deposits. For deposits and other receivables, management makes periodic collective assessments as well as individual assessment on their recoverability based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables.

Cash is deposited in financial institutions with high credit quality and the Group does not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

32.6 Liquidity risk

The Group measures and monitors its liquidity through the maintenance of prudent ratios on the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. As at 31 December 2022, the Group had unutilised banking facilities amounted to HK$80,287,000 (2021: HK$43,895,000).

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.6 Liquidity risk (Continued)

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of consolidated statement of financial position to the contractual maturity dates. The amounts disclosed in the tables below are the contractual undiscounted cash flows.

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but within 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2022					
Trade and other payables	–	57,394	–	57,394	57,394
Lease liabilities	–	2,162	3,336	5,498	5,142
Bill payables	–	6,565	–	6,565	6,565
Bank borrowings	11,744*	52,248	–	63,992	63,740
	11,744	118,369	3,336	133,449	132,841
As at 31 December 2021					
Trade and other payables	–	63,972	–	63,972	63,972
Lease liabilities	–	3,477	1,243	4,720	4,585
Bill payables	–	21,578	–	21,578	21,578
Bank borrowings	527*	32,120	–	32,647	32,367
	527	121,147	1,243	122,917	122,502

* Represented bank overdrafts

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.7 Capital risk management

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

Management monitors the Company's capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less pledged deposits and cash and cash equivalents. Total capital is calculated as "Total equity", as shown in the consolidated statement of financial position, plus net debt. The gearing ratios as at 31 December 2022 and 2021 are as follows:

	2022 HK$'000	2021 HK$'000
Bank borrowings	51,996	31,840
Lease liabilities	5,142	4,585
Less: pledged deposits	(45,860)	(48,771)
Less: cash and cash equivalents	(33,839)	(8,888)
Net debt	(22,561)	(21,234)
Total equity	134,231	104,729
Total capital	111,670	83,495
Gearing ratio	N/A	N/A

32.8 Fair value measurements of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

Level 3: significant unobservable inputs for the asset or liability.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.8 Fair value measurements of financial instruments (Continued)

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 December 2022				
Financial assets at FVTPL				
Listed equity investments	**7,213**	**–**	**–**	**7,213**
Key management insurance contracts	**–**	**26,274**	**–**	**26,274**
Investment in NFT-themed Project	**–**	**–**	**8,000**	**8,000**
	7,213	**26,274**	**8,000**	**41,487**
As at 31 December 2021				
Financial assets at FVTPL				
Key management insurance contracts	–	7,002	–	7,002

There were no transfers between Levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2022 and 2021.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.8 Fair value measurements of financial instruments (Continued)

Fair value measurements (Level 2)

The following table presents the movements in key management insurance contracts under Level 2 measurements for the years ended 31 December 2022 and 2021:

	2022 HK$'000	2021 HK$'000
As at 1 January	7,002	7,002
Addition	23,294	–
Fair value changes recognised in profit or loss	(4,022)	–
As at 31 December	26,274	7,002

The key management insurance contracts under Level 2 fair value measurements are denominated in US$. Fair values have been determined by reference to their quoted prices as stated in the bank statements at each of the reporting period and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

Management estimated the impact of a reasonable change in the observable inputs to be insignificant.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.8 Fair value measurements of financial instruments (Continued)

Fair value measurement (Level 3)

Below is a summary of the valuation of investment in NFT-themed Project as at 31 December 2022:

	Valuation technique	Significant unobservable input	Range	
			2022	2021
Investment in NFT-themed Project	Income approach	Post-tax discount rate	**11.2%**	N/A

As at 31 December 2022, investment in NFT-themed Project under Level 3 fair value measurement was stated at fair value determined on the basis of valuation carried out by an independent qualified professional valuer. The most significant unobservable input is discount rate. The estimated fair value of investment in NFT-themed Project increases if the discount rate decreases. As at 31 December 2022, it is estimated that with all other variables held constant, an increase/a decrease in discount rate by 5% would increase/decrease the Group's loss for the year by HK$163,000 (2021: nil).

The following table presents the movement in investment in NFT-themed Project under Level 3 fair measurement for the year ended 31 December 2022:

	2022 HK$'000	2021 HK$'000
As at 1 January	**–**	–
Addition	**8,000**	–
As at 31 December	**8,000**	–

Management considered the carrying amounts of other financial assets and liabilities of the Group are not materially different from their fair values as at 31 December 2022 and 2021 due to immediate or short term of maturity.

33. SUBSIDIARIES

The Group's principal subsidiaries as at 31 December 2022 and 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The place/country of incorporation or registration is also their principal place of business.

Name of company	Place/Country of establishment/ operation	Principal activity	Registered/ Issued and paid-up capital	Attributable equity interest of the Company			
				2022		2021	
				Directly	Indirectly	Directly	Indirectly
Grown-Up Group Holdings Limited ("GHL BVI")	British Virgin Islands	Investment holding	US$100	100%	–	100%	–
Grown-Up Group Holdings Limited ("GHL HK")	Hong Kong	Investment holding	HK$5,000,000	–	100%	–	100%
Grown-Up Manufactory Limited	Hong Kong	Manufacturing and trading of bags and luggage	HK$5,000,000	–	100%	–	100%
Ricktake Development Limited	Hong Kong	Investment holding	HK$2	–	100%	–	100%
GP Manufactory China Limited 港植華商貿(深圳)有限公司*	The PRC	Trading and provision of product development and supply chain services for bags and luggage	HK$2,000,000	–	100%	–	100%
GP2 Xinfeng Plant Limited 江西集友日用品有限公司*	The PRC	Manufacturing of bags and luggage	US$3,000,000	–	100%	–	100%
Grown-Up ApS	Denmark	Trading of bags and luggage	DKK2,625,000	–	100%	–	100%

* Registered as a wholly-foreign owned enterprise under the PRC law

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$'000	2021 HK$'000
ASSETS		
Non-current asset		
Investment in a subsidiary	72,235	72,235
Current assets		
Prepayments	–	329
Amounts due from subsidiaries	94,326	81,165
Cash at bank	343	5
	94,669	81,499
Total assets	166,904	153,734
EQUITY		
Capital and reserves		
Share capital	12,000	10,000
Other reserves	163,683	134,165
Accumulated losses	(32,235)	(29,643)
Total equity	143,448	114,522
LIABILITIES		
Current liabilities		
Accruals and other payables	545	509
Amounts due to subsidiaries	22,911	38,703
	23,456	39,212
Total equity and liabilities	166,904	153,734
Net current assets	71,213	42,287
Total assets less current liabilities	143,448	114,522

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

Movements in the capital and reserves of the Company

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note)	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2021	10,000	61,931	72,234	(26,261)	117,904
Loss and total comprehensive loss for the year	–	–	–	(3,382)	(3,382)
As at 31 December 2021 and 1 January 2022	10,000	61,931	72,234	(29,643)	114,522
Issuance of shares through placing (note 25)	2,000	29,518	–	–	31,518
Loss and total comprehensive loss for the year	–	–	–	(2,592)	(2,592)
As at 31 December 2022	12,000	91,449	72,234	(32,235)	143,448

Note: The capital reserve of the Company represents the aggregated net asset values of the subsidiaries acquired by the Company pursuant to the reorganisation.

FIVE YEARS FINANCIAL SUMMARY

A summary of the consolidated results and of the assets, liabilities and equity of the Group for the last five financial years is as follow:

RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operation					
Revenue	**394,119**	304,716	276,644	183,192	560,774
(Loss)/Profit before income tax	**(113)**	5,241	2,090	(30,585)	19,974
Income tax (expense)/credit	**(353)**	15	(2,020)	2,138	(6,746)
(Loss)/Profit for the year from continuing operation	**(466)**	5,256	70	(28,447)	13,228
Discontinued operation					
(Loss)/Profit for the year from discontinued operation	**–**	(8,264)	(14,547)	(1,053)	13,891
(Loss)/Profit for the year	**(466)**	(3,008)	(14,477)	(29,500)	27,119
(Loss)/Profit for the year and attributable to the owners of the Company					
— Continuing operation	**(466)**	5,256	70	(28,447)	13,228
— Discontinued operation	**–**	(8,264)	(14,547)	(1,053)	13,891

ASSETS, LIABILITIES AND EQUITY

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total Assets	**275,875**	228,883	295,020	340,142	427,977
Total Liabilities	**(141,644)**	(124,154)	(187,116)	(218,230)	(347,912)
Net Assets	**134,231**	104,729	107,904	121,912	80,065