年報 2022

Annual Report

中國服飾控股有限公司
CHINA OUTFITTERS HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1146)

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. ZHANG Yongli
(Chairman and Chief Executive Officer)
Mr. SUN David Lee
Ms. HUANG Xiaoyun *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTOR

Mr. WANG Wei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWONG Wilson Wai Sun
Mr. CUI Yi
Mr. YEUNG Chi Wai

COMPANY SECRETARY

Ms. LI Rita Yan Wing

AUTHORISED REPRESENTATIVES

Ms. HUANG Xiaoyun
Ms. LI Rita Yan Wing

AUDIT COMMITTEE

Mr. KWONG Wilson Wai Sun *(Chairman)*
Mr. CUI Yi
Mr. YEUNG Chi Wai

REMUNERATION COMMITTEE

Mr. CUI Yi *(Chairman)*
Mr. ZHANG Yongli
Mr. KWONG Wilson Wai Sun

NOMINATION COMMITTEE

Mr. ZHANG Yongli *(Chairman)*
Mr. YEUNG Chi Wai
Mr. KWONG Wilson Wai Sun

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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China Merchants Bank, Hong Kong Branch
China Construction Bank

LEGAL ADVISOR

Herbert Smith Freehills LLP

AUDITOR

Ernst & Young, Certified Public Accountants

Chairman's Statement

Dear Shareholder,

I hereby present to you the annual report and consolidated financial statements of China Outfitters Holdings Limited (the "Company" or "China Outfitters", together with its subsidiaries, the "Group") for the year ended 31 December 2022 ("2022").

In 2022, more stringent lockdown measures were taken in major cities in China due to the rapid and continued spread of the Omicron Variant pandemic, which led to the widespread disruptions in social and economic activities, and resulted in a decrease in the total retail sales of consumer products by 12.7 percentage points from an increase of 12.5% in 2021 to a decrease of 0.2% in 2022. Due to the continued sluggishness in retail market, the Group reported a decrease in revenue by RMB117.0 million, or approximately 36.2%, from RMB323.5 million in 2021 to RMB206.5 million in 2022. The loss attributable to owners of the parent increased by RMB100.4 million, or approximately 66.1%, from RMB151.8 million in 2021 to RMB252.2 million in 2022.

Despite the extremely challenging market place, the Group continued to increase investments in digital transformation and business diversification in 2022 to lay a foundation for future sales and results growth.

DIGITAL TRANSFORMATION

With the continuous negative impact of the pandemic on offline conventional stores, and more and more consumers getting used to shopping online, the Group put forward the digital transformation strategy during the year with an aim to significantly increase the portion of online sales and achieve sales growth through digitalization of sale channels, precision of marketing and automation of management process etc. Due to the increased investments in online sales and marketing, revenue from sales of products through online channels increased by RMB1.3 million, or approximately 5.4%, from RMB24.0 million in 2021 to RMB25.3 million in 2022. Percentage of online sales over total sales also increased by 4.9 percentage points from 7.4% in 2021 to 12.3% in 2022. In particular, sales of products through the Group's self-operated WeChat stores increased by RMB4.7 million, or approximately 75.8%, from RMB6.2 million in 2021 to RMB10.9 million in 2022. Meanwhile, the Group continued to increase marketing spending on social medias such as Xiaohongshu（小紅書）, Douyin（抖音）, WeChat and Weibo etc, to increase traffic to online and offline stores.

BUSINESS DIVERSIFICATION

On 4 July 2022, a subsidiary of the Company entered into an investment and cooperation agreement with Shanghai Jegoplay Culture Development Group Co., Ltd.（「上海季高文化發展集團有限公司」）, pursuant to which the both parties agreed to establish a joint venture company namely Shanghai Jegoplay Hongmeng Culture Development Co., Ltd.（「上海季高紅盟文化發展有限公司」, "Jegoplay Hongmeng"). Jegoplay Hongmeng is principally engaged in the building and operation of theme parks. The Group believes that the Group will utilize its expertise in retailing and develop daily necessities under the Group's brands including shoes and clothing, luggage, accessories, toys etc. These products will also be introduced in the theme parks operated by Jegoplay Hongmeng, which will enable the Group to further enhance the brand awareness of the Group's brands.

PROSPECT

Looking forward to 2023, with the negative effects of the COVID-19 pandemic gradually subsided, we will further focus on the main goal, which is to complete the Group's digital transformation. The Group will close more offline stores that are loss-making or with low performance and continue to increase the portion of online sales over the Group's sales by exploring sales opportunities from live streaming and online stores operated by department stores and shopping malls, increasing sales from our Wechat stores and e-shops on mainstream e-commerce platform such as Tmall, JD.com etc. and encouraging our offline sales staff to better use of the digital sales and marketing tools.

Finally, I would like to take this opportunity to express my sincere gratitude to the colleagues on the Board and staff members of the Group for their hard work, loyal service and important contribution during the difficult and challenging year.

Zhang Yongli
Chairman

Hong Kong, 24 March 2023

Management Discussion and Analysis

MARKET OVERVIEW

During the year ended 31 December 2022, the widespread disruptions in social and economic activities arising from the rapid and continued spread of the Omicron Variant pandemic resulted in a decrease in the growth rate of Gross Domestic Product ("GDP") by 5.1 percentage points from 8.1% in 2021 to 3.0% in 2022. The growth rate of total retail sales of consumer products also decreased by 12.7 percentage points from an increase of 12.5% in 2021 to a decrease of 0.2% in 2022. In particular, retail sales achieved by the top 100 key and large-scale retailers decreased by 9.3% in 2022.

In this extremely difficult time, the Group reported a decrease in revenue by RMB117.0 million from RMB323.5 million in 2021 to RMB206.5 million in 2022, and an increase in loss attributable to owners of the parent by RMB100.4 million from RMB151.8 million in 2021 to RMB252.2 million in 2022.

FINANCIAL REVIEW

Revenue

We derive our revenue primarily from retail sales of our products to our end-consumers through self-operated retail points in department stores and shopping malls in major cities in the PRC, sales of products to third-party retailers who directly manage concession counters and retail stores in other cities in the PRC where we do not operate retail points and sales of products through online channels. Our revenue is stated at the net invoiced value of goods sold after trade discounts.

The total revenue of the Group was RMB206.5 million in 2022, representing a decrease by RMB117.0 million, or approximately 36.2% as compared to RMB323.5 million in 2021.

By sales channel

Revenue from sales of products through self-operated retail points decreased by RMB106.5 million, or approximately 38.6%, from RMB275.6 million in 2021 to RMB169.1 million in 2022 and accounted for approximately 81.8% (2021: 85.2%) of the total revenue. Such decrease was mainly attributable to (i) the outbreak of the Omicron Variant pandemic during the year in major cities in China. The lockdown measures taken in Shenzhen, Shanghai, Beijing, Jinan, Tianjin, Chengdu, Zhengzhou etc., caused a sharp decrease in customer flows in the department stores and shopping malls where our retail points operate; and (ii) a decrease in number of self-operated retail points by 115 from 310 as at 31 December 2021 to 195 as at 31 December 2022. The revenue from outlet stores also decreased by RMB26.4 million, or approximately 29.0%, from RMB91.0 million in 2021 to RMB64.6 million in 2022.

Revenue from sales of products to third-party retailers decreased by RMB11.8 million, or approximately 49.4%, from RMB23.9 million in 2021 to RMB12.1 million in 2022 and accounted for approximately 5.9% (2021: 7.4%) of the total revenue.

Revenue from sales of products through online channels increased by RMB1.3 million, or approximately 5.4%, from RMB24.0 million in 2021 to RMB25.3 million in 2022 and accounted for approximately 12.3% (2021: 7.4%) of the total revenue. The increase in revenue was primarily attributable to a mixed effect of:

(i) an increase in sales of products through our WeChat stores by RMB4.7 million, or approximately 75.8%, from RMB6.2 million in 2021 to RMB10.9 million in 2022;

(ii) an increase in sales from online discount platform such as VIP.com by RMB0.7 million, or approximately 14.6%, from RMB4.8 million in 2021 to RMB5.5 million in 2022; and partially offset by

(iii) a decrease in sales of product through our e-shops on mainstream e-commerce platform such as Tmall.com and JD.com by RMB2.7 million, or approximately 34.2%, from RMB7.9 million in 2021 to RMB5.2 million in 2022; and

(iv) a decrease in sales of products to online third-party retailers by RMB1.4 million, or approximately 27.5%, from RMB5.1 million in 2021 to RMB3.7 million in 2022.

The table below sets forth the breakdown of our revenue contributed by sales made through our self-operated retail points, sales to third-party retailers and sales through online channels:

	Year ended 31 December			
	2022		2021	
	Revenue RMB million	**% of total revenue**	Revenue RMB million	% of total revenue
Retail sales from self-operated retailers	**169.1**	**81.8%**	275.6	85.2%
Sales to third-party retailers	**12.1**	**5.9%**	23.9	7.4%
Sales through online channels	**25.3**	**12.3%**	24.0	7.4%
Total	**206.5**	**100.0%**	323.5	100.0%

By Brand

Revenue contributed from self-owned brands decreased by RMB62.1 million, or approximately 34.5%, from RMB180.2 million in 2021 to RMB118.1 million in 2022. Percentage of revenue from self-owned brands over total revenue remained consistent for the both years indicated.

The table below sets forth our revenue contributed by licensed brands and self-owned brands:

	Year ended 31 December			
	2022		2021	
	Revenue RMB million	**% of total revenue**	Revenue RMB million	% of total revenue
Self-owned brands	**118.1**	**57.2%**	180.2	55.7%
Licensed brands	**88.4**	**42.8%**	143.3	44.3%
Total	**206.5**	**100.0%**	323.5	100.0%

Cost of sales

Our cost of sales decreased by RMB3.7 million, or approximately 2.9%, from RMB128.9 million in 2021 to RMB125.2 million in 2022. The decrease in cost of sales was primarily due to a mixed effect of (i) an increase in inventory provisions by RMB30.2 million from RMB59.0 million in 2021 to RMB89.2 million in 2022; and partially offset by (ii) a decrease in cost of inventories sold by RMB33.9 million from RMB69.9 million in 2021 to RMB36.0 million in 2022 due to the decrease in revenue.

Gross profit and gross profit margin

Our gross profit decreased by RMB113.2 million, or approximately 58.2%, from RMB194.6 million in 2021 to RMB81.4 million in 2022. Our overall gross profit margin decreased by 20.8 percentage points from 60.2% in 2021 to 39.4% in 2022. Save for the inventory provisions, our gross profit margin would have been 62.9% as compared with that of 69.2% in 2021. The decrease in gross profit margin was mainly due to the decrease in selling prices of Barbour waxed cotton jackets for the stock clearance during the sell-off period.

Other income and gains

Our other income and gains decreased by RMB5.4 million, or approximately 31.4%, from RMB17.2 million in 2021 to RMB11.8 million in 2022, which was primarily due to (i) a decrease in government subsidies by RMB3.6 million from RMB7.9 million in 2021 to RMB4.3 million in 2022; and (ii) no exchange gain was recognised during the year due to the depreciation of RMB against HK$ (2021: exchange gain of RMB0.9 million).

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB79.7 million, or approximately 28.9%, from RMB275.7 million in 2021 to RMB196.0 million in 2022.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB40.4 million, or approximately 31.8%, from RMB127.2 million in 2021 to RMB86.8 million in 2022, which was largely due to decrease in revenue from self-operated retail points.

The labour costs related to sales and marketing staff and outsourcing costs related to sales and marketing activities decreased from RMB83.4 million in 2021 to RMB70.7 million in 2022 which was primarily attributable to the decrease in number of sales and marketing staff.

Consumables and decoration fees for self-operated retail points decreased from RMB23.7 million in 2021 to RMB16.2 million in 2022 which was primarily attributable to the decrease in number of new retail points opened during the year.

The other selling and distribution expenses, including advertising and promotion expenses, royalty fees, freight and vehicle expenses, sample expenses, travelling expenses, office expenses and other operating expenses remained consistent during the both years indicated.

Administrative expenses

Our administrative expenses decreased by RMB6.2 million, or approximately 11.8%, from RMB52.5 million in 2021 to RMB46.3 million in 2022. The decrease in administrative expenses was mainly due to a decrease in tax surcharges of RMB2.9 million and a decrease in amortisation of share option expenses by RMB1.0 million during the year.

Impairment losses on financial assets, net

These mainly represented impairment of other receivables of RMB4.5 million and credit losses arising from trade receivables of RMB0.4 million. (2021: an impairment of other receivables of RMB6.3 million and a reversal of credit losses arising from trade and bills receivables of RMB4.2 million).

Other expenses

Other expenses mainly included

(i) impairment of trademarks of RMB34.8 million which mainly included impairment of Marina Yachting of RMB17.6 million, MCS of RMB8.7 million, Henry Cotton's of RMB2.9 million, Artful Dodger of RMB2.4 million, London Fog of RMB2.4 million and Zoo York of RMB0.8 million, respectively (2021: impairment of trademarks – Henry Cotton's and Zoo York of RMB2.7 million and RMB1.8 million, respectively). The impairment made on trademarks was mainly because the Group has focused on developing the business of MCS brand in recent years and less resources will be allocated to develop the business of other self-owned brands including Zoo York, London Fog, Henry Cotton's and Artful Dodger;

(ii) impairment of property, plant and equipment and investment properties of RMB4.5 million for the Group's properties located in Guangzhou (2021: Nil);

(iii) impairment of right-of-use assets of RMB2.4 million (2021: Nil); and

(iv) exchange loss of RMB5.7 million arising from the depreciation of RMB against HK$ during the year.

Finance income

Our finance income decreased to RMB6.0 million in 2022 as compared to that of RMB14.5 million in 2021, representing a decrease by 58.6%. The decrease in finance income was mainly because of the decrease in the balance of structured bank deposits as well as the decrease in interest rate on structured bank deposits and decrease in return rate on wealth management products in China during the year.

Share of losses of associates

These represented share of profits of the associate – Shanghai Jegoplay Hongmeng Culture Development Co., Ltd. (上海季高紅盟文化發展有限公司) of RMB0.4 million and share of losses of the associate – China Mingmen Investment Group Limited ("China Mingmen", 中國名門投資集團有限公司) of RMB0.5 million (2021: share of losses of China Mingmen of RMB0.9 million).

Loss before tax

As a result of the foregoing factors, loss before tax increased by RMB86.9 million, or approximately 74.7%, from RMB116.3 million in 2021 to RMB203.2 million in 2022.

Income tax expense

Income tax expense increased by RMB14.9 million, or approximately 42.0%, from RMB35.5 million in 2021 to RMB50.4 million in 2022, which was primarily due to an increase in deferred tax expense by RMB22.3 million from RMB32.9 million in 2021 to RMB55.2 million in 2022. The deferred tax expense charged during the year mainly represented the reversal of deferred tax assets for deductible temporary differences arising from impairment of assets of RMB69.4 million (2021: RMB13.5 million), as the Group does not expect to generate sufficient taxable income in future to utilise these temporary differences.

Loss for the year

The Group reported a loss for the year of RMB253.7 million in 2022 (2021: RMB151.9 million).

Loss attributable to owners of the parent

As a result of the foregoing, the loss attributable to owners of the parent increased by RMB100.4 million, or approximately 66.1%, from RMB151.8 million in 2021 to RMB252.2 million in 2022.

Working Capital Management

	31 December 2022	31 December 2021
Inventory turnover days	**599**	577
Trade receivables turnover days	**55**	95
Trade payables turnover days	**36**	57

The increase in inventory turnover days by 22 days was mainly due to a mixed effect of (i) an increase in turnover days of inventories aged between 1 year to 3 years by 57 days from 173 days as at 31 December 2021 to 230 days as at 31 December 2022, which was primarily due to the decrease in sales during the year; and partially offset by (ii) a decrease in turnover days of inventories aged within 1 year by 35 days from 404 days as at 31 December 2021 to 369 days as at 31 December 2022 due to the decrease in procurement during the year.

The decrease in trade receivables turnover days by 40 days from 95 days as at 31 December 2021 to 55 days as at 31 December 2022 was mainly because the Group adopted more stringent policies to collect trade receivables during the year.

The turnover days in trade payables decreased by 21 days from 57 days as at 31 December 2021 to 36 days as at 31 December 2022 due to the requests from our suppliers for faster payments at the end of 2022 for an early arrival of the 2023 spring festival in January 2023.

Liquidity, financial position and cash flows

As at 31 December 2022, we had net current assets of approximately RMB776.9 million, as compared to RMB893.2 million as at 31 December 2021. The current ratio of our Group was 5.0 times as at 31 December 2022, as compared to that of 4.8 times as at 31 December 2021.

There was no undrawn banking facility as at 31 December 2022.

As at 31 December 2022, we had an aggregate financial asset at fair value through profit or loss, structured bank deposits and deposits in financial institutes, cash and cash equivalents and time deposits with original maturity of over three months of approximately RMB496.8 million (31 December 2021: RMB556.8 million). The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Year ended 31 December	
	2022	2021
	RMB million	RMB million
Net cash flows used in operating activities	**(31.5)**	(72.6)
Net cash flows from/(used in) investing activities	**191.4**	(24.7)
Net cash flows used in financing activities	**(23.4)**	(47.6)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**136.5**	(144.9)
Effect of foreign exchange rate changes, net	**(0.9)**	1.6
Cash and cash equivalents at beginning of year	**128.0**	271.3
CASH AND CASH EQUIVALENTS AT END OF YEAR	**263.6**	128.0

Operating activities

Net cash flows used in operating activities decreased by RMB41.1 million from RMB72.6 million in 2021 to RMB31.5 million in 2022, which was primarily attributable to a decrease in cash outflows from changes in inventories by RMB48.5 million due to the decrease in procurement.

Investing activities

Net cash flows from investing activities of RMB191.4 million mainly represented withdrawal of short term deposits with original maturity of over three months of RMB100.0 million and withdrawal of structured bank deposits, deposits in financial institutes and financial assets at fair value through profit or loss of RMB95.8 million during the year.

Financing activities

Net cash flows used financing activities mainly represented payment of the principal portion of lease payments of RMB29.4 million and partially offset by the capital injected by non-controlling interests of RMB6.0 million during the year.

Pledge of group assets

As at 31 December 2022, no asset of the Group was pledged as a security for bank borrowings or any other financing facilities.

Capital commitments and contingent liabilities

As at 31 December 2022, the Group had capital commitments of approximately RMB1.3 million (31 December 2021: RMB27.7 million) and there were no significant contingent liabilities (31 December 2021: Nil).

Foreign exchange management

We conduct business primarily in Hong Kong and the PRC with most of our transactions denominated and settled in HK$ and RMB. To minimise foreign-exchange risks, the Group has a hedging policy in place.

OPERATION REVIEW

Retail and distribution network

As at 31 December 2022, our sales network comprised a total of 195 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 41 retail points operated by our third-party retailers.

The following table sets forth the number of our self-operated retail points and retail points operated by our third-party retailers in the PRC and Taiwan by brand as at 31 December 2022 and 31 December 2021:

	As at 31 December 2022			As at 31 December 2021		
Brand	**Self-operated retail points**	**Retail points operated by third-party retailers**	**Total retail points**	Self-operated retail points	Retail points operated by third-party retailers	Total retail points
SBPRC	**84**	**10**	**94**	123	10	133
MCS	**96**	**28**	**124**	142	30	172
Marina Yachting	**15**	**2**	**17**	29	2	31
London Fog	**–**	**–**	**–**	3	–	3
Zoo York	**–**	**–**	**–**	8	–	8
Others	**–**	**1**	**1**	5	3	8
Total	**195**	**41**	**236**	310	45	355

Self-operated retail points

As at 31 December 2022, we had a network of 188 self-operated concession counters (31 December 2021: 296 self-operated concession counters). A majority of the concession counters are located within mainstream department stores in the first and second tier cities in China, including Bailian(百聯), Golden Eagle(金鷹), MOI(茂業), Intime(銀泰), Inzone(銀座), Wangfujing(王府井)etc., among which a total of 63 were outlet stores as at 31 December 2022 (31 December 2021: 84 outlet stores).

As at 31 December 2022, we had a network of 7 standalone stores (31 December 2021: 14 stores) which were located in shopping malls within major cities in the PRC to ensure a steady flow of consumers as well as to enhance our sales and brand awareness.

Retail points operated by third party retailers

As at 31 December 2022, we had a total of 41 retail points that were operated by third-party retailers, which remained consistent as compared to that of 45 retail points as at 31 December 2021.

Online Channels

We primarily sell past season products through online channels which consisted of (1) online discount platforms such as VIP.com; (ii) online third-party retailers; (iii) our self-operated e-shops on mainstream online platforms such as Tmall.com, JD.com etc.; and (iv) our WeChat stores.

During the year, we continued to participate in the just-in-time delivery program (the "JIT Program") of VIP.com, which allows us to receive orders placed by customers on VIP.com and make direct distribution of the products to customers from our warehouse. We also actively developed new online third-party retailers for online retailing of our products.

Branding

The continuing implementation of a multi-brand strategy is critical to our sustainable expansion and growth. We believe that our multi-brand strategy will allow us capture more market segments, take advantage of a wider range of market opportunities and ultimately increase our overall market share in China's menswear market.

During the year, the Group continued to increase its brand presence by sharing brand stories and product knowledge with target audience through social media such as WeChat, Weibo, Xiaohongshu(小紅書)and Douyin(抖音)etc.

Business Digitalization

We developed an O2O system that is tailored to our retail network and allows our customers to make purchases on demand even if the desired item is out of stock at a particular location, which in turn both enhances customers' shopping experience and drives our sales. Sales contributed by the self-developed O2O system decreased by RMB20.7 million, or approximately 62.9%, from RMB32.9 million in 2021 to RMB12.2 million in 2022.

We also operate a social network-based commerce and marketing program in collaboration with Weimob and sell and deliver our products in our WeChat stores. Total revenue derived from the WeChat stores increased by RMB4.7 million from RMB6.2 million in 2021 to RMB10.9 million in 2022.

In addition, as our Customer Relationship Management (CRM) system has been online, we are also working on a customer loyalty program with an aim to further promote customer loyalty, encourage repeat purchases and cross-selling.

Formation of Joint Venture Companies

On 20 June 2022, Guangdong Junrui Industrial Co., Ltd.(「廣東君瑞實業有限公司」, "Guangdong Junrui"), an indirect wholly-owned subsidiary of the Company entered into an investment and cooperation agreement with Shanghai Pancoat Trading Co., Ltd.(「上海盼酷貿易有限公司」, "Shanghai Pancoat"), pursuant to which the both parties agreed to establish a joint venture company namely Shanghai Hongmeng Culture Development Co., Ltd.(「上海紅盟文化發展有限公司」, "Shanghai Hongmeng"). Shanghai Hongmeng is principally engaged in the design, manufacturing, marketing and sale of apparels, children's wear, accessories, daily necessities etc. under the "Pancoat Wonderland"(「盼酷樂園系列」) brand and investment. Guangdong Junrui held 60% equity interests in Shanghai Hongmeng and Shanghai Hongmeng is an indirect non-wholly owned subsidiary of the Company upon incorporation.

Shanghai Pancoat is a limited company incorporated in the PRC and is principally engaged in the design, manufacturing, marketing and sale of apparels and accessories and brand licensing business.

On 4 July 2022, Shanghai Hongmeng entered into an investment and cooperation agreement with Shanghai Jegoplay Culture Development Group Co., Ltd.(「上海季高文化發展集團有限公司」, "Shanghai Jegoplay"), pursuant to which the both parties agreed to establish a joint venture company namely Shanghai Jegoplay Hongmeng Culture Development Co., Ltd.(「上海季高紅盟文化發展有限公司」, "Jegoplay Hongmeng"). Jegoplay Hongmeng is principally engaged in the building and operation of theme parks. Shanghai Hongmeng holds 40% equity interests in Jegoplay Hongmeng and Jegoplay Hongmeng is an associate of the Company upon incorporation.

Shanghai Jegoplay is a limited company incorporated in the PRC and is principally engaged in the management and operation of theme parks and planning and organization of cultural and artistic activities.

Properties under development

The Group's property development segment represents the properties under development which are situated at No. 833, Shuiyun Road, China (Shanghai) Pilot Free Trade Zone Lin-Gang Special Area. The site area of the project is approximately 5,819 square meters and the floor area is approximately 11,637 square meters, which mainly includes commercial area of approximately 3,435 square meters and residential area of approximately 7,600 square meters.

The properties under development are indirectly wholly owned by the Company. As at 31 December 2022, the carrying amount of the properties under development is RMB201.6 million. The percentage of stage of completion of the project is approximately 99.2%. Currently, the Group is in the process of applying for the permit for advance sale of commodity houses from the relevant governmental authorities.

The Board expects the construction of the properties under development will be completed in 2023. When completion and the permit for advance sale of commodity houses is obtained, the properties are expected to be sold to recover funds. After sale of the properties, the Board expects that the Group will no longer engage in the property development business.

Impairment of Trademarks

The Group classified the trademarks of "London Fog", "Artful Dodger", "Zoo York", "MCS", "Henry Cotton's" and "Marina Yachting" as intangible assets with indefinite lives. The Group performs impairment test on each trademark as at each year end. The impairment assessment was based on the forecast and estimation on the future development of each cash-generating unit to which the trademark is allocated.

During the year ended 31 December 2022, the impairment loss of these trademarks was RMB34.8 million which included impairment of Marina Yachting of RMB17.6 million, MCS of RMB8.7 million, Henry Cotton's of RMB2.9 million, Artful Dodger of RMB2.4 million, London Fog of RMB2.4 million and Zoo York of RMB0.8 million, respectively (2021: impairment on trademarks – Henry Cotton's and Zoo York of RMB2.7 million and RMB1.8 million, respectively).

The impairment made on trademarks for the year ended 31 December 2022 was mainly because the Group will focus on development of the business of MCS brand in recent years and less resources will be allocated to develop the business of other self-owned brands including Zoo York, London Fog, Henry Cotton's and Artful Dodger.

Outsourcing

In order to enable our management team to continuously focus on our core missions, we outsourced substantially all our sales staff in self-operated retail points and the production workers in our manufacturing plant in Dezhou to third-party outsourcing service companies. As at 31 December 2022, approximately 921 sales representatives, store managers and production workers, were employees of the outsourcing service company (31 December 2021: 1,171).

Employee information

As at 31 December 2022, the Group had approximately 273 full-time employees (31 December 2021: 374). Staff costs, including directors' remuneration, totalled RMB32.9 million in 2022 (2021: RMB36.8 million). The Company also operated a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of our Group. A total of 221,500,000 options under the Share Option Scheme that was granted to 78 participants (including 7 directors) remained outstanding as at 31 December 2022.

Corporate Social Responsibility

Being a responsible corporate citizen, we continued to look for opportunities to reduce the consumption of paper, electricity and other resources in order to reduce the impact to the environment and set reduction targets as appropriate.

Prospects

Notwithstanding the challenging and ever-changing market place, the Board is of the view that the Group has achieved steady progress in its strategic development and will focus on the following objectives and initiatives in 2023:

- to increase the portion of online sales by exploring sales opportunities from live streaming and online stores operated by department stores and shopping malls; and to increase sales from our Wechat stores and e-shops on mainstream e-commerce platform such as Tmall, JD.com etc.;
- to increase the average store sales of our MCS, SBPRC and Marina Yachting stores by leveraging the Group's digital tools such as O2O system and customer loyal program etc.;
- to increase our brand presence on social media including Xiaohongshu, Douyin and WeChat;
- to develop new online and offline third-party retailers to expand the retail network;
- to explore new businesses opportunities such as brand licensing, group purchases, consignment sales of non-apparel products on our WeChat stores etc; and
- stock clearance of aged inventories.

FINAL DIVIDENDS

The Board does not recommend to declare any final dividends in 2022 (2021: Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are summarised as below:

Risks Relating to the Retail and Apparel Industry

Fluctuations in consumer spending caused by changes in macroeconomic conditions in the PRC may significantly affect our business, financial condition, results of operations and prospects

The Group derives substantially all of revenue from sales of our products in the PRC. The success of the Group's business depends on the condition and growth of the PRC consumer market, which, in turn, depends on worldwide economic conditions and individual income levels in the PRC and their impact on levels of consumer spending.

Economic growth in the PRC slowed down over the past years and there is no assurance that the robust growth rates that the PRC economy and the PRC consumer market have achieved in the past will be achieved in the future. Any further slowdowns or declines in the PRC economy or consumer spending may materially and adversely affect the Group's business, financial condition and results of operations.

The Group operates in a very competitive market and faces intense competition

The retail and apparel industry in the PRC is highly competitive, and the competitors in this market include both international and domestic companies. The Group competes against competitors primarily on brand loyalty, product variety, product design, product quality, marketing and promotion, price and the ability to meet delivery commitments to retail points. Some of the competitors may have greater financial, management, human, distribution or other resources than the Group. The Group's results of operations and market position may be adversely affected by a number of competitive factors, including competitors increasing their operational efficiencies, adopting competitive pricing strategies, expanding their operations or adopting innovative retail sales methods or product designs etc.

Risks Relating to the Group

If the Group is unable to predict or meet consumer preferences or fashion trends, the Group's products may lose their appeal to customers

As apparel products are subject to changing consumer preferences and fashion trends, the Group's sales and profit are dependent on the Group's ability to cater to different consumer fashion tastes. Demand for the Group's products is dependent on market perception and consumers' acceptance that the Group's brands are fashionable and trendy, which require continued anticipation of and responsiveness to ever-changing market and fashion trends. The Group cannot assure that it will be successful in anticipating changing consumer preferences or developing new products to meet shifts in demand. The Group's failure to anticipate or accurately respond to market changes and fashion trends in a timely manner could result in lower sales volumes, lower selling prices or lower profits for the Group and the Group's third-party retailers. This could in turn materially and adversely affect the Group's business, financial condition and results of operations.

The Group's endeavours to launch new brands or new product lines may not be successful

To enhance sustainable growth, the Group plans to expand and diversify our brands and products by introducing new brands and new product lines to target new consumer groups.

The launch and development of a new brand or a new product line involves considerable time and financial commitment that may impose a substantial strain on the Group's ability to manage the existing business and operations. The Group may face inherent risks and uncertainties, lack sufficient experience in the management of new brands and products, and may not be able to reach agreements with our third-party retailers for the distribution of the products under the new brands or the new product lines. Failure of any of our new brands or new products could lead to wasted resources and damage to our reputation and could materially and adversely affect our business, financial condition and results of operations.

The Group relies on licence agreements for the use of international brands in the design, manufacturing, marketing and sales of branded apparel

The Group entered into licence agreements with a number of organisations to use their respective brands in the design, manufacturing, marketing and sales of apparel products and sales of products under these licensed brands accounted for approximately 44% of total sales.

The Group can give no assurance that the licensors will be satisfied with our performance under the licence agreements, that the licensors will not attempt to terminate the licence agreements, or that the Group will be able to renew the licence agreements on the same or similar terms, or at all. If the licence agreements are terminated or if the Group fails to renew any of them upon their expiration, the Group will be unable to continue the design, manufacturing, marketing and sales of products under that licensed brand, and our business, financial condition and results of operations will be materially and adversely affected.

The Group relies on third-party manufacturers and suppliers for the production of a significant portion of our products and the supply of raw materials, respectively, and any interruptions in the operation of these manufacturers or suppliers may adversely affect our results of operations

The Group relies on third-party manufacturers for the production of a significant majority portion of our products and also relies on third-party suppliers for the supply of raw materials for our own production and some of the outsourced production. These third-party manufacturers and suppliers may be unable to supply the Group with the finished goods or to provide the Group with the required raw materials, respectively. The Group may experience material disruptions in the supply of finished goods or raw materials due to any of the factors, such as changes of laws and regulations, lack of labour resources, equipment failures or property damage etc. in the future, which could materially and adversely affect our business, financial condition and results of operations.

The Group's business is susceptible to unexpected and abnormal changes in climate

The Group's business is susceptible to unexpected and abnormal changes in climate. For example, a warm winter may affect the sales of our winter products, while a cool summer may affect the sales of our summer products. These unexpected and abnormal changes in climate may affect the sales of the Group's products that are timed for release during a particular season.

The Group is subject to financial risks

The main financial risks facing the Group are foreign currency risk, credit risk and liquidity risk. Detailed discussion and analysis of the Group's financial risk, along with the management objectives and policies are set out in note 42 to the financial statement.

The Group's business is susceptible to unexpected epidemic

The Group's business is susceptible to unexpected epidemic. For example, the outbreak of a contagious disease may lead to a temporary closure of the retail points of the Group and thus affecting the sales of the Group's products.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. ZHANG Yongli（張永力先生）, aged 63, is the Chairman, Chief Executive Officer and an executive director of our Company. He also serves as a director in most of the subsidiaries of our Company. Mr. Zhang joined our Group in 1999 and is primarily responsible for our Group's overall strategic planning and the management of our Group's business operations. Mr. Zhang has over 20 years of experience in the PRC menswear industry. Mr. Zhang was selected as one of the "25 Influential Chinese in Global Fashion" in 2011 by Forbes China. He was appointed as our Chief Executive Officer and executive director on 8 June 2011 and was appointed as the Chairman on 22 June 2018. Mr. Zhang was a director of Guangdong Rieys Group Co., Ltd.（廣東雷伊（集團）股份有限公司）until May 2009. Mr. Zhang is the father-in-law of Mr. Tang Jia, the Chief E-Commerce Officer of our Company.

Mr. SUN David Lee（孫如暐先生）, aged 57, is an executive director of our Company. He also serves as a director in a number of our subsidiaries in Hong Kong. Mr. Sun is primarily responsible for brands sourcing and transaction management. He has been an independent non-executive director of Dynasty Fine Wines Group Limited since November 2012, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was an executive director of Asia Coal Limited until 3 May 2018, the shares of which were listed on the Stock Exchange up to 17 June 2019. Mr. Sun was a director and co-founder of CEC Management Limited, the management company of China Enterprise Capital Limited ("CEC"), a China focused private equity fund. Prior to establishing CEC, he was the managing director of Pacific Alliance Group Limited, an Asia-focused alternative investment management firm. Mr. Sun was the director for strategy and business development in Asia at Interbrew (currently known as Anheuser-Busch InBev). He was also a consultant in the corporate finance and strategy practice of McKinsey & Company, Inc. in Hong Kong. Prior to his position at McKinsey, Mr. Sun practised law as an associate in the corporate group at Linklaters. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law. He is a registered attorney in Illinois of the U.S. Mr. Sun was appointed as our executive director on 8 June 2011.

Ms. HUANG Xiaoyun（黃曉雲女士）, aged 51, is the Chief Financial Officer and an executive director of our Company. Ms. Huang joined our Group in 2000. Previously, she was a manager in our Group's financial department from 2000 to 2001. She is responsible for the financial reporting and administration of our Group's PRC operations. She has over 20 years of experience in accounting and financial management. Ms. Huang holds a Master of Business Administration Degree from The South China University of Technology. Ms. Huang was appointed as our executive director on 8 June 2011 and appointed as our Chief Financial Officer on 14 May 2012.

NON-EXECUTIVE DIRECTOR

Mr. WANG Wei（王瑋先生）, aged 40, is a non-executive director of our Company. Mr. Wang is a managing director of DCP Capital. Prior to DCP, Mr. Wang was a director of Kohlberg Kravis Roberts & Co. L.P. ("KKR"), focusing on private equity transactions in the Greater China region. Prior to joining KKR, Mr. Wang worked at Orchid Asia Investment Group and McKinsey & Company. Mr. Wang has been actively involved in advising on investments in Sino Prosperity Real Estate Platform, China Cord Blood Corporation, Qingdao Haier and the Company at KKR and Orchid Asia Investment Group. He has been appointed as a director of Tonghua Dongbao Pharmaceutical Co., Ltd.（「通化東寶藥業股份有限公司」）, a company listed on the Shanghai Stock Exchange (stock code: 600867), with effect from 29 September 2020. Mr. Wang graduated from Shanghai Jiaotong University with a Bachelor of Science degree in Economics in 2005. Mr. Wang was appointed as our non-executive director on 14 May 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWONG Wilson Wai Sun（鄺偉信先生）, aged 57, is an independent non-executive director of our Company. He has been appointed as an executive director of China Metal Resources Utilization Limited, a manufacturer of recycled copper products in China and a company listed on the Main Board of the Stock Exchange, since 16 August 2013. He is also an independent non-executive director of C. Banner International Holdings Limited and Shunfeng International Clean Energy Limited, companies listed on the Main Board of the Stock Exchange, since 26 August 2011 and 16 July 2014, respectively. On 20 March 2017, Mr. Kwong was appointed as an independent non-executive director of China New Higher Education Group Limited, a company listed on the Main Board of the Stock Exchange on 19 April 2017. On 15 March 2019, he was also appointed as an independent non-executive director of Koolearn Technology Holding Limited, a company listed on the Main Board of the Stock Exchange on 28 March 2019. Mr. Kwong acted as the President of Gushan Environment Energy Limited, a copper products manufacturer and biodiesel producer in China, until 16 August 2013. He has 12 years of experience in corporate finance and equity capital markets in Asia, having previously worked at a number of investment banks in Hong Kong. Prior to joining Gushan Environmental Energy Limited in 2006, he was the managing director of investment banking and he held the position as the head of Hong Kong and China equity capital markets at CLSA Equity Capital Markets Limited since March 2004. From 2002 to 2003, Mr. Kwong was a director and the head of equity capital markets for Cazenove Asia Limited. After graduating from the University of Cambridge, England with a Bachelor's degree in 1987, he qualified as a chartered accountant in the United Kingdom with KPMG in 1990 and as a chartered secretary and administrator in the United Kingdom in 1991. Mr. Kwong is currently an associate member of the Institute of Chartered Accountant in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Kwong was appointed as our independent non-executive director on 8 June 2011.

Mr. CUI Yi（崔義先生）, aged 68, is an independent non-executive director of our Company. He is the founder and director of PMC China Trading Company Limited（合力洋行（中國）有限公司）, and was responsible for managing the authorised dealership of glass tube products under a German brand in the PRC and Hong Kong. Mr. Cui is also the director of Jescove Company Limited（宏銀有限公司）. He has also been acting as the executive director and deputy general manager of Hong Kong Zhanyou Company Limited（香港湛佑有限公司）since 1993 and responsible for the preparation and establishment of ZIP Comayagua, S.A., a textile industrial complex, in Honduras, Central America. From 1995 to 1998, Mr. Cui was the executive director and executive general manager of the companies of ZIP Comayagua S.A., responsible for management of the textile industrial complex. From 1990 to 1991, he was the assistant general manager of Textile Development Company（上海紡織住宅開發總公司）under the Shanghai Textile Industry Council（上海紡織工業局）, and he was the deputy general manager of Hainan Shenhai Enterprise Group（海南申海企業集團）under the same council in 1991, responsible for the trading of textile products and the development of overseas markets for textile products. Mr. Cui graduated from The East China University of Political Science and Law majoring in law. Mr. Cui was appointed as our independent non-executive director on 8 June 2011.

Mr. YEUNG Chi Wai（楊志偉先生）, aged 62, is an independent non-executive director of our Company. Mr. Yeung is the founder and director of Edwin Yeung & Company (CPA) Limited and has been practising as a certified public accountant with the firm since 1991. He has been an associate of the Chartered Association of Certified Accountants since 1988. Mr. Yeung became an associate member and a fellow member of the Hong Kong Institute of Certified Public Accountants in 1989 and 1996, respectively. Mr. Yeung has been a fellow member of the Association of Chartered Certified Accountants since 1993, an associate of the Institute of Chartered Accountants in England and Wales since 2005 and a Fellow Member of CPA Australia since 2010. He was awarded the Medal of Honour by the Government of the Hong Kong Special Administrative Region (the "Government of Hong Kong") in 2010. He was also the president of the Society of Chinese Accountants and Auditors in 2008 and is currently the chairman of its membership and promotion committee. Mr. Yeung was appointed as a vice chairman of Accounting Development Foundation Limited in 2018. He has been a member of the Chinese People's Political Consultative Conference in Shandong Province since January 2013. He is the immediate past chairperson of the Association of China Trend Studies (HK). He was also appointed as an independent non-executive director of Wah Sun Handbags International Holdings Limited, Golden Century International Holdings Group Limited and Capital Estate Limited, companies listed on the Main Board of the Stock Exchange, on 2 January 2018, 6 April 2020 and 1 April 2022 respectively. Mr. Yeung was appointed as the executive council member of The Hong Kong Independent Non-Executive Director Association Limited on 20 September 2019. Mr. Yeung was appointed as our independent non-executive director on 8 June 2011.

SENIOR MANAGEMENT

Mr. LU Yi（呂毅先生）, aged 44, is the Vice President, Chief Sales Officer and Regional Sales Controller of our Company. He joined our Group in 2000. Previously, he was Manager of the President's Office from 2003 to 2004 and the assistant to Chief Human Resource Officer of our Group from 2005 to 2013. He is responsible for management of licensed brands of our Group as well as business development planning and management of retail sales activities of Southern PRC.

Mr. YAN Zhong（閆仲先生）, aged 53, is the Vice President and Regional Sales Controller of our Company. Mr. Yan joined our Group in 1999. Previously, he was the Manager for Northern Region in 1999 and Deputy General Manager for Northern Region of our Group in 2000. He is primarily responsible for the Group's business development planning and management of retail sales activities of Northern PRC. He has over 20 years of experience in the apparel retail industry. Mr. Yan is the holder of a Bachelor's Degree from 中國青年政治學院 (China Youth University for Political Sciences).

Mr. WONG Hon Wing（王漢嶸先生）, aged 54, is the Chief Procurement Officer of our Company. He joined our Group in 1999. Previously, he was the Procurement Manager of our Group in 1999. He is responsible for the purchase planning and manufacturing functions of the Group. He has over 20 years of experience in the purchase and production of apparels.

Mr. YU Wenlong (余文龍先生), aged 59, is the Assistant President of our Company. Mr. Yu joined our Group in 1999. Previously, he was the Deputy General Manager of a subsidiary of the Group from 2007 to 2016 and the Chief Marketing Officer of our Company from 2016 to February 2019. He is primarily responsible for assisting our Chief Executive Officer for our Group's overall strategic planning and the management of our Group's business operations. Mr. Yu has over 20 years of experience in the retail and apparel industry.

Mr. LI Zhuoping (李卓平先生), aged 43, is the Chief Technology Officer of our Company. Mr. Li joined the Group in 2003. Previously, he was the Deputy General Manager of a subsidiary of the Group from 2014 to 2016. Mr. Li is primarily responsible for development and implementation of the information technology systems of the Group. He has over 15 years of experience in the information technology industry as well as the retail and apparel industry.

Mr. YAN Yi (嚴逸先生), aged 39, is the Assistant President of our Company. He is primarily responsible for assisting our Chief Executive Officer for our Group's overall strategic planning and the management of our Group's business operations. Previously, he was the assistant to our Chief Financial Officer from 2012 to 2016. Mr. Yan has over 10 years of experience in auditing and accounting. Prior to joining our Group, he worked in the assurance and advisory services department of Ernst & Young from 2005 to 2011 after receiving a Bachelor degree in Business Administration from the Sun Yat-sen University in 2005.

Mr. HUANG Xiaosheng (黃曉晟先生), aged 38, is the Chief Marketing Officer of our Company. He is primarily responsible for the assessment of the authorisation of third-party retailers of our Group in the PRC and maintaining our business and strategic relationships with them. Mr. Huang joined our Group in 2017. Previously, he was the assistant to our chief sales officer from 2017 to February 2019. Mr. Huang has over 10 years of experience in the retail and apparel industry. Prior to joining our Group. He was the controller responsible for organisation development of the JNBY Group (江南布衣集團) from 2016 to 2017, and was the retail operation controller of the "H+" brand of the IHAPPY Group (海貝集團) from 2013 to 2015. Mr. Huang graduated from the Shanghai University of Finance and Economics with a Bachelor of Business Administration degree in 2007.

Mr. TANG Jia (唐嘉先生), aged 35, is the Chief E-Commerce Officer of our Company since April 2019. He is primarily responsible for management of the Group's online business and new retail programs. Prior to joining the Group, Mr. Tang was the manager of the corporate banking division at China Everbright Bank Shanghai Branch Putuo Sub Branch (中國光大銀行上海分行普陀支行). He graduated from the Chengdu University of Technology (成都理工大學) with a Bachelor degree in Science in 2010. Mr. Tang is the son-in-law of Mr. Zhang Yongli, Chairman and Chief Executive Officer of the Company.

Ms. QIN Yue (秦岳女士), aged 42, is the Chief Design Officer of our Company and is primarily responsible for design of garment and apparel. She joined our Group in 2004. Previously, she was the assistant to the Chief Design Officer from 2012 to 2021. Ms. Qin has approximately 20-year-experience in design of garment and apparel. Ms. Qin graduated from the Beijing Institute of Fashion Technology (北京服裝學院) with a Bachelor degree in Arts in 2004.

Corporate Governance Report

The board (the "Board") of directors (the "Directors") of the Company is pleased to report to the shareholders of the Company on the corporate governance of the Company for the year ended 31 December 2022.

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;

– that the interests of those who deal with the Company are safeguarded; and

– that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies and enhance transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the basis of the Company's corporate governance practices.

The Board is of the view that throughout the year ended 31 December 2022, the Company has complied with all the code provisions in effect during 2022 as set out in the CG Code, except for code provision C.2.1, as disclosed below under the sub-section "Chairman and Chief Executive Officer" of this report.

DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding Directors' dealings in the Company's securities and securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company (the "Code of Conduct") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and Code of Conduct throughout the year ended 31 December 2022.

No incident of non-compliance of the Code of Conduct by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors, non-executive Director and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Board currently comprises 7 members, consisting of 3 executive Directors, 1 non-executive Director, and 3 independent non-executive Directors as follows:

Executive Directors:
Mr. ZHANG Yongli *(Chairman and Chief Executive Officer)*
Mr. SUN David Lee
Ms. HUANG Xiaoyun

Non-executive Director:
Mr. WANG Wei

Independent Non-executive Directors:
Mr. KWONG Wilson Wai Sun
Mr. CUI Yi
Mr. YEUNG Chi Wai

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 20 to 23 of the annual report for the year ended 31 December 2022.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision because both the chairman ("Chairman") and chief executive officer ("CEO") positions of the Company are held by Mr. ZHANG Yongli. The Board believes that vesting the roles of Chairman and CEO in the same person provides the Group with strong and consistent leadership and allows for efficient business planning and decisions under the current situation.

Independent Non-executive Directors

During the year ended 31 December 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors, representing at least one-third of the board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

The Company has established a board independence evaluation mechanism during the year ended 31 December 2022 which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director. Pursuant to the board independence evaluation mechanism, the Board will conduct annual review on its independence.

Non-executive Directors and Directors' Re-election

Each of the Directors is appointed for a specific term of three years and is subject to retirement by rotation at least once every three years.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association also provides that any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors take decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

A summary of training received by Directors according to the records provided by the Directors is as follows:

Director	**Training on corporate governance, regulatory development and other relevant topics**
Executive Directors	
Mr. ZHANG Yongli	✓
Mr. SUN David Lee	✓
Ms. HUANG Xiaoyun	✓
Non-executive Director	
Mr. WANG Wei	✓
Independent Non-executive Directors	
Mr. KWONG Wilson Wai Sun	✓
Mr. CUI Yi	✓
Mr. YEUNG Chi Wai	✓

BOARD COMMITTEES

The Board has established the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"), for overseeing particular aspects of the Company's affairs. All the said Board committees of the Company are established with defined written terms of reference, which are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of the said Board committees are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of the annual report.

Audit Committee

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer, internal auditor or external auditors before submission to the Board;

- To review the adequacy and effectiveness of the Company's financial controls system, risk management and internal control systems and effectiveness of internal audit function;

- To review the relationship with the external auditors by reference to the scope of audit performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and

- To review arrangements by which employees, in confidence can raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow up action.

The Audit Committee oversees the risk management and internal control systems and internal audit function of the Group, reviews the internal audit report submitted by the internal auditor, reports to the Board on any material issues, and makes recommendations to the Board.

The Audit Committee held three meetings during the year to review interim and annual financial results and reports in respect of the year ended 31 December 2022 and significant issues on the financial reporting and compliance procedures, effectiveness of risk management and internal control systems and internal audit function, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors thrice during the year without the presence of the executive Directors.

Remuneration Committee

The primary functions of the Remuneration Committee include the following:

- To make recommendations on the establishment of procedures for developing the remuneration policy and structure for the executive Directors and the senior management, which policy shall ensure that no director or any of his/her associates will participate in deciding his/her own remuneration;

- To review and approve the remuneration packages of the executive Directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions;

- To make recommendations on the remuneration packages of the non-executive Directors and independent non-executive Directors by reference to the performance of the individual and the Company as well as market practice and conditions; and

- To review and approve the compensation arrangements for the executive Directors and the senior management in connection with any loss or termination of their offices or appointments.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration.

The Remuneration Committee met once during the year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and to determine the remuneration packages of the executive Directors and senior management and other related matters.

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and the senior management. The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs.

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

	Number of persons
Nil to RMB1,000,000	14
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	—
RMB3,000,001 to RMB4,000,000	1

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment or re-appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character and integrity, qualifications, experience, time commitments and independence (for appointment of independent non-executive Directors) and other relevant criteria necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met once during the year to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for election at the annual general meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In relation to reviewing and assessing the Board composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural background, religion, ethnicity, nationality and sexual orientation, in addition to educational background, professional experience, skills, knowledge and length of service.

Pursuant to the Board Diversity Policy, the Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

The Nomination Committee will review the Policy annually, which include an assessment of the effectiveness of the Policy and discuss any revisions that may be required and recommend any such revisions to the Board for approval.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

	Female	Male
Board	14.3% (1)	85.7% (6)
Senior Management	11.1% (1)	88.9% (8)
Other employees	66.1% (170)	33.9% (87)
Overall workforce	63.0% (172)	37.0% (101)

The Board had targeted to achieve and had achieved at least 14.3% (1) of female Directors, 11.1% (1) of female senior management and 66.1% (170) of female employees of the Group and considers that the above current gender diversity is satisfactory.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2022, there was no change in the composition of the Board.

The nomination process set out in the director nomination policy is as follows:

(a) Appointment of New Director

(i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(iv) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above and, where appropriate, make recommendation to shareholders in respect of the proposed election of director at the general meeting.

(b) Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director to be re-elected continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of the retiring director at the general meeting.

Where the board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Code of Conduct, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committees meetings and the general meetings of the Company held during the year ended 31 December 2022 is set out in the table below:

Director	Attendance/Number of Meetings				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting
Mr. ZHANG Yongli	4/4	1/1	1/1	—	1/1
Mr. SUN David Lee	4/4	—	—	—	1/1
Ms. HUANG Xiaoyun	4/4	—	—	—	1/1
Mr. WANG Wei	4/4	—	—	—	1/1
Mr. KWONG Wilson Wai Sun	4/4	1/1	1/1	3/3	1/1
Mr. CUI Yi	4/4	—	1/1	3/3	1/1
Mr. YEUNG Chi Wai	4/4	1/1	—	3/3	1/1

Apart from regular Board meetings, the chairman also held meetings with the independent non-executive Directors without the presence of executive Directors and non-executive Director during the year.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report of this Annual Report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2022, the remuneration paid for services provided by the auditor is roughly as follows:

Service Category	Fees Paid/Payable (RMB'000)
Audit and review services	2,303
Non-audit services	—
	2,303

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including sales and marketing, financial reporting, human resources and information technology.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

Principles of Risk Management and Internal Control Systems

The principal aim of the Company's risk management and internal control systems is to manage and mitigate business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets.

Main Features of Risk Management and Internal Control Systems

The key elements of the Company's risk management and internal control systems include the establishment of a risk register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

A risk matrix is also adopted to determine risk rating after evaluation of the risk by the likelihood and the impact of the risk event. The risk ratings reflect the level of management's attention and risk treatment effort required.

Process Used to Identify, Evaluate and Manage Significant Risk

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022.

Process Used to Review Effectiveness of the Risk Management and Internal Control Systems and to Resolve Material Internal Control Defects

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2022, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

COMPANY SECRETARY

The Company has engaged Tricor Services Limited, an external service provider, and Ms. LI Yan Wing Rita has been appointed as the Company's company secretary. Its primary contact person at the Company is Ms. HUANG Xiaoyun, an executive Director of the Company.

For the year ended 31 December 2022, Ms. LI Yan Wing Rita has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

Putting Forward Proposals at General Meetings

To put forward proposals at an annual general meeting, or extraordinary general meeting, the shareholders should submit a written notice of those proposals with the detail contact information to the company secretary at the Company's principal place of business in Hong Kong at Room 1303, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the shareholders for consideration of the proposal raised by the shareholders concerned at annual general meeting, or extraordinary general meeting varies according to the nature of the proposal as follows:

- At least 21 clear days' notice (the notice period must include 20 clear business days) in writing if the proposal constitutes an ordinary resolution of the Company in an annual general meeting.

- At least 21 clear days' notice (the notice period must include 10 clear business days) in writing if the proposal constitutes a special resolution of the Company in an extraordinary general meeting.

- At least 14 clear days' notice (the notice period must include 10 clear business days) in writing if the proposal constitutes an ordinary resolution of the Company in an extraordinary general meeting.

Convening an Extraordinary General Meeting by Shareholders

Any two or more shareholders of the Company deposit a written requisition, specifying the objects of the meeting and signed by the requisitionists, at the company secretary at the Company's principal place of business in Hong Kong at Room 1303, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

Any one shareholder of the Company which is a recognised clearing house (or its nominee(s)) deposits a written requisition, specifying the objects of the meeting and signed by the requisitionist, at the company secretary at the Company's principal place of business in Hong Kong at Room 1303, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary will ask the Board to include the resolution in the agenda for the extraordinary general meeting.

If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, provided that any meeting so convened shall not be held after the expiration of 3 months from the date of deposit of the requisition.

Putting Forward Enquiries to the Board

The enquiries must be in writing with contact information of the requisitionists and deposited at the company secretary at the Company's principal place of business in Hong Kong at Room 1303, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong or by email at william_yan@cohl-hk.com.

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

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including non-executive Director, independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any significant changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place of a shareholder communication policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness. To promote the relationship and communication with shareholder, the Company has the following policies:

1. To participate in investor conferences to make corporate presentations;
2. To arrange company visits;
3. To held regular meetings with institutional shareholders, fund managers and analysts;
4. To arrange analysts' briefings and road shows after annual and interim results announcement;
5. To maintain a website (www.cohl.hk) to disseminate announcements, shareholder information and other relevant financial and non-financial information electronically on a timely basis;
6. To disseminate announcements on the website of Stock Exchange;
7. The Company regards the annual general meeting as an important event. The chairman of the Board and the chairmen of the Board committees attend the annual general meeting to answer any questions from the shareholders. All Directors also make effort to attend; and
8. Active participation by the shareholders at the annual general meeting is highly welcomed.

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Dividends may be proposed and/or declared by the Board depending on the following factors:

- operations;
- earnings;
- financial condition;
- cash requirements and availability;
- capital expenditure;
- future development requirements;
- business conditions and strategies;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

Any final dividend for a financial year will be subject to the shareholders' approval.

Report of the Directors

The Board has pleasure in presenting the report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2022.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a review of the business of the Group, a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, a description of the risks and uncertainties facing the Group, and an indication of the future development of the business of the Group, is set out under sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 19 of this Annual Report. Those discussions form part of this Report of the Directors.

SUSTAINABILITY

The Group is committed to contributing to the sustainability of the environment and community in which it conducts its business and considers this essential to maintain its long-term competitiveness.

Environmental Policies and Performance

The Group recognises the importance of environmental protection and is committed to environmental-friendly development as a part of social responsibility. The Group achieves this through utilisation resources efficiently and effectively in its operations to reduce impacts on environment and compliance with the relevant environmental laws, standards, policies and practices of environmental protection, seeking to contribute to the improvement of ecological environment and sustainable development. The Group continues to improve the environmental performance as an integral and fundamental part of the business strategy and operating methods.

Relationships with Key Stakeholders

The Company strives to maintain harmonious relationship with its stakeholders including its customers, suppliers and employees. This includes providing quality products and services to customers, developing effective and mutual beneficial working relationships with its suppliers, and offering competitive remuneration package with safety working environments to employees.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The compliance with legislative and regulatory provisions in all jurisdictions in which the Group operates is a key ethical value fundamental to the Group. The Group mainly conducts its business in the PRC while the Company is incorporated in the Cayman Islands and is listed on the Stock Exchange in Hong Kong. Therefore, the Company and the Group shall comply with relevant laws and regulations in the PRC, the Cayman Islands and Hong Kong.

During the year ended 31 December 2022 and up to the date of this report, the Board was unaware of any non-compliance with relevant laws and regulations that had a significant impact on the business and operations of the Group.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2022 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 74 to 179 of the annual report.

The Board does not recommend to declare any final dividends for the year ended 31 December 2022.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 180 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the Group, and investment properties of the Group during the year ended 31 December 2022 are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2022 are set out in note 32 to the financial statements.

Details of other equity-linked agreements are included in the section "SHARE OPTION SCHEME" below.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF SHARES OF THE COMPANY

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2022 are set out in note 35 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2022, the Company's reserves, including contributed surplus less the accumulated losses, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to approximately RMB388.5 million. Under the Companies Law, a company may make distribution to its shareholders out of contributed surplus under certain circumstances.

CHARITABLE CONTRIBUTIONS

During the year, the Group made no charitable contribution.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, the aggregate sales attributable to the Group's five largest customers and the sales attributable to the Group's largest customer were approximately 14.4% and 4.6%, respectively, of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers and the purchases attributable to the Group's largest supplier were approximately 43.9% and 27.2%, respectively, of the Group's total purchases during the year ended 31 December 2022.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the any of the five largest customers or suppliers of the Group.

DIRECTORS

During the year ended 31 December 2022 and up to the date of this report, the Directors were:

Executive Directors:
Mr. ZHANG Yongli *(Chairman and Chief Executive Officer)*
Mr. SUN David Lee
Ms. HUANG Xiaoyun

Non-executive Directors:
Mr. WANG Wei
Mr. KWONG Wilson Wai Sun*
Mr. CUI Yi*
Mr. YEUNG Chi Wai*

* Independent Non-executive Directors

In accordance with the Company's articles of association, Mr. Kwong Wilson Wai Sun, Mr. Cui Yi and Mr. Yeung Chi Wai will retire from the Board by rotation. Mr. Kwong Wilson Wai Sun and Mr. Yeung Chi Wai will offer themselves for re-election at the Annual General Meeting whereas Mr. Cui Yi has decided not to offer himself for re-election and will therefore retire at the Annual General Meeting as he intends to spend more time on his personal business.

The Company has received annual confirmations of independence from each of the Independent Non-executive Directors, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 20 to 23 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for an initial fixed term of three years commencing from 8 June 2011 until terminated by not less than three months' notice in writing served by either party on the other or in accordance with the terms set out in the respective service contracts.

The Non-Executive Director has entered into a letter of appointment with the Company for an initial fixed term of three years commencing from 14 May 2012 until terminated by not less than three months' notice in writing served by either party on the other or in accordance with the terms set out in the respective letters of appointment.

Each of the Independent Non-executive Directors has entered into a letter of appointment with the Company and is appointed for an initial fixed term of three years commencing from 8 June 2011 until terminated by not less than three months' notice in writing served by either party on the other or in accordance with the terms set out in the respective letters of appointment.

Apart from the foregoing, no Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The primary duties of the Remuneration Committee are mainly to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance based remuneration and ensure none of the Directors is involved in determining his/her own remuneration. Details of Directors' remuneration are set out in note 9 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during or at the end of the year ended 31 December 2022.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and chief executives in the shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

Long Positions in Ordinary Shares and Underlying Shares of the Company:

Name of director	Nature of Interest	Number of Ordinary Shares Owned	Underlying Shares Interested (Note 1)	Total	Percentage of the Company's issued Share Capital (%)
Mr. ZHANG Yongli	Beneficial owner	9,028,000	3,000,000	12,028,000	0.35
	Corporate interest (Note 2)	839,748,000	–	839,748,000	24.37
Mr. SUN David Lee	Beneficial owner	452,000	10,000,000	10,452,000	0.30
Ms. HUANG Xiaoyun	Beneficial owner	320,600,000	20,000,000	340,600,000	9.89
Mr. WANG Wei	Beneficial owner	–	3,000,000	3,000,000	0.09
Mr. KWONG Wilson Wai Sun	Beneficial owner	–	3,000,000	3,000,000	0.09
Mr. CUI Yi	Beneficial owner	–	3,000,000	3,000,000	0.09
Mr. YEUNG Chi Wai	Beneficial owner	–	3,000,000	3,000,000	0.09

Note:

(1) The number of underlying shares represents the shares in which the Directors are deemed to be interested as a result of holding share options.

(2) CEC Outfitters Limited, holding 839,748,000 shares (long position) of the Company, was wholly owned by Vinglory Holdings Limited ("Vinglory") and Vinglory was wholly owned by Mr. ZHANG Yongli.

(3) The percentage is calculated based on the total number of issued shares of the Company as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executives had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2022, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or were otherwise notified to the Company:

Long positions in Ordinary Shares and Underlying Shares of the Company:

Name	Notes	**Nature of Interest**	**Number of Shares**	**Percentage of the Company's Issued Share Capital** (Note 5)
Mr. ZHANG Yongli	(1)	Corporate interest	839,748,000	24.37
	(1)	Beneficial owner	12,028,000	0.35
Vinglory Holdings Limited	(1)	Corporate interest	839,748,000	24.37
CEC Outfitters Limited	(1)	Beneficial owner	839,748,000	24.37
Ms. HUANG Xiaoyun	(2)	Beneficial owner	340,600,000	9.89
Mr. KRAVIS Henry Roberts	(3)	Corporate interest	285,366,000	8.28
Mr. ROBERTS George R.	(3)	Corporate interest	285,366,000	8.28
KKR Management LLP	(3)	Corporate interest	285,366,000	8.28
KKR & Co. Inc.	(3)	Corporate interest	285,366,000	8.28
KKR Group Co. Inc.	(3)	Corporate interest	285,366,000	8.28
KKR Group Holdings L.P.	(3)	Corporate interest	285,366,000	8.28
KKR Group Holdings Corp.	(3)	Corporate interest	285,366,000	8.28
KKR Group Partnership L.P.	(3)	Corporate interest	285,366,000	8.28
KKR China Growth Limited	(3)	Corporate interest	285,366,000	8.28
KKR Associates China Growth L.P.	(3)	Corporate interest	285,366,000	8.28
KKR China Growth Fund L.P.	(3)	Corporate interest	285,366,000	8.28
KKR China Apparel Limited	(3)	Beneficial owner	285,366,000	8.28
Mr. SHEN Chengjian	(4)	Beneficial owner	112,150,000	3.26
	(4)	Interest of spouse	168,904,000	4.90
Ms. XIAO Wenqing	(4)	Beneficial owner	168,904,000	4.90
	(4)	Interest of spouse	112,150,000	3.26
Ms. ZHANG Kailun		Beneficial owner	173,000,000	5.02

Notes:

(1.1) CEC Outfitters Limited, holding 839,748,000 shares (long position) of the Company, was wholly owned by Vinglory and Vinglory was wholly owned by Mr. ZHANG Yongli.

(1.2) Mr. ZHANG Yongli held interests in a total of 12,028,000 shares (long position) of the Company, including 3,000,000 underlying shares interested as a result of holding share options.

(2) Ms. HUANG Xiaoyun held interests in a total of 340,600,000 shares (long position) of the Company, including 20,000,000 underlying shares interested as a result of holding share options.

(3) KKR China Apparel Limited, holding 285,366,000 shares (long position) of the Company, was owned as to 90% by KKR China Growth Fund L.P.. KKR Associates China Growth L.P. ("KKR Associates") was the general partner of KKR China Growth Fund L.P.. KKR China Growth Limited was the general partner of KKR Associates. KKR China Growth Limited was wholly owned by KKR Group Partnership L.P. (formerly known as KKR Fund Holdings L.P.). KKR Group Partnership L.P. was owned as to 69% by KKR Group Holdings Corp. and 31% by KKR Group Holdings L.P. (formerly known as KKR Holdings LP). KKR Group Holdings Corp. was wholly owned by KKR Group Co. Inc. (formerly known as KKR & Co. Inc.). KKR Group Holdings L.P. was owned as to 99% by KKR Group Co. Inc.. KKR & Co. Inc. (formerly known as KKR Aubergine Inc.) was the sole shareholder of KKR Group Co. Inc.. KKR Management LLP (formerly known as KKR Management LLC) was the general partner of KKR & Co. Inc.. Mr. KRAVIS Henry Roberts and Mr. ROBERTS George R. disclaimed any beneficial ownership interest in the shares held by KKR China Apparel Limited. The interest in 285,366,000 shares (long position) related to the same block of shares in the Company.

(4) Mr. SHEN Chengjian held interests in 112,150,000 shares (long position) of the Company and his spouse Ms. XIAO Wenqing held 168,904,000 shares (long position) of the Company. Mr. Shen is deemed to be interested in the 168,904,000 shares held by Ms. Xiao and Ms. Xiao is deemed to be interested in the 112,150,000 shares held by Mr. Shen.

(5) The percentage is calculated based on the total number of issued shares of the Company as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") and it was conditionally approved by the written resolutions of the shareholders passed on 25 November 2011 (the "Resolutions"). The details of the share option scheme are as follows:

1. Summary of Terms

1. The purpose of the scheme — To provide incentive and/or reward to Eligible Persons (as defined below) for their contribution to, and continuing efforts to promote the interests of, the Company.

2. The participants of the scheme — The Board may, at its absolute discretion, offer options to subscribe for such number of shares of the Company in accordance with the terms set out in the Share Option Scheme to:

   a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;

b) a director or proposed director (including an independent non-executive director) of any member of the Group;

c) a direct or indirect shareholder of any member of the Group;

d) a supplier of goods or services to any member of the Group;

e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

g) an associate of any of the foregoing persons.

(the persons referred above are the "Eligible Persons").

3.	The total number of securities available for issue under the scheme together with the percentage of the issued shares that it represents as at the date of the annual report	At the annual general meeting held on 14 May 2018, the shareholders approved the refreshment of the scheme mandate limit of the Share Option Scheme after which the maximum number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme is 344,545,000 Shares, representing 10% of the issued shares as at the date of this report.
4.	The maximum entitlement of each participant under the scheme	No option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.
5.	The period within which the securities must be taken up under an option	The period shall be determined and notified by the Board to the grantee during which period the option may be exercised and in any event shall not exceed ten years commencing from the date on which the offer in relation to such option is accepted.
6.	The minimum period, if any, for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Board.

7.	The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	The offer of a grant of share options may be accepted on or not later than 21 days after the date of the offer with a consideration of HK$1 being payable by the grantee.
8.	The basis of determination of the exercise price	The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall be at least the highest of: (a) the closing price of a Share in the Company as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a Business Day; (b) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date; and (c) the nominal value of a Share.
9.	The remaining life of the scheme	The Share Option Scheme will remain in force for a period of 10 years from 25 November 2011, until 24 November 2021, after which period no further Option shall be granted. In respect of Options remaining outstanding on the expiration of the 10-year period, the provisions of the Share Option Scheme shall remain in full force and effect.

A total of 273,000,000 share options under the Share Option Scheme were granted on 10 December 2018 at a consideration of HK$1 paid by each participant.

Each half (1/2) of the 164,800,000 share options would become vested and exercisable on 10 December 2019 and 2020, respectively.

Each quarter (1/4) of the 108,200,000 share options would become vested and exercisable on 10 December 2019, 2020, 2021 and 2022, respectively.

All vested options shall be exercisable until 9 December 2023.

Share options under the Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

2. Outstanding Share Options Granted

As at 31 December 2022, 78 participants including 7 current Directors remain interested in 221,500,000 outstanding share options under the Share Option Scheme.

Details of movements of share options under the Share Option Scheme during the year ended 31 December 2022 are set out below:

Category of grantees	Name of director	Date of grant	Exercise price (HK$)	Outstanding at 1.1.2022	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	Outstanding at 31.12.2022	Vesting and exercise period
Executive director	Mr. ZHANG Yongli	10 December 2018	0.2114	3,000,000	–	–	–	–	3,000,000	Note 1
Executive director	Mr. SUN David Lee	10 December 2018	0.2114	10,000,000	–	–	–	–	10,000,000	Note 1
Executive director	Ms. HUANG Xiaoyun	10 December 2018	0.2114	20,000,000	–	–	–	–	20,000,000	Note 1
Non-executive director	Mr. WANG Wei	10 December 2018	0.2114	3,000,000	–	–	–	–	3,000,000	Note 1
Independent non-executive director	Mr. KWONG Wilson Wai Sun	10 December 2018	0.2114	3,000,000	–	–	–	–	3,000,000	Note 1
Independent non-executive director	Mr. CUI Yi	10 December 2018	0.2114	3,000,000	–	–	–	–	3,000,000	Note 1
Independent non-executive director	Mr. YEUNG Chi Wai	10 December 2018	0.2114	3,000,000	–	–	–	–	3,000,000	Note 1
Employees in aggregate	–	10 December 2018	0.2114	174,800,000	–	–	–	8,300,000	166,500,000	Note 2
Consultant	–	10 December 2018	0.2114	10,000,000	–	–	–	–	10,000,000	Note 1

Note 1: Half of the outstanding options as at 31 December 2022 was vested and became exercisable on 10 December 2019, and another half of the outstanding options as at 31 December 2022 was vested and became exercisable on 10 December 2020. All vested options shall be exercisable until 9 December 2023.

Note 2: 62,000,000 of the outstanding options as at 31 December 2022 was vested and became exercisable on 10 December 2019, and another 62,000,000 of the outstanding options as at 31 December 2022 was vested and became exercisable on 10 December 2020, whereas 21,250,000 outstanding options became vested and exercisable on 10 December 2021 and another 21,250,000 outstanding options became vested and exercisable on 10 December 2022. All vested options shall be exercisable until 9 December 2023.

Save as disclosed above, no share option granted under the Share Option Scheme was granted, exercised, forfeited, lapsed or cancelled during the year ended 31 December 2022.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2022.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2022.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS

Save as disclosed under the sections headed "Directors' and chief executives' interests and short positions in shares and underlying shares and debentures" and "Share option schemes" above, at no time during the year ended 31 December 2022 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

During the year, none of the controlling shareholders of CEC Outfitters Limited, Vinglory, nor any of their respective associates is a director or a shareholder of any business apart from the business of the Group which competes or likely to compete, either directly or indirectly, with the business of the Group.

DISCLOSURES PURSUANT TO RULES 13.21 AND 13.22 OF THE LISTING RULES

The Board is not aware of any circumstances resulting in the responsibility of disclosure under Rules 13.21 and 13.22 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 December 2022 and up to the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group.

REMUNERATION POLICY

The Group's remuneration policies are formulated on the performance of individual employee and on the basis of the salary trends in the PRC and Hong Kong, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted the Share Option Scheme for its employees.

PENSION SCHEME

Details of the retirement benefits plans of the Group are set out in note 2.4 under the heading "Other employee benefits" to the financial statements.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event took place subsequent to 31 December 2022 of the Group are set out in note 43 to the financial statements.

CORPORATE GOVERNANCE

A report on the principal governance practices adopted by the Company is set out on pages 24 to 38 of the annual report.

AUDIT COMMITTEE

The Company established the Audit Committee pursuant to the Resolutions in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting and oversee the risk management and internal control systems and internal audit function of the Group. At present, the Audit Committee of the Company consists of three members who are Mr. KWONG Wilson Wai Sun, Mr. CUI Yi and Mr. YEUNG Chi Wai. Mr. KWONG Wilson Wai Sun is the chairman of the Audit Committee. The Company's and the Group's financial statements for the year ended 31 December 2022 have been reviewed by the Audit Committee.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2022, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

AUDITORS

Ernst & Young shall retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

ZHANG Yongli
Chairman
Hong Kong

24 March 2023

Environmental, Social and Governance Report

Introduction

The board (the "Board") of directors (the "Directors") of China Outfitters Holdings Limited (the "Company", together with its subsidiaries, "the Group") is pleased to present its Environmental, Social and Governance ("ESG") report. The report discloses the sustainability initiatives by the Group and is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Unless otherwise specified, this report covers the Group's progresses and performances on ESG issues from 1 January 2022 to 31 December 2022 (the "Reporting Year").

Being a responsible corporate citizen is the core fundamental of our corporate culture and therefore, the Group is committed to the operation concept of "maximizing interests of customers, returns of shareholders, values of employees and responsibility of society".

Statement from the Board

2022 was a challenging year. Against the backdrop of the novel coronavirus ("COVID-19"), regulatory reforms and rising geopolitical tensions, we remained resilient and stayed true to our mission and purpose. We are grateful for the perseverance of our partners and staffs for supporting our customers and community in these challenging times.

As the business environment becomes more complex, long term sustainability has never been more important. ESG is at the top of our agenda and we have been integrating ESG risk management framework into different aspects of the business. We are responsible for spearheading the ESG strategy and the overall direction in managing ESG related risk and opportunities. Reporting and disclosure of ESG initiatives are implemented by a dedicated ESG team, and is responsible for collaborating with other functional areas in the integration and implementation of sustainability initiatives throughout the Group. Every period, we review the progress on the ESG-related goals along with the ESG team and further enhance our business operation, ESG risk management framework and internal control system to further achieve long-term sustainability.

Going forward into 2023, we will further our ESG initiatives and strategy to pursue a brighter future with all of our stakeholders.

Stakeholders Engagement and Materiality Analysis

The Group strives to create positive values to shareholders and believes that the interests of all stakeholders must be taken in account in order to strengthen relationship and contribute the greatest value to the community. In addition, the Group attaches great importance to its social responsibility and sustainability and tries its best to understand the concerns of different stakeholders and meet their expectations and requirements through operations and various communication channels.

Stakeholders	Concerns	Response of the Group
Government	• Operation in compliance • Economic growth	China Outfitters adheres to the business philosophy of honesty and integrity. It has actively fulfilled the obligations of corporate citizens, and promoted the harmonious development of society, so as to become a model for corporate citizenship. We maintain strict compliance with the laws and regulations, paying taxes honestly, fighting corruption, money laundering and bribery; we give full play to our strengths in resource integration while "enacting measures according to local conditions and applying them on well-chosen targets". Most importantly, the Group also focused on being a responsible citizen for our world by having the right environmental protection.
Customers	• Product quality & safety • Experience & customer services • Intellectual properties	China Outfitters insists on thinking from the perspective of customers, creating value for customers, and taking a customer-oriented approach. We strive to build high-quality of products. We have set up multiple customer communication and feedback channels to listen to their opinions and handle inquiries or complaints. We have in place multiple protection measures for the intellectual properties with the protection terms in the agreement.
Investors	• Investment returns • Corporate information transparency • Interests protection	China Outfitters is accountable to all investors and strives to provide them with reasonable, sustained and stable returns on their investments. We are making great efforts to capture the market trends while constantly enhancing our management capabilities, our brand influence and value. We maintain close and transparent communication with our investors and the market through investor meetings, shareholders' meetings and release of annual reports and interim reports. We have in place a rigorous risk management and internal control system in cooperation with the internal audit function, so that the management and audit committee can focus on the adequacy and effectiveness of our risk management and internal control system.

Stakeholders	Concerns	Response of the Group
Employees	• Health & safety • Career development • Training opportunities	China Outfitters believes that its employees are the most valuable assets. We fully respect the rights and interests of our employees, and provide them with a platform to exert their talents and achieve their career development, such that our employees can grow together and share the operating results with the Company. We strive to create a competitive work environment, a sound performance appraisal system and a remuneration and welfare system while constantly improving our training and development system, so as to help our employees blend into the long-term development of the Group, spark off their potentials and enhance their satisfaction and sense of belonging.
Suppliers	• Transparency in procurement process • Development opportunities • Commercial integrity	We have in place a well-maintained supplier management system, which enables a clear division of the supervisory functions and combines supplier assessment and approval, supplier selection and performance evaluation to oversee the supply chain management in all aspects.
Community	• Job opportunities • Environment-friendliness & energy saving • Public welfare	We are committed to the long-term and ambitious development of our business and creating more job opportunities for the community. We will try our best to gradually reduce emission and consumption of energy, reduce greenhouse gas emission and improve energy efficiency while vigorously practicing our corporate social responsibility and promoting the development of philanthropy in the regions where we operate.

Importance of the topics

The Group has conducted an assessment of the importance of the topics in this environmental, social and governance report. The factors for consideration include the strategic objectives and policies of the businesses of the Group, industry standards, legal and regulatory responsibilities, environmental protection, resource utilization, quality control and employee protection, etc. with the aim of helping the Group identify important issues. Through such an assessment and analysis, the Group has identified various major issues and has described the Group's response to such important issues in a more complete and accurate way in this report.

A. ENVIRONMENTAL PROTECTION

The Group is principally engaged in the design, manufacturing, marketing and sale of apparel products and accessories. Its operating activities do not generate any emissions or wastes that would severely pollute the environment. However, the Group undertakes environmental protection as part of its corporate responsibilities, and it is fully aware of the importance of sustainable environmental development in achieving sustainability in its operations.

The Group encourages the conscientious use of resources through a daily process of awareness-raising among employees, along the supply chain, with partners and suppliers to spread the culture of environmental sustainability and to continue to seek out new opportunities to reduce waste.

The Group implements a number of green measures at our headquarters in Shanghai, manufacturing plant in Dezhou, Shandong Province, retail points and warehouses to minimise environmental footprints. To this end, the Group introduced several initiatives to improve energy efficiency, better waste management and enhance indoor environmental quality. The Group also sets emissions and use of resources reduction targets to 5% for the year ending 31 December 2023.

The Group also abides by the Environmental Protection Law of the People's Republic of China (the "PRC"), the Energy Conservation Law of the PRC and other related laws and regulations of Hong Kong and the PRC. During the Reporting Year and up to the date of this report, the Board was unaware of any non-compliance with relevant laws and regulations in relation to environment protection that had a significant impact on the business and operations of the Group.

Emissions

KPI A1.1 The type of emissions and respective emissions data

The major source of air pollutant emissions was from vehicles owned by the Group for operating purposes. Running the vehicles generates air pollutants including nitrogen oxides (NOx), sulphur oxides (SOx) and particular matters (PM). The approximate amount of NOx, SOx and PM emissions from our operation in China are shown in the table below:

Types of Air Pollutants	2022 Grams	2021 Grams	Increase/ (decrease) in percentage
NOx emissions	626,828.86	799,472.25	(21.59%)
SOx emissions	1,025.45	1,175.50	(12.76%)
PM emissions	47,895.71	60,566.44	(20.92%)

NOx and PM emissions decrement was attributed to decreased vehicles' traveling kilometres and SOx emission decreased in vehicles' fuel usage as the novel coronavirus ("COVID-19") negative influence on the operation.

KPI A1.2 Greenhouse gas emission

The greenhouse gas (GHG) emissions produced by the Group was mainly due to direct emission (Scope 1) principally resulted from usage of vehicles and fuel, indirect emissions (Scope 2) resulted from purchased electricity used for operation and other indirect emission (Scope 3) resulted from paper usage and electricity used for processing fresh water by government departments. The figures of GHG emissions generated from the Group are shown in the table below:

Types of GHG emissions	2022 Kilograms of carbon dioxide equivalent	2021 Kilograms of carbon dioxide equivalent	Increase/ (decrease) in percentage
Direct emission (Scope 1)	185,118.92	210,996.75	(12.26%)
Indirect emission (Scope 2)	663,558.55	1,026,415.44	(35.35%)
Other indirect emission (Scope 3)	26,916.61	29,666.36	(9.27%)
Total GHG emissions	875,594.08	1,267,078.55	(30.90%)

GHG emissions Intensity	2022 Kilograms of carbon dioxide equivalent	2021 Kilograms of carbon dioxide equivalent	Increase/ (decrease) in percentage
GHG emissions per unit of production volume	3.19	3.45	(7.54%)

The overall decrease in GHG emissions in each scope is attributed to the decrease in the business scale. The Group also further enhanced operational efficiency which led to a decrease in the GHG emissions intensity by 7.54%. The Group is committed to protect our living environment and reduce greenhouse gas emission from operations. Although air pollutants and GHG emissions generated by the Group's operating activities are limited, the following initiatives have been taken to minimise emissions from our electricity and fuel consumption:

- In the aspect of delivery manner, most of our products are manufactured in China. We also deliver our finished product to third party retailers directly by our manufacturing plant in Dezhou and maintain a centralised dispatching warehouse in Shanghai for self-operated retail points in order to cut down the delivery distance and optimise efficiency of delivery for reducing unnecessary GHG emissions;

- We seek to purchase and consume clean or renewable energy for electricity used, particularly for the manufacturing plant in Dezhou;

- We make use of solar energy, which does not generate GHG emissions, as a way to provide major of the heat energy in the boiler for heating water to produce steam in the process of ironing in the manufacturing plant in Dezhou;
- Our part of the heating source come from natural gas instead of other fossil fuel which produces significant amount of GHG emissions; and
- We arrange a professional and qualified third-party organisation to detect the exhaust emissions from the boiler to ensure the result is complied with relevant laws and regulations in relation to environment protection.

The Group will continuously adopt the followings in the coming years to ascertain a more efficient paper usage:

- using office automation system and emails for internal communication;
- electronic marketing materials and newsletters are used to minimise massive printing of promotion materials;
- encouraging our staff to view documents on electronic devices instead of printing out hard copies. When printing is unavoidable, staff members are required to reuse paper for internal documentation, print on both sides and few pages per sheet; and
- collecting waste paper to government recognised recyclers for recycling purpose regularly.

KPI A1.3 Hazardous waste

The Group recognised the importance of responsible natural resource use and waste management. We conducted an analysis of the processes carried out and waste produced in each phase of the operating activities. The analysis enabled to optimise the available resources, thereby reducing waste production and increasing waste recycling.

Our hazardous waste mainly included paint buckets, white latexes, filters with waste residue and UV lamps, which arise from renovating our stores, such as the retail counter. As there were less renovations during the Reporting Year, the hazardous waste decreased by 56.45% compared with the prior year. All hazardous waste was handed over to the institutions which are qualified to handle hazardous waste in accordance with relevant laws and regulations.

During the review period, we recorded the following hazardous waste figures:

Type of waste	2022 Kilograms	2021 Kilograms	Increase/ (decrease) in percentage
Hazardous waste	270.00	620.00	(56.45%)

Hazardous waste intensity	2022 Kilograms	2021 Kilograms	Increase/ (decrease) in percentage
Hazardous waste per unit of production volume	0.00098	0.0017	(42.35%)

KPI A1.4 Non-hazardous waste

Our non-hazardous waste from the Shandong factory operation was mainly attributed to boards, clothes, metals, paper boxes and other domestic wastes. Boards, clothes, metals and papers boxes are recyclable waste which we sold to waste recycling companies. Waste separation in the workplace has also been implemented to improve the recycling process and to reduce our overall impact on the environment. There was a decrease of 29.02% in non-hazardous waste compared to the previous year as the production facilities had to close down for a period of time due to the COVID-19 lockdown policy in the Reporting Year.

During the review period, we recorded the following non-hazardous waste figures:

Type of waste	2022 Kilograms	2021 Kilograms	Increase/ (decrease) in percentage
Non-hazardous waste	36,670.00	51,664.00	(29.02%)

Non-hazardous waste intensity	2022 Kilograms	2021 Kilograms	Increase/ (decrease) in percentage
Non-hazardous waste per unit of production volume	0.13	0.14	(7.14%)

Use of Resources

The Group adheres to the concept of energy conservation and emission reduction for green production. The major resources used by the Group were principally attributed to direct and indirect energy consumption, water and packaging materials consumed at the Shandong Factory. We aim to improve our energy efficiency to achieve low-carbon practices and emission reduction throughout our production and operation, and strive to save the resources. The Group's direct and indirect energy consumption are shown in the following tables:

KPI A2.1 Direct and indirect energy consumption

Types of energy consumption	2022 Kilowatt-hour	2021 Kilowatt-hour	Increase/ (decrease) in percentage
Non-renewable fuels consumed (direct)	2,287,616.95	2,380,977.63	(3.92%)
Purchases of energy consumed (indirect)	1,087,622.60	1,682,372.47	(35.35%)
Self-generated energy consumed (direct)	1,226,931.26	1,210,003.75	1.40%
Total Direct and indirect energy consumption	4,602,170.81	5,273,353.85	(12.73%)

Energy consumption intensity	2022 Kilowatt-hour	2021 Kilowatt-hour	Increase/ (decrease) in percentage
Direct and indirect energy consumption per unit of production volume	16.78	14.37	16.77%

The Non-renewable fuels included petrol, diesel and natural gas. The purchases of energy included electricity and steam. The self-generated energy was steam flow produced by boiler. The increase in self-generated energy consumed was mainly the increase in usage of boiler steam in Dezhou. The overall drop in energy consumption is due to a decrease in business activities.

Energy consumption controls and testing have been used to design a long-term plan to improve energy efficiency both in the industrial and retail environment. The initiatives of the plan include:

- gradual replacement of all air conditioners with latest-generation systems with advanced energy-saving functions;

- gradual replacement of store and office lighting with energy-saving lighting systems such as LED technology etc;

- putting reminder message about the importance of energy and resources savings on or next to office equipment;
- security guards in office, logistic centres and manufacturing plant in Dezhou ensuring air conditioning systems, office equipment and lighting in vacant working areas are switched off after operation hours;
- residual heat energy in boiler chimney at manufacturing plant in Dezhou was recovered and used for the boiler as preheating;
- replacing old vehicles by new fuel vehicles and electric vehicles to escalate energy consumption of the vehicles; and
- adopting energy-saving mode for air source heat pump.

KPI A2.2 Water consumption

Type of resource consumption	2022 m^3	2021 m^3	Increase/ (decrease) in percentage
Water consumption	11,663.70	16,059.44	(27.37%)

Water consumption intensity	2022 m^3	2021 m^3	Increase/ (decrease) in percentage
Water consumption per unit of production volume	0.04	0.04	–

The operating activities of the Group do not involve high water consumption. Most of the water resources used were for the daily use of employees and only a small part was used for the manufacturing activities in Dezhou. There were no issues in sourcing water.

The water consumption slightly dropped due to the decrease in business activities.

The Group established the following measures for using water efficiently:

- adopts water saving measures, such as putting up reminder message in the office area and across the plants to remind our staff members to use water resources conscientiously and effectively; and
- establish return conduits to save and recycle the condensate formed when boiler is heated at manufacturing plant in Dezhou, as wash water in factory quarters and water for boiler heating.

Raw materials consumption

The Group keeps close communication with suppliers and complies with the Environmental Protection Law of the People's Republic of China in using all major raw materials. The Group also discusses with the suppliers on the use of environment-friendly materials in our products.

The Group strictly controls the use of raw materials and the amount of fabrics through the use of computerised software to compute and optimise cutting layouts. Automatic fabric-cutting machines have been used in the manufacturing plant in Dezhou to improve the accuracy in cutting fabrics.

KPI A2.5 Packaging material used for finished products

Type of packaging material	2022 Kilograms	2021 Kilograms	Increase/ (decrease) in percentage
Plastic	14,326.00	8,222.00	74.24%
Paper	–	57,369.00	(100.00%)
Total packaging material used	14,326.00	65,591.00	(78.16%)

Packaging material intensity	2022 Kilograms	2021 Kilograms	Increase/ (decrease) in percentage
Packaging material per unit of production volume	0.05	0.18	(72.22%)

With regard to the product package, our packaging materials shifted to primarily plastics. As a result, our plastic packaging material consumption increased, while the paper material consumption dropped to zero. We also reduced the packaging material intensity by 72.22% to further reduce our footprint during the production process. The Group never excessively packs our products. Most of the shopping bags are made from environment-friendly bags. Periodic review has been made on level of inventories kept by the Group and the Group evaluates the usage of material regularly to avoid over-stocking.

The Group recognizes the importance of environmental protection and is committed to environmental-friendly development as a part of social responsibility. The Group achieves this through utilization resources efficiently and effectively in its operations to reduce impacts on environment and compliance with the relevant environmental laws, standards, policies and practices of environmental protection, seeking to contribute to the improvement of ecological environment and sustainable development. The Group continues to improve the environmental performance as an integral and fundamental part of the business strategy and operating methods.

Climate Change

The Group is aware of the impact of climate change on the operation, for example, extreme weather events, global warming by increasing GHG emissions globally, etc. The impact is prioritized by a risk-based approach that the Group aims to implement the mitigation control to the larger impact imposed on the business. The Group promotes the culture of climate change awareness to all the staff so as to enhance the identification chance of impact on the frontline operation. The timely report of such impact is crucial, so that the management can act promptly on the issue.

The Group implements a number of green measures at our headquarters, manufacturing plant, retail points and warehouses to minimise environmental footprints. To this end, the Group introduced several initiatives to improve energy efficiency, better waste management and enhance indoor environmental quality.

Considering the challenging climate change issue to society and the business, the Group will maintain a high alertness, closely monitor the potential impact of climate change and modify the control measures to cope with the latest climate change issue.

B. SOCIAL

Employment and Labour Practices

The Group believes that outstanding talents are the cornerstone for facilitation of the healthy and steady development of an enterprise. Therefore, the Group values its staff members as an important asset and puts strong emphasis on recruitment, reserve, training and development of talents and commits to achieving a win-win situation for both the Company and employees through effective communication, trainings and safety education.

KPI B1.1 Total workforce by gender, employment type, age group and geographical region

Categories		2022 Number of employees	2021 Number of employees	Increase/ (decrease) in percentage
Total number of employees		273	374	(27.01%)
Gender	Male	101	112	(9.82%)
	Female	172	262	(34.35%)
Employment type	Full time	273	374	(27.01%)
	Part time	–	–	–
Age group	Below 30	32	45	(28.89%)
	Between 31 and 50	219	301	(27.24%)
	Above 51	22	28	(21.43%)
Geographical region	Hong Kong	3	4	(25.00%)
	Mainland China	270	370	(27.03%)

The Group recruits qualified talents through campus and social recruitment as well as internal referral, regardless of nationality, gender, age or religion, and strictly prohibits discrimination of any kind. The number of full-time employees decreased because of the decrease of retail points and business operation during the Reporting Year.

KPI B1.2 Employee turnover rate

Categories		2022 Employee turnover rate	2021 Employee turnover rate	Increase/ (decrease) in percentage
Total employee turnover		51%	59%	(8 p.p.t)
Gender	Male	22%	13%	+9 p.p.t.
	Female	68%	87%	(19 p.p.t)
Age group	Below 30	81%	18%	+63 p.p.t
	Between 31 and 50	48%	59%	(11 p.p.t)
	Above 51	27%	3%	+24 p.p.t
Geographical region	Hong Kong	33%	–	+33 p.p.t
	Mainland China	51%	59%	(8 p.p.t)

* The turnover rate for 2021 has been restated to ensure consistency and comparability.

The Group's staff handbook sets out the Group's working hours, rest breaks, holidays, leave entitlements as well as termination of employment and compensation matters.

The Group provides competitive remuneration packages to employees to ensure that the Group can attract and retain the best talents. The remuneration package is determined based on salary level of labour market in related fields and professions, responsibility and complexity of the job, and appraisal result of the employee. The Group also commits to contribute social securities, such as medical insurance, pension etc., for its employees based on the requirements of local regulations. In addition, the employees are entitled to annual leaves, maternity leaves and marriage leaves as well as other occasion leaves according to the Labour Law of the PRC.

The Group strictly adheres to all applicable labour laws and regulations in the PRC and Hong Kong. No violation was recorded for the year end 31 December 2022.

Health and Safety

The Group is committed to maintaining a good occupational safe and healthy environment. The Group provides training on safety education for our employees.

In order to minimise workplace incidents and arouse employees' awareness of safety precaution, the Group provides regular educational courses and training programs on occupational safety with its employees, particularly those involved in store decoration and warehousing.

During the Reporting Year, no serious injury of employee was recorded.

KPI B2.1 Number and rate of work-related fatalities

Categories		Number of employees
Work-related fatalities	Year 2022	–
	Year 2021	–
	Year 2020	–

KPI B2.2 Lost day due to work injury

	2022 Number of days	2021 Number of days	Increase/ (decrease) in percentage
Lost days due to work injury	207	243	(14.81%)

The number of lost days due to work injury for 2021 has been restated to ensure consistency and comparability.

Development and Training

As the Group values its employees as an important asset, the Group believes that learning and self-enrichment are the principal methods for employees' career advancement and professionalism development.

The Group provides training courses to employees including knowledge about the Group's corporate culture, business ethics, production and logistics planning, customer service etc. In addition to internal orientation, the Group also encourages employees to take part in training courses and workshops that are relevant to their roles at external organisations in order to strengthen their job skills and knowledge. Directors attended their requested continuous professional training courses organised by various professional institutes. All employees have received training. Overall, the Group has organized more training courses in the Reporting Year for employees to further support their personal and professional growth.

During the review period, we recorded the following training figures:

KPI B3.1 Employee trained by gender and employee category

Categories		2022 Percentage	2021 Percentage	Increase/ (decrease) in percentage
Total number of employees		51%	100%	(49 p.p.t.)
Gender category	Male	46%	16%	+30 p.p.t.
	Female	54%	84%	(30 p.p.t.)
Employment category	Senior management	5%	3%	+2 p.p.t.
	Middle management	6%	16%	(10 p.p.t.)
	General employees	89%	81%	+8 p.p.t.

KPI B3.2 Average training hours completed per employee

Categories		2022 Hours	2021 Hours	Increase/ (decrease) in percentage
Total number of employees		4.04	31.36	(87.12%)
Gender category	Male	4.99	15.36	(67.51%)
	Female	3.49	38.20	(90.86%)
Employment category	Senior management	4.31	21.71	(80.15%)
	Middle management	0.84	24.00	(96.50%)
	General employees	5.35	33.98	(84.26%)

Labour Standards

The management sets a strict tone on anti-child and forced labour and allows zero tolerance for such matter. As part of the recruitment process, candidates undergo a thorough background check on their identity to prevent child labour. If such cases are discovered, the management will investigate the issue. No child nor forced labour has been employed by the Group for the Reporting Year.

Supply Chain Management

As at 31 December 2022, the Group had 88 outsourcing suppliers and raw material suppliers.

The Group's suppliers have been carefully selected. The Group prefers those suppliers with ISO14000 standards and will carry out on-site visits before the commencement of the business with suppliers. Evaluation on the performance of suppliers and contractors will be made, at least on an annual basis, through day-to-day communication, business meetings, on-site visits, sampling, product quality inspection etc., in order to ensure that the suppliers and contractors' operations are fully complied with the applicable laws and regulations in relation to social and environmental aspects. This practice minimizes the environmental and social risks along the supply chain.

Most of the procurements made by the Group shall undergo a tender and quotation process. The Group implements a just and fair process to ensure adequate competition.

KPI B5.1 Suppliers by geographical region

Geographical regions	2022 Number of suppliers	2021 Number of suppliers	Increase/ (decrease) in percentage
PRC	88	89	(1.12%)

Product responsibility

The Group takes product safety obligations seriously so as to meet the regulatory standards in relation to health and safety, fair advertising and labelling that are applicable to our products and services.

All fabrics used by the Group are subject to quality inspection conducted by state-approved independent third-party institutions. All finished goods must pass the quality control inspection of the Group before packaging for delivery. These inspection activities help identify in-process improvements and enable us to receive quality products.

During the Reporting Year, the Board was unaware of any material non-compliance or breach of legislation related to product safety or any recalls of products due to product safety or health issues.

KPI B6.1 Products sold or shipped subject to recalls for safety and health reasons

Products sold or shipped subject to recalls for safety and health reasons	2022 Percentage	2021 Percentage	Increase/ (decrease) in percentage
Products subject to recalls	–	–	–

KPI B6.2 Products and service related complaints received

	2022 Number of complaints	2021 Number of complaints	Increase/ (decrease) in percentage
Products and service related complaints	–	–	–

Intellectual Property Rights

The Group primarily relies on intellectual property laws and contractual arrangements with our employees, business partners and other parties to protect our intellectual property rights. Our employees are required to enter into employment agreements where they are required to keep confidential relating to our intellectual property and trade secrets.

The Group also operates 2 licensed brands. All staff members are well aware of the respect of third parties' intellectual property rights and pay extreme attention to ensure the proper usage of these intellectual properties.

Customer Data Protection

The Group is committed to protecting customers' privacy. All VIP customers' information was kept in a database and only relevant authorised personnel of the Group can access to the database.

During the Reporting Year, the Board was unaware of any non-compliance with the relevant requirements.

Anti-Corruption policy

KPI B7.1 Concluded legal cases regarding corrupt practices

	2022 Number of cases	2021 Number of cases	Increase/ (decrease) in percentage
Concluded legal cases	–	–	–

The Group strictly prohibits any acts of corruption or bribery during its business operation and reminds its employees to avoid any acts which may cause conflicts of interest from time to time. Code of conduct in relation to anti-corruption has been set out in the employees' handbook and has been signed by employees for acknowledgement when they entered into the labour contract with the Group.

The Group also signs commitment letters with suppliers and service providers that strictly prohibits employees from receiving private benefits including gifts, commissions or any form of remuneration to eradicate corruption or bribery.

During the Reporting Year, the Board was unaware of any non-compliance with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering.

Community Investment

As a corporate citizen, the Group has been supporting and engaging in community and charitable activities in order to achieve a harmonious development between enterprise and the community.

During the Reporting Year, the Group did not have an opportunity to participate in any community investment activity due to the impact of the pandemic. But, the Group is aware of the importance of the communities' interests and will explore opportunity to participate in community investment activities in the next reporting year.

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To the shareholders of China Outfitters Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CHINA OUTFITTERS HOLDINGS LIMITED (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 179, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Inventory provision The Group is principally engaged in the business of design, manufacturing and sale of apparel products. As at 31 December 2022, the inventory balance of the Group amounted to RMB186,669,000. The Group makes provision for inventories by comparing the cost to net realisable value which is subject to changing customer demands and fashion trends. This involves significant judgement and increases the level of estimation uncertainty, which might have a significant impact on the consolidated financial statements. The accounting policies, significant accounting judgements and estimates, and recognition of inventories provision are included in notes 2.4, 3 and 8 to the consolidated financial statements.	We assessed the process and methods used by management to make allowance for inventories. Our assessment included reviewing the impairment test schedule prepared by management, evaluating management's inventory ageing reports, selecting samples covering each ageing period of the ageing reports and tracing back to the original goods receipts and invoices to evaluate the ageing period in the ageing reports. We performed financial analytical review on inventory turnover days and compared the turnover days with those for other listed entities of the same industry where available. We assessed management's determination of inventory's net realisable value by performing subsequent sales review on the inventory consumptions. We reviewed and assessed the adequacy of the related disclosures in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets with indefinite lives	
The Group classified the trademarks of "London Fog", "Artful Dodger", "Zoo York", "MCS", "Henry Cotton's" and "Marina Yachting" as intangible assets with indefinite lives. The Group performs impairment test on each trademark as at each year end, based on forecast of operating performance and cash flows of the cash-generating unit to which the trademark is allocated. The impairment loss of these trademarks amounting to RMB34,754,000 was recognised in the consolidated statement of profit or loss during the year ended 31 December 2022. Management made impairment assessment based on the forecast and estimation on the future development of each cash-generating unit, which involved significant judgement and estimates including long-term growth rate, discount rate and underlying future operating cash flows. The judgement and estimations may be affected by unexpected changes in future market or economic conditions or significant events or circumstance related to the cash-generating units. The accounting policies, significant accounting judgements and estimates, and disclosures of impairment of intangible assets with indefinite lives are included in notes 2.4, 3, 8 and 18 to the consolidated financial statements.	We obtained management's approved five-year forecasts and budgets, compared forecasts to business plans, and compared previous forecasts to actual results to assess management's forecasts. We tested key assumptions used in the calculations by conducting research of China's apparel retail market and industrial figures from available public external data. We involved our internal valuation specialist to assist us in evaluation of discount rate, long-term growth rate and impairment assessment model. We reviewed and assessed the adequacy of the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is LAW KWOK KEE.

Ernst&Young
Certified Public Accountants
Hong Kong
24 March 2023

Consolidated Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**206,516**	323,509
Cost of sales		**(125,160)**	(128,898)
Gross profit		**81,356**	194,611
Other income and gains	5	**11,810**	17,230
Selling and distribution expenses		**(195,972)**	(275,725)
Administrative expenses		**(46,261)**	(52,522)
Impairment losses on financial assets, net		**(4,965)**	(2,115)
Other expenses		**(54,198)**	(9,304)
Operating loss		**(208,230)**	(127,825)
Finance income	6	**5,950**	14,476
Finance costs	7	**(888)**	(2,041)
Share of losses of:			
Associates		**(77)**	(927)
LOSS BEFORE TAX	8	**(203,245)**	(116,317)
Income tax expense	11	**(50,413)**	(35,546)
LOSS FOR THE YEAR		**(253,658)**	(151,863)
Attributable to:			
Owners of the parent		**(252,179)**	(151,815)
Non-controlling interests		**(1,479)**	(48)
		(253,658)	(151,863)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For loss For the year	13	**RMB(7.68) cents**	RMB(4.62) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
LOSS FOR THE YEAR		**(253,658)**	(151,863)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**36,401**	(11,110)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**36,401**	(11,110)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**(909)**	–
Equity investments designated at fair value through other comprehensive (loss)/income:			
Changes in fair value		**(2,327)**	(10,828)
Income tax effect	22	**(4,429)**	2,411
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(7,665)**	(8,417)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**28,736**	(19,527)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(224,922)**	(171,390)
Attributable to:			
Owners of the parent		**(223,470)**	(171,342)
Non-controlling interests		**(1,452)**	(48)
		(224,922)	(171,390)

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**257,676**	252,492
Investment properties	15	**47,153**	45,537
Right-of-use assets	16(a)	**46,201**	63,651
Other intangible assets	18	**51,015**	86,082
Investments in associates	19	**7,277**	6,530
Equity investments designated at fair value through other comprehensive income	20	**28,954**	32,134
Other non-current assets	21	**25,139**	23,113
Deferred tax assets	22	**35,428**	105,810
Total non-current assets		**498,843**	615,349
CURRENT ASSETS			
Inventories	23	**186,669**	224,298
Properties under development	24	**201,589**	190,195
Trade and bills receivables	25	**23,657**	38,960
Prepayments and other receivables	26	**61,847**	120,167
Financial assets at fair value through profit or loss	27	**84,436**	21,937
Structured bank deposits and deposits in financial institutes	27	**148,743**	306,900
Cash and cash equivalents and time deposits with original maturity of over three months	28	**263,615**	227,995
Total current assets		**970,556**	1,130,452
CURRENT LIABILITIES			
Trade payables	29	**9,206**	15,782
Other payables and accruals	30	**53,312**	73,252
Lease liabilities	16(b),31	**11,023**	23,491
Tax payable		**120,144**	124,701
Total current liabilities		**193,685**	237,226
NET CURRENT ASSETS		**776,871**	893,226
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,275,714**	1,508,575

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	16(b),31	**711**	4,164
Deferred tax liabilities	22	**5,955**	16,739
Total non-current liabilities		**6,666**	20,903
Net assets		**1,269,048**	1,487,672
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**280,661**	280,661
Shares held for share award scheme	34	**(30,946)**	(30,946)
Reserves	35	**1,014,912**	1,238,041
		1,264,627	1,487,756
Non-controlling interests		**4,421**	(84)
Total equity		**1,269,048**	1,487,672

ZHANG Yongli
Director

HUANG Xiaoyun
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to the owners of the parent												
	Share capital RMB'000 (note 32)	Shares held for Share award scheme RMB'000 (note 34)	Capital redemption reserve RMB'000	Merger reserve RMB'000 (note 35(a))	Acquisition reserve RMB'000 (note 35(b))	Share option reserve RMB'000 (note 33)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory surplus reserve RMB'000 (note 35(c))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	280,661	(30,946)	543	389,848	(182,362)	20,037	(29,749)	66,280	(19,156)	992,600	1,487,756	(84)	1,487,672
Loss for the year	–	–	–	–	–	–	–	–	–	(252,179)	(252,179)	(1,479)	(253,658)
Other comprehensive loss for the year:													
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(6,756)	–	–	–	(6,756)	–	(6,756)
Exchange differences on translation of financial statements	–	–	–	–	–	–	–	–	35,465	–	35,465	27	35,492
Total comprehensive loss for the year	–	–	–	–	–	–	(6,756)	–	35,465	(252,179)	(223,470)	(1,452)	(224,922)
Equity-settled share option arrangements	–	–	–	–	–	341	–	–	–	–	341	–	341
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	–	(1,955)	–	–	–	1,955	–	–	–
Establishment of partially-owned companies	–	–	–	–	–	–	–	–	–	–	–	5,957	5,957
Transfer to retained profits	–	–	–	–	–	–	–	(12,718)	–	12,718	–	–	–
At 31 December 2022	280,661	(30,946)	543*	389,848*	(182,362)*	18,423*	(36,505)*	53,562*	16,309*	755,094*	1,264,627	4,421	1,269,048

* These reserve accounts comprise the consolidated reserves of RMB1,014,912,000 (2021: RMB1,238,041,000) in the consolidated statement of financial position.

	Attributable to the owners of the parent												
	Share capital RMB'000 (note 32)	Shares held for Share award scheme RMB'000 (note 34)	Capital redemption reserve RMB'000	Merger reserve RMB'000 (note 35(a))	Acquisition reserve RMB'000 (note 35(b))	Share option reserve RMB'000 (note 33)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory surplus reserve RMB'000 (note 35(c))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	280,661	(30,946)	543	389,848	(184,468)	18,736	(21,332)	66,280	(8,046)	1,144,415	1,655,691	2,070	1,657,761
Loss for the year	–	–	–	–	–	–	–	–	–	(151,815)	(151,815)	(48)	(151,863)
Other comprehensive loss for the year:													
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(8,417)	–	–	–	(8,417)	–	(8,417)
Exchange differences on translation of financial statements	–	–	–	–	–	–	–	–	(11,110)	–	(11,110)	–	(11,110)
Total comprehensive loss for the year	–	–	–	–	–	–	(8,417)	–	(11,110)	(151,815)	(171,342)	(48)	(171,390)
Equity-settled share option arrangements	–	–	–	–	–	1,301	–	–	–	–	1,301	–	1,301
Acquisition of non-controlling interests	–	–	–	–	2,106	–	–	–	–	–	2,106	(2,106)	–
At 31 December 2021	280,661	(30,946)	543	389,848	(182,362)	20,037	(29,749)	66,280	(19,156)	992,600	1,487,756	(84)	1,487,672

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:		**(203,245)**	(116,317)
Adjustments for:			
Finance income	6	**(5,950)**	(14,476)
Finance costs	7	**888**	2,041
Share of losses of associates		**77**	927
Dividend income from equity investments at fair value through other comprehensive income	5	**(307)**	(629)
Gain on disposal of items of property, plant and equipment	8	**–**	(129)
Gain on disposal of right-of-use assets		**(239)**	–
Fair value gains, net:			
Financial assets at fair value through profit or loss		**(177)**	(646)
Depreciation of property, plant and equipment	14	**17,167**	17,092
Depreciation of investment properties	15	**2,998**	2,453
Depreciation of right-of-use assets	16	**27,895**	47,689
Amortisation of other intangible assets	18	**1,045**	1,429
Impairment of other intangible assets	18	**35,683**	4,558
Impairment of items of property, plant and equipment	14	**2,942**	4,121
Impairment of items of investment properties		**2,178**	–
Impairment of right-of-use assets		**2,359**	–
Write-down of inventories to net realisable value		**89,166**	59,037
Impairment/(Reversal of impairment) of trade and bills receivables, net	25	**437**	(4,180)
Impairment of other receivables and prepayments	26	**5,431**	6,295
Equity-settled share option expense	33	**341**	1,301
		(21,311)	10,566
Increase in inventories		**(51,537)**	(100,027)
Increase in properties under development		**(11,394)**	(14,692)
Decrease in trade and bills receivables		**14,867**	95,780
Decrease/(Increase) in prepayments and other receivables		**64,169**	(12,480)
Decrease in trade payables		**(6,576)**	(8,428)
Decrease in other payables and accruals		**(19,692)**	(42,239)
Cash used in operations		**(31,474)**	(71,520)
PRC corporate income tax paid		**(50)**	(1,090)
Net cash flows used in operating activities		**(31,524)**	(72,610)

	Note	2022 RMB'000	2021 RMB'000
Net cash flows used in operating activities		**(31,524)**	(72,610)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from listed investments		**307**	629
Purchases of items of property, plant and equipment		**(15,852)**	(31,838)
Proceeds from disposal of items of property, plant and equipment		**–**	532
Additions to other intangible assets		**(676)**	(426)
Acquisition of subsidiaries		**361**	–
Decrease/(Increase) in short term deposits with original maturity of over three months		**100,000**	(100,000)
Interest received from bank deposits		**4,843**	12,556
Interest received from structured bank deposits and investment income on wealth management products		**880**	1,920
Decrease in structured bank deposits and deposits in financial institutes and financial assets at fair value through profit or loss		**95,835**	102,784
Repayment of loans from third parties		**20,654**	26,526
Repayment of loan from a related party		**2,000**	–
Loans to third party entities		**–**	(37,796)
Loans to related party entities		**(17,000)**	–
Interest received from third parties		**522**	432
Investment in an associate		**(400)**	–
Net cash flows from/(used in) investing activities		**191,474**	(24,681)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injected by non-controlling interests		**5,957**	–
Principal portion of lease payments	16	**(29,374)**	(47,599)
Net cash flows used in financing activities		**(23,417)**	(47,599)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**136,533**	(144,890)
Cash and cash equivalents at beginning of year		**127,995**	271,293
Effect of foreign exchange rate changes, net		**(913)**	1,592
CASH AND CASH EQUIVALENTS AT END OF YEAR		**263,615**	127,995

	Note	2022 RMB'000	2021 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**198,705**	76,055
Time deposits		**64,910**	151,940
Cash and cash equivalents as stated in the statement of financial position	28	**263,615**	227,995
Less: Time deposits with original maturity of over three months		**–**	(100,000)
Cash and cash equivalents as stated in the statement of cash flows		**263,615**	127,995

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business is Room 1303, 13/F, New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2011 (the "Listing Date").

The principal activity of the Company is investment holding. The Group is principally engaged in the business of design, manufacture, marketing and sale of apparel products and accessories in the People's Republic of China (the "PRC", or "China" which excludes, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan) with a focus on menswear. The Group also engages in the business of property development in the PRC. There has been no significant change in the Group's principal activities during the year.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Registration place	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Doright Group Limited	BVI	US$1	100	–	Investment holding
CEC Menswear Limited	Hong Kong	HK$100	–	100	Investment holding
Faith Enterprise Limited	Hong Kong	HK$100	–	100	Investment holding
Sky Trend Hong Kong Investment Limited	Hong Kong	HK$10,000	–	100	Investment holding
Zoo York (China) Limited	Hong Kong	HK$10,000	88	–	Investment holding
Lincs (China) Limited	Hong Kong	HK$13,750,000	100	–	Investment holding
London Fog (China) Limited	Hong Kong	RMB9,000,000	100	–	Holding trademarks and investment holding
Manhattan (China) Limited	Hong Kong	RMB10,000,000	75	–	Investment holding

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(Continued)*

Company name	Registration place	Registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Shanghai Doright Fashion Co., Ltd. (上海同瑞服飾有限公司)#*(1)	PRC	US$8,500,000	–	100	Manufacture and sale of menswear, womenswear and accessories
Dezhou Sino-Union Garment Co., Ltd. (德州中合服飾有限公司)#*(1)	PRC	US$600,000	–	100	Manufacture and sale of menswear and accessories
Dezhou Suomanke Fashion Co., Ltd. (德州索曼克服飾有限公司)#*(2)	PRC	RMB500,000	–	100	Sale of menswear and accessories
Guangdong Leaderway Garment Co., Ltd. (廣東利威製衣有限公司)#*(2)	PRC	RMB3,000,000	–	100	Manufacture and sale of menswear and accessories
Shanghai Baowei Fashion Co., Ltd. (上海保威服飾有限公司)#*(2)	PRC	RMB1,000,000	–	100	Sale of menswear and accessories
Shanghai Bolderway Fashion Co., Ltd. (上海保德威服飾有限公司)#*(2)	PRC	RMB6,000,000	–	100	Sale of menswear, womenswear and accessories
Beijing Bolderway Fashion Co., Ltd. (北京保德威服飾有限公司)#*(2)	PRC	RMB3,000,000	–	100	Sale of menswear, womenswear and accessories
Shanghai Jiancheng Trading Co., Ltd. (上海簡成商貿有限公司)#*(2)	PRC	RMB3,000,000	–	100	Sale of menswear and accessories
London Fog (Shanghai) Fashion Co., Ltd. (倫頓弗格(上海)服飾有限公司)#(2)	PRC	RMB10,000,000	–	100	Sale of menswear, womenswear and accessories
Shanghai Ruiguo Fashion Co., Ltd. (上海瑞國服飾有限公司)#(1)	PRC	US$1,000,000	100	–	Sale of menswear, womenswear and accessories

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(Continued)*

Company name	Registration place	Registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Shanghai Ruihe Fashion Co., Ltd. (上海瑞合服飾有限公司)#(2)	PRC	RMB5,000,000	–	100	Sale of menswear, womenswear and accessories
Shanghai Manhattan Fashion Co., Ltd. (上海曼克頓服飾有限公司)#(1)	PRC	US$1,000,000	–	75	Sale of menswear
Shanghai Ruiguo Real Estate Co., Ltd. (上海瑞国置業有限公司)#(2)	PRC	RMB10,000,000	–	100	Property development, operation and management
Shanghai Ruiquan Information Technology Co., Ltd. (上海瑞全信息科技有限公司)#(2)	PRC	RMB1,000,000	–	100	Sale of software
Zoo York (Shanghai) Fashion Co., Ltd. (卓約(上海)服飾有限公司)#(1)	PRC	HK$1,200,000	–	100	Sale of menswear and accessories
Wuxi Pulande Technology Co., Ltd. (無錫普蘭德科技有限公司)#(2)	PRC	RMB40,000,000	–	100	Purchase and sale of menswear and accessories
Huangshan Ruikai Trading Co., Ltd. (黄山瑞凱商貿有限公司)#(2)	PRC	RMB5,000,000	–	100	Purchase and sale of menswear and accessories
Tianjin Ruilang Management Consulting Co., Ltd. (天津瑞朗企業管理諮詢有限公司)#(2)	PRC	RMB1,000,000	–	100	Sale of menswear and accessories
Chengdu Ruilang Management Consulting Co., Ltd. (成都市瑞琅企業管理諮詢有限公司)#(2)	PRC	RMB1,000,000	–	100	Sale of menswear and accessories
Changsha Ruiting Management Consulting Co., Ltd. (長沙瑞霆企業管理諮詢有限公司)#(2)	PRC	RMB1,000,000	–	100	Sale of menswear and accessories

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(Continued)*

Company name	Registration place	Registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Jinan Ruiting Management Consulting Co., Ltd. (濟南瑞廷企業管理諮詢有限公司)#(2)	PRC	RMB1,000,000	–	100	Sale of menswear and accessories
Guangdong Junrui Industrial Co., Ltd. (廣東君瑞實業有限公司)#(2)	PRC	RMB45,000,000	–	100	Holding and leasing of properties
Focus Asia Investment Holdings Limited	Seychelles	US$1	100	–	Investment holding
MCS Apparel Hong Kong Limited	Hong Kong	HK$35,645,730	50	50	Purchase and sale of menswear and accessories
MCS Greater China Brands S.a.r.l.	Luxembourg	€12,500	–	100	Holding trademarks
Harvard (Asia) Limited	Hong Kong	HK$1	100	–	Property holding
Excel Win International Investment Limited	Seychelles	US$1	100	–	Investment holding
Henry Cotton's Greater China Company Limited	Hong Kong	HK$11,362,718	50	50	Sale of menswear and accessories
Henry Cotton's Greater China Brands S.a.r.l.	Luxembourg	€108,900	–	100	Trademark holding
Marina Yachting Hong Kong Limited	Hong Kong	HK$400	50	50	Sale of menswear and accessories
Marina Yachting Greater China Brands S.a.r.l.	Luxembourg	€17,400	–	100	Trademark holding
Beijing Ruixin Management Consulting Co., Ltd. (北京瑞歆企业管理咨询有限公司)#(2)	PRC	RMB1,000,000	–	100	Sale of menswear and accessories
Taiyuan Ruixin Management Consulting Co., Ltd. (太原瑞昕企业管理咨询有限公司)#(2)	PRC	RMB1,000,000	–	100	Sale of menswear and accessories

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(Continued)*

Company name	Registration place	Registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Hangzhou Muye Brand Management Co., Ltd. (杭州沐野品牌管理有限公司) #(2)	PRC	RMB10,000,000	–	51	Management and operation of children's clothing brands
Panland Investment Co., Ltd. (普德投資有限公司)	Macao	MOP30,000	–	100	Trademark holding
Artway Design Co., Ltd. (雅薈設計有限公司)	Macao	MOP30,000	–	100	Apparel design
Shanghai Hongmeng Cultural Development Co., Ltd. (上海紅盟文化發展有限公司) #(2)(4)	PRC	RMB5,000,000	–	75	Sales of daily necessities
Shanghai Chuanrui Industrial Co., Ltd. (上海傳瑞實業有限公司) #(1)(5)	PRC	RMB4,000,000	–	100	Property holding
Shanghai Danbei International Trade Co., Ltd. (上海丹蓓國際貿易有限公司) #(2)(5)	PRC	RMB13,620,000	–	73	Trademark holding
Aquabio Natural Cosmetics Gmbh (5)	German	EUR75,000	–	100	Wholesale of perfume and cosmetics

The English names of the Company's subsidiaries registered in the PRC represent the translated names of these companies as no English names have been registered.

* These companies are hereinafter collectively referred to as the "PRC Doright Group" which was acquired in 2006.

Notes:

(1) Wholly-foreign-owned enterprises under PRC law

(2) Limited liability companies under PRC law

(3) During the year, the Group deregistered eight subsidiaries, Lincs (Shanghai) Fashion Co., Ltd., Shanghai Greg Norman Fashion Co., Ltd., Suzhou Gerui Fashion Co., Ltd. (宿州格瑞服飾有限公司), Suzhou Gerui Fashion Co., Ltd. (宿州歌瑞服飾有限公司), MCS Trading (Shanghai) Limited, MCS Outfitters (Shanghai) Limited, Shanghai Henry Cotton's Fashion Co., Ltd. and Marina Yachting Outfitters (Shanghai) Ltd.

(4) During the year, the Group established a Company Shanghai Hongmeng Cultural Development Co., Ltd. with a third party company. The Group owns control of Shanghai Hongmeng Cultural Development Co., Ltd.

(5) During the year, the Group acquired a 100% equity interest in Shanghai Chuanrui Industrial Co., Ltd., a 73.4% equity interest in Shanghai Danbei International Trade Co., Ltd. and its subsidiary of Aquabio Natural Cosmetics Gmbh. Further details of these acquisitions are included in note 36 to the consolidated financial statements.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations) issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries and a trust (the "Share Award Scheme Trust"), a controlled special purpose entity, are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION *(CONTINUED)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The board of directors (the "Board") has approved a share award scheme (the "Share Award Scheme") to provide incentives to employees of the Group and to retain and encourage employees for the continual operation and development of the Group. Pursuant to the rules of the Share Award Scheme, the Group has set up the Share Award Scheme Trust for the purpose of administering the Share Award Scheme and holding the award shares before they vest. As the Group has the power to govern the financial and operating policies of the Share Award Scheme Trust and derives benefits from the contributions of the employees, who have been awarded the awarded shares through their continued relationship with the Group, the Group is required to consolidate the Share Award Scheme Trust under IAS 27 (Revised) *Separate Financial Statements*.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to *IFRS Standards 2018-2020*	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IAS 16, and IAS 41*

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

(a) Amendments to IFRS 3 replace a reference to a previous version of the *IASB's Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by *IAS 2 Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that are expected to be applicable to the Group are as follows:

- *IFRS 9 Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020" Amendments)*[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")* [2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 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 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.

5 As a consequence of the amendments to IFRS 17 issued in May 2017, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to IAS 12. The Group has estimated that it will recognise a deferred tax asset of RMB6,345,000 for deductible temporary differences associated with lease liabilities and a deferred tax liability of RMB6,345,000 for taxable temporary differences associated with right-of-use assets, and recognise the cumulative effect of initially applying the amendments as an adjustment to retained profits at 1 January 2022.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group’s investment in an associate is stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments in associates and joint ventures *(Continued)*

The Group's share of the post-acquisition results and other comprehensive income of an associate and joint ventures is included in the consolidated statement of profit or loss and the consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint ventures are eliminated to the extent of the Group's investments in the associate or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the associate or joint ventures is included as part of the Group's investments in the associate or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Acquisition of an asset or a group of assets that does not constitute a business

In the case of acquisition of an asset or a group of assets that does not constitute a business, the acquirer shall identify and recognise the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 *Intangible Assets*) and liabilities assumed. The cost of the group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Fair value measurement

The Group measures its equity investments, including listed equity investments and unlisted equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties

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 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;

or

(b) the party is an entity where 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 of a parent, subsidiary or fellow subsidiary of the other entity);

(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); and

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% to 10%
Plant and machinery	5% to 9%
Motor vehicles	24%
Office and other equipment	32%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investment properties

Investment properties are interests in lands and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs.

Depreciation is provided using the straight-line method to write off the cost of the investment properties over the estimated useful lives. The principal annual rates used for this purpose are 2% to 5%. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss for the period in which they are incurred.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Properties under development

Properties under development are stated at cost, which include all development expenditures, including land costs, interest charges and other costs directly attributable to such properties.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

Properties under development are valued at the lower of cost and net realisable value at the end of the reporting period and any excess of cost over net realisable value of an individual item of properties under development is accounted for as a provision. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Licensing agreements

Licensing agreements acquired in a business combination are stated at cost less any impairment losses and are amortised on the straight-line basis over their respective estimated useful lives ranging from two to seven years.

Retail networks

Retail networks acquired in a business combination represent flagship stores and department stores operated by the PRC Doright Group at the acquisition date. The retail networks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of twenty years, being the operation tenure of the group companies engaged in the retail business.

Trademarks

The trademarks of “London Fog”, “Artful Dodger”, “Zoo York”, “MCS”, “Henry Cotton’s” and “Marina Yachting” are classified as intangible assets with indefinite useful lives. The directors are of the opinion that the trademarks will contribute cash flows for an indefinite period and the legal rights of the trademarks are capable of being renewed at minimal cost. The trademarks are stated at cost less any impairment losses.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases *(Continued)*

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 to 50 years
Retail stores	2 to 4 years
Office	6 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are recognised separately as lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(c) Short-term leases

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

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(Continued)*

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes structured bank deposits and deposits in financial institutes with floating interest rates whose cash flow characteristics fail the SPPI criteria or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(Continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(Continued)*

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the variable consideration is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(Continued)*

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payments

The Company operates share option schemes and the Share Award Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the binomial option pricing model, further details of which are given in note 33 and note 34 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss recognised for a period represents the movement in the cumulative expense as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options and awarded shares through new issue of shares is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Shares held for the Share Award Scheme

As disclosed in note 34 to the financial statements, the Group has set up the Share Award Scheme Trust for the Share Award Scheme, where the Share Award Scheme Trust purchases shares issued by the Group, the consideration paid by the Company, including any directly attributable incremental costs, is presented as "Shares held for Share Award Scheme" and deducted from the Group's equity.

Other employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies

The functional currency of the Company is Hong Kong dollars, these financial statements are presented in RMB. The turnover of the Group is entirely contributed by the business in Mainland China and the presentation currency of RMB could provide users of the financial statements with more comparable information with other companies in similar industries. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain Hong Kong and overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification – Group as lessor

The Group has entered into property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all the fair value of the property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 22.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

Estimation uncertainty

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

Write-down of inventories to net realisable value

A write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down of inventories in the year in which the estimate has been changed.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Intangible assets with indefinite life are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the assets or cash-generating units and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 14, note15, note 16 and note 18.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the apparel products and accessories segment engaged in the business of the design, manufacture, marketing and sale of apparel products and accessories in the PRC with a focus on menswear; and

(b) the property development segment engaged in the business of the development properties in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, non-lease-related finance costs, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents, financial assets at fair value through profit or loss, structured bank deposits and deposits in financial institutes, equity investments designated at fair value through other comprehensive income and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2022	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	206,516	–	206,516
Reconciliation:			
Elimination of intersegment sales			–
Revenue			206,516
Segment results	(182,692)	96	(182,596)
Reconciliation:			
Elimination of intersegment results			(9,622)
Interest income			5,950
Dividend income and unallocated gains			6,250
Corporate and other unallocated expenses			(23,227)
Loss before tax from continuing operations			(203,245)
Segment assets	866,220	250,413	1,116,633
Reconciliation:			
Elimination of intersegment receivables			(253,133)
Elimination of capitalized interest expense			(29,084)
Corporate and other unallocated assets			634,983
Total assets			1,469,399
Segment liabilities	64,202	263,183	327,385
Reconciliation:			
Elimination of intersegment payables			(253,133)
Corporate and other unallocated liabilities			126,099
Total liabilities			200,351
Other segment information			
Impairment of trade receivables, net	437	–	437
Impairment of other intangible assets	35,683	–	35,683
Impairment of right-of-use assets	2,359	–	2,359
Impairment of property, plant and equipment	2,942	–	2,942
Depreciation and amortisation	46,107	–	46,107
Capital expenditure*	15,852	11,394	27,246

* Capital expenditure consists of additions to property, plant and equipment, long-term prepayments, other intangible assets and properties under development.

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2021	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	323,509	–	323,509
Reconciliation:			
Elimination of intersegment sales			–
Revenue			323,509
Segment results	(112,374)	(4)	(112,378)
Reconciliation:			
Elimination of intersegment results			(9,434)
Interest income			14,476
Dividend income and unallocated gains			7,589
Corporate and other unallocated expenses			(16,570)
Loss before tax from continuing operations			(116,317)
Segment assets	1,012,111	214,470	1,226,581
Reconciliation:			
Elimination of intersegment receivables			(204,050)
Elimination of capitalised interest expense			(19,462)
Corporate and other unallocated assets			742,732
Total assets			1,745,801
Segment liabilities	107,085	213,654	320,739
Reconciliation:			
Elimination of intersegment payables			(204,050)
Corporate and other unallocated liabilities			141,440
Total liabilities			258,129

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2021	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
Other segment information			
Reversal of impairment of trade and bills receivables, net	(4,180)	–	(4,180)
Impairment of other intangible assets	4,558	–	4,558
Impairment of property, plant and equipment	4,121	–	4,121
Depreciation and amortisation	66,210	–	66,210
Capital expenditure	28,414	18,542	46,956

Geographical information

(a) Revenue from external customers

	2022 RMB'000	2021 RMB'000
Mainland China	**202,357**	318,845
Taiwan	**4,159**	4,664
	206,516	323,509

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2022 RMB'000	2021 RMB'000
Hong Kong	**46,754**	44,770
Mainland China	**387,707**	432,635
	434,461	477,405

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

No revenue from a single external customer amounted to 10% or more of the Group's revenue during the financial year presented.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	**206,516**	323,509

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year

	2022 RMB'000	2021 RMB'000
Type of goods		
Sale of apparel and accessories	**206,516**	323,509
Timing of revenue recognition		
Goods transferred at a point in time	**206,516**	323,509

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of apparel and accessories	**5,196**	21,670

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of apparel and accessories

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery, except for third-party retailers, where payment in advance is normally required.

5. REVENUE, OTHER INCOME AND GAINS *(CONTINUED)*

	2022 RMB'000	2021 RMB'000
Other income		
Government subsidies*	4,335	7,931
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	5,284	4,845
Royalty income^	729	1,295
Dividend income from equity investments at fair value through other comprehensive income	307	629
Sale of software	–	368
Sale of consumables, net	–	47
Service income	496	–
	11,151	15,115
Gains		
Exchange gain, net	–	951
Fair value gains, net:		
Financial assets at fair value through profit or loss	177	646
Others	482	518
	659	2,115
	11,810	17,230

* These represent incentive subsidies provided by local governments as a measure to attract investments in these localities. The amounts of these subsidies are generally determined by reference to value-added tax, corporate income tax, city maintenance and construction tax and other taxes paid by the Group's operating entities in these localities, subject to the government's further discretion.

^ This represents the brand licensing income received from third-party licensees for the use of the Group's trademarks on underwear products and household appliances in the PRC.

6. FINANCE INCOME

	2022 RMB'000	2021 RMB'000
Interest income on bank deposits	**4,724**	12,191
Interest income on structured bank deposits, deposits in financial institutes and wealth management products	**880**	1,920
Others	**346**	365
	5,950	14,476

7. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**888**	2,041

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**35,994**	69,861
Depreciation of property, plant and equipment	14	**17,167**	17,092
Depreciation of investment properties	15	**2,998**	2,453
Depreciation of right-of-use assets	16	**27,895**	47,689
Amortisation of other intangible assets	18	**1,045**	1,429
Auditor's remuneration		**2,303**	2,303
Employee benefit expense (including directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**29,432**	32,366
Equity-settled share option expense		**341**	1,301
Pension scheme contributions*		**3,077**	3,106
		32,850	36,773
Outsourced labour costs		**53,605**	63,816
Impairment of other intangible assets**	18	**35,683**	4,558
Impairment of property, plant and equipment**	14	**2,942**	4,121
Impairment of investment properties**	15	**2,178**	–
Impairment of right-of-use assets**	16	**2,359**	–
Impairment/(Reversal of impairment) of trade and bills receivables, net***	25	**437**	(4,180)
Impairment of other receivables and prepayments#	26	**5,431**	6,295
Write-down of inventories to net realisable value, net^		**89,166**	59,037
Fair value gains, net:			
Financial assets at fair value through profit or loss-wealth management products	5	**(177)**	(646)
Dividend income from equity investments at fair value through other comprehensive income	5	**(307)**	(629)
Lease payments not included in the measurement of lease liabilities	16(c)	**34,314**	44,078
Gain on disposal of items of property, plant and equipment		**–**	(129)

8. LOSS BEFORE TAX *(CONTINUED)*

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

** The impairment of other intangible assets and property, plant and equipment, investment properties and right-of-use assets are included in "Other expenses" in the consolidated statement of profit or loss.

*** The impairment/reversal of impairment of trade and bills receivables is included in "Impairment losses on financial assets, net" in the consolidated statement of profit or loss.

The impairment of other receivables is included in "Impairment losses on financial assets, net" and the impairment of prepayments is included in "Other expenses" in the consolidated statement of profit or loss.

^ The write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 **RMB'000**	2021 RMB'000
Fees	**2,762**	2,678
Other emoluments:		
Salaries, allowances and benefits in kind	**3,079**	2,985
Equity-settled share option expense	**–**	131
Pension scheme contributions	**17**	21
	3,096	3,137
	5,858	5,815

During prior years, certain directors were granted share options, in respect of their services to the Group, under the Share Option Scheme of the Company, further details of which are set out in note 33 to the financial statements. The fair value of such options, which was recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant. No amount was recognised for the current year as the vesting period of directors ended in 10 December 2021.

9. DIRECTORS' REMUNERATION *(CONTINUED)*

(a) Independent non-executive directors

The remuneration paid to independent non-executive directors during the year was as follows:

	Fees	Equity-settled share option expense	Total remuneration
	RMB'000	RMB'000	RMB'000
2022			
KWONG Wilson Wai Sun（鄺偉信）	**226**	**–**	**226**
CUI Yi（崔義）	**226**	**–**	**226**
YEUNG Chi Wai（楊志偉）	**226**	**–**	**226**
	678	**–**	**678**
2021			
KWONG Wilson Wai Sun（鄺偉信）	219	9	228
CUI Yi（崔義）	219	9	228
YEUNG Chi Wai（楊志偉）	219	9	228
	657	27	684

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

9. DIRECTORS' REMUNERATION *(CONTINUED)*

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension Scheme contributions RMB'000	Total remuneration RMB'000
2022				
Executive directors:				
ZHANG Yongli（張永力）	1,027	2,258	1	3,286
SUN David Lee（孫如暐）	426	–	15	441
HUANG Xiaoyun（黃曉雲）	426	821	1	1,248
	1,879	3,079	17	4,975
Non-executive director:				
WANG Wei（王瑋）	205	–	–	205
	2,084	3,079	17	5,180

9. DIRECTORS' REMUNERATION *(CONTINUED)*

(b) Executive directors and non-executive directors *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension Scheme contributions RMB'000	Total remuneration RMB'000
2021					
Executive directors:					
ZHANG Yongli（張永力）	996	2,190	9	–	3,195
SUN David Lee（孫如暐）	413	–	29	15	457
HUANG Xiaoyun（黃曉雲）	413	795	57	6	1,271
	1,822	2,985	95	21	4,923
Non-executive director:					
WANG Wei（王瑋）	199	–	9	–	208
	2,021	2,985	104	21	5,131

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2021: three), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2021: two) highest paid employees who are neither the director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	768	859
Equity-settled share option expense	–	33
Pension scheme contributions	26	30
	794	922

The remuneration of the non-director and non-chief executive highest paid employees fell within the following band:

	Number of employees	
	2022	2021
Nil to RMB1,000,000	2	2

During prior years, share options were granted to one non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 33 to the financial statements. The fair value of these options, which was recognised in profit or loss over the vesting period, was determined as at the date of grant. No amount was recognised in the current year as the vesting period ended in 10 December 2021.

11. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company incorporated in the Cayman Islands and its subsidiary incorporated in the BVI are exempted from taxation.

No provision for Hong Kong profits tax has been made, as the Group had no assessable profits derived from or earned in Hong Kong during the year.

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries registered in the PRC were subject to Corporate Income Tax ("CIT") at a statutory rate of 25% on their respective taxable income for the year ended 31 December 2022.

11. INCOME TAX EXPENSE *(CONTINUED)*

	2022 RMB'000	2021 RMB'000
Current – PRC		
Charge for the year	(4,756)	2,651
Deferred (note 22)	55,169	32,895
	50,413	35,546

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., statutory tax rate) to the effective tax rate, are as follows:

	2022 RMB'000	%	2021 RMB'000	%
Loss before tax from continuing operations	(203,245)		(116,317)	
Tax at the statutory tax rate	(50,811)	25	(29,079)	25
Entities subject to lower statutory income tax rates	3,980	(2)	(1,242)	1
Effect of withholding tax on distributable profits of certain PRC subsidiaries	(10,293)	5	(5,700)	5
Effect of withholding tax on service fees	–	–	2,434	(2)
Losses attributable to associates	56	–	232	–
Adjustments in respect of current tax of previous periods	(6,785)	3	–	–
Tax losses utilised from previous periods	(4,294)	2	(27,908)	24
Tax losses not recognised	25,110	(12)	50,234	(43)
Deductible temporary differences not recognised	93,450	(46)	46,575	(40)
Tax charge at the Group's effective rate	50,413	(25)	35,546	(30)

The share of tax attributable to associates amounting to RMB19,000 (2021: Nil), is included in "Share of losses of associates" in the consolidated statement of profit or loss.

12. DIVIDENDS

The Board does not recommend any final dividends for the years ended 31 December 2022 and 31 December 2021.

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the parent of RMB252,179,000 (2021: the loss of RMB151,815,000) and the weighted average number of ordinary shares of 3,282,916,000 (2021: 3,282,916,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 31 December 2021 in respect of a dilution as the impact of the share options outstanding under the Share Option Scheme had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	2022 RMB'000	2021 RMB'000
Losses		
Loss attributable to owners of the parent, used in the basic loss per share calculation	**(252,179)**	(151,815)

	Number of shares 2022	 2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**3,445,450,000**	3,445,450,000
Less: Weighted average number of shares purchased for the Share Award Scheme	**(162,534,000)**	(162,534,000)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	**3,282,916,000**	3,282,916,000

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Total RMB'000
At 1 January 2021, net of accumulated depreciation and impairment	255,420	4,649	3,045	3,321	266,435
Additions	7,349	187	1,107	82	8,725
Disposals	(115)	(49)	(172)	(90)	(426)
Depreciation provided during the year	(14,374)	(1,046)	(1,430)	(242)	(17,092)
Impairment	–	(3,525)	–	(596)	(4,121)
Transfer to investment properties	(244)	–	–	–	(244)
Exchange realignment	(779)	–	–	(6)	(785)
At 31 December 2021 and 1 January 2022, net of accumulated depreciation	247,257	216	2,550	2,469	252,492
Additions	19,644	2,322	524	803	23,293
Acquisition of a subsidiary	5,268	–	–	–	5,268
Disposals	–	–	(14)	(1)	(15)
Depreciation provided during the year	(15,513)	(7)	(758)	(889)	(17,167)
Impairment	(2,620)	(45)	–	(277)	(2,942)
Transfer to investment properties	(6,792)	–	–	–	(6,792)
Exchange realignment	3,524	–	–	15	3,539
At 31 December 2021					
Cost	354,753	13,846	14,930	22,045	405,574
Accumulated depreciation and impairment	(107,496)	(13,630)	(12,380)	(19,576)	(153,082)
Net carrying amount	247,257	216	2,550	2,469	252,492
At 31 December 2022					
Cost	375,132	16,168	14,711	22,778	428,789
Accumulated depreciation and impairment	(124,364)	(13,682)	(12,409)	(20,658)	(171,113)
Net carrying amount	250,768	2,486	2,302	2,120	257,676

As at 31 December 2022, certificate of ownership in respect of a warehouse with a net carrying amount of approximately RMB3,428,000 (2021: RMB3,785,000) has not been issued by the relevant PRC authority. The Group is in the process of obtaining the relevant certificate.

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

A manufacturing center of the Group located in Dezhou, Shandong Province, PRC is allocated to the Group's menswear manufacture cash-generating unit for impairment testing.

The recoverable amount of the menswear manufacture cash-generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the year ended 31 December 2022, the discount rate applied to the cash flow projections was 20.0% (2021: 20.0%).

Assumptions were used in the value in use calculation of the menswear manufacture cash-generating unit. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of property, plant and equipment.

Budgeted gross profit margins

Budgeted gross profit margins are based on average values achieved historically. These are adjusted over the budget period in accordance with anticipated efficiency improvements and expected market developments.

Discount rates

The discount rate used is before tax and reflects specific risks relating to the menswear manufacture cash-generating unit.

Based on the result of the impairment test, the recoverable amount of menswear manufacture cash-generating unit was lower than its carrying amount. Accordingly, management had determined that there was an impairment of the certain plant, machinery and office and other equipment, and recognised impairment losses of RMB45,000 and RMB277,000 respectively (2021: RMB3,525,000 and RMB596,000), which were recorded within other expenses in the consolidated statement of profit or loss.

The Group has performed impairment test for certain buildings as at 31 December 2022 based on the fair value less disposal cost. Based on the result of impairment test, the recoverable amounts of certain buildings were RMB13,449,000, which were lower than their carrying amounts of RMB15,818,000 as at 31 December 2022. The fair value of the buildings is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly (Level 2). The valuation technique used to measure fair value is market approach, with the observable input of the quoted market price of comparable buildings. Accordingly, management had determined that there was an impairment of the certain buildings, and recognised impairment losses of RMB2,369,000 (2021: Nil), which were recorded within other expenses in the consolidated statement of profit or loss.

15. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
Cost at 1 January, net of accumulated depreciation	**45,537**	47,746
Transfer from property, plant and equipment	**6,792**	244
Depreciation provided during the year	**(2,998)**	(2,453)
Impairment	**(2,178)**	–
At 31 December	**47,153**	45,537
At 31 December:		
Cost	**72,601**	63,647
Accumulated depreciation	**(23,270)**	(18,110)
Impairment	**(2,178)**	–
Net carrying amount	**47,153**	45,537

The Group's investment properties are situated in the PRC and are leased to third parties under operating leases, further summary details of which are included in note 16 below.

The Group's investment properties were revalued on 31 December 2022 by Dezhou Tianqu Assets Appraisals Co., Ltd.（德州天衢資產評估有限公司）and Shanghai Licang Assets Evaluation Co., Ltd.（上海利滄資產評估有限公司）, independent professionally qualified valuers, at RMB96,385,000 (31 December 2021: RMB108,103,000) on an open market, existing use basis.

The Group has performed impairment test for certain buildings as at 31 December 2022 based on the fair value less disposal cost. Based on the result of impairment test, the recoverable amounts of certain buildings were RMB12,363,000, which were lower than their carrying amounts of RMB14,541,000 as at 31 December 2022. The fair value of the buildings is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly (Level 2). The valuation technique used to measure fair value is market approach, with the observable input of the quoted market price of comparable buildings. Accordingly, management had determined that there was an impairment of the certain buildings, and recognised impairment losses of RMB2,178,000 (2021: Nil), which were recorded within other expenses in the consolidated statement of profit or loss.

15. INVESTMENT PROPERTIES *(CONTINUED)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Investment properties	**–**	**35,900**	**60,485**	**96,385**

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Investment properties	–	–	108,103	108,103

As at 31 December 2022, the Group transfers its Investment properties amounting to approximately RMB35,900,000 from Level 3 to Level 2 fair value hierarchy. As at 31 December 2022, the fair values were based on quoted market prices. As at 31 December 2021, the fair values have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates.

As at 31 December 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

16. LEASES

The Group as a lessee

The Group has lease contracts for retail stores used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of retail stores generally have lease terms between two and four years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	**Plant and properties** RMB'000	**Total** RMB'000
As at 1 January 2021	39,321	40,476	79,797
Additions	–	31,543	31,543
Depreciation charge	(1,048)	(46,641)	(47,689)
As at 31 December 2021 and 1 January 2022	38,273	25,378	63,651
Additions	–	18,690	18,690
Depreciation charge	(1,050)	(26,845)	(27,895)
Disposal	–	(5,886)	(5,886)
Impairment	–	(2,359)	(2,359)
As at 31 December 2022	37,223	8,978	46,201

Retail stores cash-generating unit

The recoverable amount of the retail stores cash-generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets covering lease period approved by senior management. For the year ended 31 December 2022, the discount rate applied to the cash flow projections was 10% (2021:Nil).

Assumptions were used in the value in use calculation of the retail stores cash-generating unit. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of right-of-use assets.

16. LEASES *(CONTINUED)*

The Group as a lessee *(Continued)*

(a) ***Right-of-use assets*** *(Continued)*

Discount rates

The discount rate used is before tax and reflects specific risks relating to the retail stores cash-generating unit.

Other assumption

The estimation of revenue growth rate and gross profit margins and operating expenses for the lease periods, are based on the CGUs' past performance and the management's expectations for the market development.

Based on the result of the impairment test, the recoverable amount of retail stores cash-generating unit was lower than its carrying amount. Accordingly, management had determined that there was an impairment of the right-of-use assets and recognised an impairment charge of RMB2,359,000 (2021: Nil).

(b) ***Lease liabilities***

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 **RMB'000**	2021 RMB'000
Carrying amount at 1 January	**27,655**	41,670
New leases	**18,690**	31,543
Accretion of interest recognised during the year	**888**	2,041
Payments	**(29,374)**	(47,599)
Disposal	**(6,125)**	–
Carrying amount at 31 December	**11,734**	27,655
Analysed into:		
Current portion	**11,023**	23,491
Non-current portion	**711**	4,164

The maturity analysis of lease liabilities is disclosed in note 31 to the financial statements.

16. LEASES *(CONTINUED)*

The Group as a lessee *(Continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**888**	2,041
Depreciation charge of right-of-use assets	**27,895**	47,689
Expense relating to short-term leases (included in selling expenses)	**2,097**	335
Variable lease payments not included in the measurement of lease liabilities (included in selling expenses)	**32,217**	43,743
Gain on disposal of right-of-use assets	**(239)**	–
Impairment of right-of-use assets	**2,359**	–
Total amount recognised in profit or loss	**65,217**	93,808

(d) ***Variable lease payments***

The Group leased a number of the retail stores and units in shopping malls which contain variable lease payment terms that are based on the Group's turnover generated from the retail stores. The amount of variable lease payments recognised in profit or loss for the current year for these leases was RMB32,217,000.

(e) The total cash outflow for leases is disclosed in note 37(c) to the financial statements.

16. LEASES *(CONTINUED)*

The Group as a lessor

The Group leases its investment properties (note 15) consisting of five properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB5,284,000 (2021: RMB4,845,000), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 **RMB'000**	2021 RMB'000
Within one year	**3,910**	6,830
After one year but within two years	**3,303**	4,361
After two years but within three years	**2,806**	2,442
After three years but within four years	**1,931**	2,255
After four years but within five years	**1,726**	2,004
After five years	**7,128**	9,488
	20,804	27,379

17. GOODWILL

	RMB'000
At 31 December 2021 and 2022:	
Cost	76,636
Accumulated impairment	(76,636)
Net carrying amount	–

Goodwill acquired through business combinations is allocated to the Group's cash-generating unit (the "Menswear cash-generating unit").

18. OTHER INTANGIBLE ASSETS

	Licensing agreements RMB'000	Retail networks RMB'000	Trademarks RMB'000	Software RMB'000	Total RMB'000
At 1 January 2021, net of accumulated amortisation and impairment	2,648	–	89,111	514	92,273
Additions	–	–	–	426	426
Amortisation provided during the year	(1,323)	–	–	(106)	(1,429)
Impairment during the year	–	–	(4,558)	–	(4,558)
Exchange realignment	–	–	(630)	–	(630)
At 31 December 2021 and 1 January 2022, net of accumulated amortisation and impairment	1,325	–	83,923	834	86,082
Additions	–	–	676	–	676
Disposal	–	–	–	(115)	(115)
Amortisation provided during the year	(938)	–	(47)	(60)	(1,045)
Impairment during the year	(387)	–	(35,296)	–	(35,683)
Exchange realignment	–	–	1,100	–	1,100
At 31 December 2022, net of accumulated amortisation and impairment	–	–	50,356	659	51,015
At 31 December 2021:					
Cost	97,460	4,981	205,359	957	308,757
Accumulated amortisation and impairment	(96,135)	(4,981)	(121,436)	(123)	(222,675)
Net carrying amount	1,325	–	83,923	834	86,082
At 31 December 2022:					
Cost	97,460	4,981	205,493	842	308,776
Accumulated amortisation and impairment	(97,460)	(4,981)	(155,137)	(183)	(257,761)
Net carrying amount	–	–	50,356	659	51,015

The Group has classified the trademarks of “London Fog”, “Artful Dodger”, “Zoo York”, “MCS”, “Henry Cotton’s” and “Marina Yachting” as intangible assets with indefinite lives.

18. OTHER INTANGIBLE ASSETS *(CONTINUED)*

The Group has performed impairment reviews of the carrying values of trademarks as at 31 December 2022 based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the year ended 31 December 2022, the discount rates applied to the cash flow projection were 28.9% (2021: 28.6%) for “London Fog”, 27.5% (2021: 27.5%) for “Artful Dodger”, 27.2% (2021: 27.9%) for “Zoo York”, 28.3% (2021: 28.0%) for “MCS”, 29.1% (2021: 27.6%) for “Henry Cotton’s” and 27.4% (2021: 27.2%) for “Marina Yachting” and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2021: 3%) which does not exceed the projected long term average growth rate for the relevant industry in Mainland China. Based on the result of the impairment test, the recoverable amounts of the trademarks of “London Fog”, “Artful Dodger”, “Zoo York”, “MCS”, “Henry Cotton’s” and “Marina Yachting” were lower than their carrying amounts as at 31 December 2022. Accordingly, management determined that there was impairment of these trademarks and recognised RMB2,394,000, RMB2,354,000, RMB801,000, RMB8,654,000, RMB2,941,000 and RMB17,610,000 for “London Fog”, “Artful Dodger”, “Zoo York”, “MCS”, “Henry Cotton’s” and “Marina Yachting”, respectively. (2021: impairment of RMB1,824,000 and RMB2,734,000 for “Zoo York” and “Henry Cotton’s”, respectively), which were recorded within other expenses in the consolidated statement of profit or loss.

Assumptions were used in the value in use calculation of the trademarks. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the trademarks.

Budgeted gross profit margins

Budgeted gross profit margins are based on average values achieved historically. These are adjusted over the budget period in accordance with anticipated efficiency improvements and expected market developments.

Discount rates

The discount rates used are before tax and reflect specific risks relating to the Menswear cash-generating unit and the trademarks with indefinite lives.

In the opinion of the directors, any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the carrying amounts of trademarks with indefinite lives to exceed their recoverable amounts, respectively.

19. INVESTMENT IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	**6,655**	6,869
Goodwill on acquisition	**1,065**	1,065
Exchange realignment	**(443)**	(1,404)
	7,277	6,530

Particulars of the Group's material associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
China Mingmen Investment Group Limited	Ordinary shares	Hong Kong	40	Development, manufacture and sale of alcohol and drink products
Shanghai Jegoplay Hongmeng Culture Development Co., Ltd.	Ordinary shares	Shanghai	40	Amusement park operation

China Mingmen Investment Group Limited and Shanghai Jegoplay Hongmeng Culture Development Co., Ltd., which are considered associates of the Group, are accounted for using the equity method.

19. INVESTMENT IN ASSOCIATES *(CONTINUED)*

The following table illustrates the summarised financial information of China Mingmen Investment Group Limited reconciled to the carrying amount in the consolidated financial statements:

	2022 **RMB'000**	2021 RMB'000
Cash and cash equivalents	**214**	115
Current assets	**214**	115
Non-current assets	**16,522**	15,931
Other current liabilities	**(2,856)**	(2,384)
Current liabilities	**(2,856)**	(2,384)
Net assets	**13,880**	13,662
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**40%**	40%
Group's share of net assets of the associate	**5,552**	5,465
Goodwill on acquisition	**1,065**	1,065
Carrying amount of the investment	**6,617**	6,530
Revenue	**–**	4
Other comprehensive loss	**(2,782)**	(3,283)
Loss and total comprehensive loss for the year	**(1,294)**	(2,317)

19. INVESTMENT IN ASSOCIATES *(CONTINUED)*

The following table illustrates the summarised financial information of Shanghai Jegoplay Hongmeng Culture Development Co., Ltd. reconciled to the carrying amount in the consolidated financial statements:

	2022 RMB'000
Cash and cash equivalents	8,396
Other current assets	1,475
Current assets	9,871
Non-current assets	51,382
Current liabilities	(9,202)
Non-current liabilities	(50,400)
Net assets	1,651
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	40%
Group's share of net assets of the associate	660
Carrying amount of the investment	660
Revenue	7,469
Total comprehensive income for the year	652

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Guangdong Shaoneng Group Co., Ltd.	28,871	31,824
Unlisted equity investments, at fair value		
CCF Investment Limited	83	310
	28,954	32,134

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2022, the Group received dividends in the total amount of RMB307,000 from Guangdong Shaoneng Group Co., Ltd.

21. OTHER NON-CURRENT ASSETS

	Note	2022 RMB'000	2021 RMB'000
Prepayments for purchase of properties		9,497	16,088
Prepayments for leasehold improvements*		414	7,025
Long-term loan receivables	39(b)(x)	15,228	–
		25,139	23,113

* These represent prepayments for leasehold improvements for the Group's properties held for self-use.

22. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of assets RMB'000	Unrealised profits RMB'000	Losses available for offsetting against future taxable profits RMB'000	Fair value adjustments from financial instruments RMB'000	Total RMB'000
At 1 January 2021	107,269	7,637	25,191	2,018	142,115
Deferred tax credited/(charged) to the consolidated statement of profit or loss and the consolidated statement of comprehensive income during the year (note 11)	(13,456)	(7,637)	(17,623)	2,411	(36,305)
At 31 December 2021 and 1 January 2022	93,813	–	7,568	4,429	105,810
Deferred tax credited/(charged) to the consolidated statement of profit or loss and the consolidated statement of comprehensive income during the year (note 11)	(69,400)	–	3,447	(4,429)	(70,382)
At 31 December 2022	24,413	–	11,015	–	35,428

Deferred tax assets have not been recognised in respect of the following items:

	2022 RMB'000	2021 RMB'000
Tax losses	**327,332**	334,063
Deductible temporary differences	**772,451**	397,197
	1,099,783	731,260

The Group had tax losses arising in the PRC of approximately RMB351,796,000 and RMB347,626,000 as at 31 December 2022 and 2021, respectively, that will expire in one to five years for offsetting against future taxable profits.

22. DEFERRED TAX *(CONTINUED)*

The above tax losses arising in jurisdictions other than PRC are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Deferred tax liabilities

	Fair value adjustments arising from acquisitions RMB'000	**Withholding tax on distributable profits of the PRC subsidiaries** RMB'000	**Total** RMB'000
At 1 January 2021	4,272	18,288	22,560
Deferred tax credited to the consolidated statement of profit or loss and the consolidated statement of comprehensive income during the year (note 11)	(122)	(5,699)	(5,821)
At 31 December 2021 and 1 January 2022	4,150	12,589	16,739
Deferred tax credited to the consolidated statement of profit or loss and the consolidated statement of comprehensive income during the year (note 11)	(491)	(10,293)	(10,784)
At 31 December 2022	3,659	2,296	5,955

Pursuant to the PRC Corporate Income Tax Law (the "New CIT Law") which was approved and became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective on 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding tax on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2022, the Group has not recognised deferred tax liabilities of RMB19,890,000 (2021: RMB20,763,000) in respect of temporary differences relating to the unremitted profits of the Group's subsidiaries established in the PRC amounting to RMB397,804,000 (2021: RMB415,262,000), that would be payable on the distribution of these profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**6,264**	8,697
Work in progress	**841**	3,527
Finished goods	**179,564**	212,074
	186,669	224,298

24. PROPERTIES UNDER DEVELOPMENT

	2022 RMB'000	2021 RMB'000
Properties under development	**201,589**	190,195

The Group's properties under development are located in the PRC and situated on leasehold land with long term leases. Properties under development are classified under current assets as they are expected to be realised in the Group's normal operating cycle.

25. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**32,705**	47,286
Bills receivable	**–**	285
Impairment	**(9,048)**	(8,611)
	23,657	38,960

The Group's trading terms with its customers are mainly on credit, except for third-party retailers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

25. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance are as follows:

	2022 RMB'000	2021 RMB'000
Within 1 month	13,647	29,433
1 to 2 months	5,642	4,863
2 to 3 months	1,321	1,059
Over 3 months	3,047	3,605
	23,657	38,960

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	8,611	12,791
Impairment losses/(Reversal of impairment losses), net	437	(4,180)
At end of year	9,048	8,611

An impairment analysis is performed at each reporting date using a provision matrix or individually assessed to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and bills receivables are written off if past due for more than one year and are not subject to enforcement activity.

25. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

As at 31 December 2022

	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)	Expected credit loss rate
Individually assessed	782	782	100%
Based on provision matrix	31,923	8,266	25.89%
	32,705	9,048	

	Ageing as at 31 December 2022		
	Within one year	Over one year	Total
Expected credit loss rate	3.70%	100.00%	
Gross carrying amount (RMB'000)	24,565	7,358	31,923
Expected credit losses (RMB'000)	908	7,358	8,266

As at 31 December 2021

	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)	Expected credit loss rate
Individually assessed	234	234	100%
Based on provision matrix	47,337	8,377	17.70%
	47,571	8,611	

	Ageing as at 31 December 2021		
	Within one year	Over one year	Total
Expected credit loss rate	2.77%	100.00%	
Gross carrying amount (RMB'000)	40,068	7,269	47,337
Expected credit losses (RMB'000)	1,108	7,269	8,377

26. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2022 RMB'000	2021 RMB'000
Prepayments		**21,327**	41,427
Deposits and other receivables		**52,521**	83,535
Deposits from a related party	39(b)(viii)	**–**	1,500
		73,848	126,462
Impairment allowance		**(12,001)**	(6,295)
		61,847	120,167

Included in deposits and other receivables as at 31 December 2022 are loans and related interest receivables from two third parties at amounts of RMB8,799,000 (31 December 2021: RMB16,434,000) and RMB5,553,000 (31 December 2021: RMB5,553,000), respectively, which are interest-bearing at 2.5% (31 December 2021: 2.5%) and 5.22% (31 December 2021: 5.22%), per annum, respectively. The carrying amounts net of impairment allowance of the above two third parties are RMB4,150,000 and nil respectively (31 December 2021: RMB14,742,000 and RMB555,000 respectively). The loans are unsecured and repayable in one year. The loan and related interest (4.25% per annum) receivables from a third party amounted to RMB12,331,000 as at 31 December 2021 was repaid in 2022.

The Group's loans to third parties are subject to approval by the executive committee or the board of directors, depending on their amounts lent.

Except for the loans receivable and interest receivables from third parties, other receivables are unsecured, non-interest-bearing and repayment on demand.

Management makes periodic collective assessments for prepayments and other receivables as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and other factors.

As at 31 December 2022, a provision for impairment of RMB10,201,000 (31 December 2021: RMB6,295,000) for the above loans receivable and interest receivables was made with loss rates applied ranging from 53% to 100% (31 December 2021:8% to 90%).

As at 31 December 2022, a provision for impairment of RMB897,000 (31 December 2021: Nil) for the royalty receivable past due from a third party debtor and a provision for impairment of RMB903,000 (31 December 2021: Nil) for the prepayment past due from two third party debtors were made with 100% loss rates.

The carrying amount of the remaining prepayments and other receivables that were neither past due nor impaired relates to other debtors for whom there was no recent history of default.

Details of impairment assessment of financial assets included in prepayments and other receivables for the year ended 31 December 2022 are set out in note 42.

26. PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

The movement in the loss allowance for impairment of prepayments and other receivables is as follows:

	2022	2021
	RMB'000	RMB'000
At beginning of year	**6,295**	–
Impairment losses, net	**5,431**	6,295
Exchange realignment	**275**	–
At end of year	**12,001**	6,295

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, STRUCTURED BANK DEPOSITS AND DEPOSITS IN FINANCIAL INSTITUTES

	2022	2021
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
Wealth management products, at fair value	**84,436**	21,937
Structured bank deposits and deposits in financial institutes		
Structured bank deposits and deposits in financial institutes, at amortised cost	**148,743**	306,900

The above financial assets at fair value at 31 December 2022 were wealth management products issued by securities companies in the PRC and Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The structured bank deposits and deposits in financial institutes have terms of less than one year and are denominated in HK$.

28. CASH AND CASH EQUIVALENTS AND TIME DEPOSIT WITH ORIGINAL MATURITY OF OVER THREE MONTHS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**198,705**	76,055
Time deposits	**64,910**	151,940
	263,615	227,995
Less: Time deposit with original maturity of over three months	**–**	(100,000)
Cash and cash equivalents	**263,615**	127,995

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Hong Kong Dollar ("HK$"), United States Dollar ("US$"), Euro ("€") and Macau Pataca ("MOP$"), amounted to RMB28,710,000, RMB18,340,000, RMB383,000, and RMB166,000, respectively (2021: RMB31,276,000, RMB14,497,000, RMB52,000, and Nil, respectively). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between seven days and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and short term deposits are deposited with creditworthy banks with no recent history of default.

29. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Trade payables		
Within 30 days	**6,483**	11,385
31 to 90 days	**330**	1,983
91 to 180 days	**344**	476
181 to 360 days	**2,049**	1,938
	9,206	15,782

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days.

30. OTHER PAYABLES AND ACCRUALS

	Notes	2022 RMB'000	2021 RMB'000
Contract liabilities	(a)	**12,549**	14,404
Other payables	(b)	**15,441**	40,155
Accruals		**5,338**	10,630
Other taxes payable		**19,761**	7,662
Payables to related parties	39(b)	**223**	401
		53,312	73,252

Notes:

(a) Details of contract liabilities as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Short-term advances received from customers		
Sale of goods	**12,549**	14,404

(b) Other payables are non-interest-bearing and are due within one year.

31. LEASE LIABILITIES

	31 December 2022			31 December 2021		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities (note 16(b))	**3.65-4.75**	**2023**	**11,023**	4.35-4.75	2022	23,491
Non-current						
Lease liabilities (note 16(b))	**4.3-4.75**	**2024-2025**	**711**	4.75	2023-2026	4,164

31. LEASE LIABILITIES *(CONTINUED)*

Analysed into:

	2022 RMB'000	2021 RMB'000
Within one year	**11,023**	23,491
In the second year	**439**	3,781
In the third to fourth years, inclusive	**272**	383
	711	4,164
	11,734	27,655

32. SHARE CAPITAL

	2022 HK$'000	2021 HK$'000
Issued and fully paid:		
3,445,450,000 (2021: 3,445,450,000) ordinary shares	**344,545**	344,545
Equivalent to RMB'000	**280,661**	280,661

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 33 to the financial statements.

33. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme"), approved by the written resolutions of the shareholders passed on 25 November 2011 (the "Resolutions").

The Company operates the "Share Option Scheme" for the purpose of providing incentives and/or rewards to eligible participants for their contribution to and continuing efforts to promote the interest of the Company. Eligible participants of the Share Option Scheme include a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; b) a director or proposed director (including an independent non-executive director) of any member of the Group; c) a direct or indirect shareholder of any member of the Group; d) a supplier of goods or services to any member of the Group; e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and g) an associate of any of the foregoing persons. The Share Option Scheme became effective on 9 December 2011 and, unless otherwise cancelled or amended, remained in force for 10 years from that date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share options granted and yet to be exercised under any other scheme of the Company shall not, in aggregate, exceed 6% of the total number of shares in issue on the Listing Date (assuming that the over-allotment option is not exercised) until the expiration of the period from the listing date to the fourth anniversary of the Listing Date and 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or a substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors, excluding the independent non-executive director who or whose associates are the grantee. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

33. SHARE OPTION SCHEME *(CONTINUED)*

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of grant of the share options.

The exercise price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the exercise price shall be at least the highest of: (a) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; (b) the average of the closing prices of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (c) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The movement in share options during the year is presented below:

	2022		2021	
	Weighted average exercise price per share	**Number of options**	Weighted average exercise price per share	Number of options
	HK$ per share	**'000**	HK$ per share	'000
At 1 January	**0.2114**	**229,800**	0.2114	247,100
Forfeited during the year	**0.2114**	**(1,675)**	0.2114	(2,825)
Lapsed during the year	**0.2114**	**(6,625)**	0.2114	(14,475)
At 31 December	**0.2114**	**221,500**	0.2114	229,800

The exercise price and exercise period of the share options outstanding at the end of 2022 are as follows:

Date of grant	**Number of options**	**Exercise price**	**Exercise period**
	'000	HK$ per share	
10 December 2018	89,500	0.2114	10 December 2019 to 9 December 2023
10 December 2018	89,500	0.2114	10 December 2020 to 9 December 2023
10 December 2018	21,250	0.2114	10 December 2021 to 9 December 2023
10 December 2018	21,250	0.2114	10 December 2022 to 9 December 2023
	221,500		

33. SHARE OPTION SCHEME *(CONTINUED)*

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

The fair value of the share options under the Share Option Scheme granted was estimated at RMB22,720,000. During the year, 1,675,000 share options became forfeited as three of the grantees resigned and one of the grantees retired. 6,625,000 share options became lapsed as three of the grantees resigned and two of the grantees retired. The Company recognised a share option expense of RMB341,000 during the year ended 31 December 2022 (2021: RMB1,301,000).

The fair value of the share options under the Share Option Scheme granted was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.00
Expected volatility (%)	58.41
Risk-free interest rate (%)	2.77
Weighted average share price (HK$ per share)	0.21

The expected volatility may not necessarily reflect the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

No share option was exercised during the year. As at 31 December 2022, the Company had 221,500,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 221,500,000 additional ordinary shares of the Company and additional share capital of HK$22,150,000 (equivalent to RMB19,785,931) and share premium of HK$24,675,100 (equivalent to RMB22,041,527) (before issue expenses).

At the date of approval of these financial statements, the Company had 221,500,000 share options outstanding under the Share Option Scheme, which represented approximately 6.4% of the Company's shares in issue as at that date.

34. SHARE AWARD SCHEME

The Company adopted a share award scheme (the "Share Award Scheme"), approved by the resolutions of the Board passed on 4 November 2014.

The specific purposes and objectives of the Share Award Scheme are to:

(a) recognise the contributions by certain employees and to give incentives to them in order to retain them for the continual operation and development of the Group; and

(b) attract suitable personnel for further development of the Group.

To facilitate the implementation of the Share Award Scheme, a trust deed is entered into by the Group and South Zone Holding Limited (the "Trustee") pursuant to which the Trustee shall purchase and hold shares for the benefit of certain employees of the Group and any subsidiary and in such manner as the Board may determine from time to time.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date being 4 November 2014 unless being early terminated by a resolution of the Board.

The Board may from time to time at its absolute discretion, select any employee (excluding any excluded employee) for participation in the Share Award Scheme as a selected employee and grant to such selected employee the award shares for free or at a price/consideration per award share determined by the Board at its sole discretion.

The Trustee will hold the shares and any income derived from them in accordance with the terms of the trust deed.

From 4 November 2014 to 31 December 2022, the Company

Number of shares	**Number of shares**	**Total cost**	**Total Cost**
	'000	HK$'000	RMB'000
2014	4,762	4,525	3,669
2015	5,134	4,167	3,740
2016	506	215	182
2017	9,360	2,642	2,190
2018	1,372	292	250
2019	101,400	18,288	16,203
2020	40,000	5,424	4,712
	162,534	35,553	30,946

No shares of the Company were purchased by the Trustee during the year ended 31 December 2022 (2021: Nil).

The Board has not yet granted any shares to any employees from 4 November 2014 to 31 December 2022.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on page 78 of the financial statements.

(a) The merger reserve represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the corporate reorganisation (the "Reorganisation") and the nominal value of the Company's shares issued in exchange therefor.

(b) The acquisition reserve represents the differences between considerations paid and the book value of the share of net assets acquired in respect of the acquisition of non-controlling interests.

(c) In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses), determined in accordance with generally accepted accounting principles in the PRC, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase the registered capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the registered capital after these usages.

36. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

Acquisition of Shanghai Chuanrui Industrial Co., Ltd. ("Chuanrui")

On 5 December 2022, the Group acquired 100% interests in Chuanrui from an independent third-party individual Bao Fangqun. Chuanrui is a private-owned company incorporated under the PRC Laws. The purchase consideration for the acquisition was in the form of cash of RMB5,800,000.

The fair values of the identifiable assets and liabilities of Chuanrui as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Property, plant and equipment	5,268
Cash and bank balances	493
Prepayments and other receivables	39
Total identifiable net assets at fair value	5,800
Satisfied by cash	5,800

36. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

Acquisition of Shanghai Chuanrui Industrial Co., Ltd. ("Chuanrui") *(Continued)*

An analysis of the cash flows in respect of the acquisition of Chuanrui is as follows:

	RMB'000
Cash consideration	(5,800)
Cash and bank balances acquired	493
Consideration paid in the previous year recorded in Prepayments for purchase of properties	5,800
Net inflow of cash and cash equivalents included in cash flows from investing activities	493

In the opinion of the directors, the acquisition of Chuanrui does not constitute a business. Therefore, the transactions were determined by the directors of the Group to be acquisition of assets and liabilities through acquisition of subsidiary rather than a business combination as defined in *IFRS 3 Business Combinations*.

Acquisition of Shanghai Danbei International Trade Co., Ltd. and its 100% subsidiary Aquabio Natural Cosmetics Gmbh (the "Danbei")

On 14 November 2022, the Group acquired 73.4% interests in Danbei from an independent third-party individual Zhang Zanfeng. Shanghai Danbei International Trade Co., Ltd. is a private-owned company incorporated under the PRC Laws and its subsidiary Aquabio Natural Cosmetics Gmbh is a private-owned company incorporated under the German Laws. The purchase consideration for the acquisition was in the form of cash of RMB698,000.

The fair values of the consolidated identifiable assets and liabilities of Danbei as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Cash and bank balances	370
Intangible assets	542
Trade payables	(101)
Accruals and other payables	(56)
Total identifiable net assets at fair value	755
Non-controlling interests	(57)
Satisfied by cash	698

36. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

Acquisition of Shanghai Danbei International Trade Co., Ltd. and its 100% subsidiary Aquabio Natural Cosmetics Gmbh (the "Danbei") *(Continued)*

An analysis of the cash flows in respect of the acquisition of Danbei is as follows:

	RMB'000
Cash consideration	(698)
Cash and bank balances acquired	370
Consideration paid in the previous year recorded in prepayment	196
Net outflow of cash and cash equivalents included in cash flows from investing activities	(132)

In the opinion of the directors, the acquisition of Danbei does not constitute a business. Therefore, the transactions were determined by the directors of the Group to be acquisition of assets and liabilities through acquisition of subsidiary rather than a business combination as defined in *IFRS 3 Business Combinations*.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB18,690,000 (2021: RMB31,543,000) and RMB18,690,000 (2021: RMB31,543,000), respectively, in respect of lease arrangements for plant and properties.

(b) Changes in liabilities arising from financing activities

2022

	Lease liabilities RMB'000
At 1 January 2022	**27,655**
Changes from financing cash flows	**(29,374)**
New leases	**18,690**
Disposal	**(6,125)**
Interest expense	**888**
At 31 December 2022	**11,734**

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

(b) Changes in liabilities arising from financing activities *(Continued)*

2021

	Lease liabilities RMB'000
At 1 January 2021	41,670
Changes from financing cash flows	(47,599)
New leases	31,543
Interest expense	2,041
At 31 December 2021	27,655

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	**34,314**	44,078
Within financing activities	**29,374**	47,599
	63,688	91,677

38. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Buildings	**1,345**	27,705
	1,345	27,705

39. RELATED PARTY TRANSACTIONS

(a) Other transactions with related parties:

(i) During the year, the Group purchased product tags amounting to RMB345,000 (2021: RMB502,000) from Wuxi Hengye Software Technology Co., Ltd. ("Wuxi Hengye"), whose key management member was Zhang Yongli, the chairman and the chief executive officer of the Group. Sun Jing, the spouse of Zhang Yongli, is a non-controlling shareholder and holds 21.7% equity interest in Wuxi Hengye. The purchases were made on mutually agreed terms.

(ii) During the year, the Group provided rental services amounting to RMB451,000 (2021: RMB222,000) to Wuxi Hengye. The rental services were made on mutually agreed terms.

(iii) During the year, the Group purchased rental services amounting to RMB272,000 (2021: RMB308,000) from Huang Xiaoyun, an executive director and the chief financial officer of the Group. The rental services were made on mutually agreed terms.

(iv) During the year, the Group purchased Blitzway Taikonaut products amounting to RMB3,692,000 (2021: Nil) from China Brands Group. China Brands Group is the parent company of Shanghai Pancoat Trading Co., Ltd., which is the non-controlling shareholder of a subsidiary of the Group.

(v) During the year, the Group granted a loan amounting to RMB15,000,000 to Shanghai Jegoplay Hongmeng Culture Development Co., Ltd. ("Jegoplay Hongmeng"), which is the associate of the Group. The loan bear interest at 4.5% per annum and is due on 31 August 2024.

(vi) During the year, the Group granted a loan amounting to RMB2,000,000 to Zhejiang Dianshi Technology Co., Ltd., which is the non-controlling shareholder of a subsidiary of the Group. The loan bore interest at 5% per annum. The loan was repaid in December 2022.

(vii) During the year, the Group sold products amounting to RMB386,000 (2021: Nil) to Jegoplay Hongmeng. The transaction were made on mutually agreed terms.

(viii) During the year, the Group sold products amounting to RMB672,000 (2021: Nil) to Zhejiang Manqu Technology Co., Ltd. ("Zhengjiang Manqu"), which is the subsidiary of the non-controlling shareholder of a subsidiary of the Group. The transaction were made on mutually agreed terms.

39. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Outstanding balances with related parties:

(i) The Group had an outstanding balance of other payable of RMB41,000 (31 December 2021: RMB38,000) due to Sun Jing, the spouse of Zhang Yongli, the chairman and chief executive officer of the Group, which was related to the acquisition of Panland Investment Co., Ltd. and Artway Design Co., Ltd. in 2021. The balance is unsecured, interest-free and has no fixed terms of repayment.

(ii) The Group had an outstanding balance of other payable of RMB11,000 (31 December 2021: RMB10,000) due to Huang Xiaoyun, an executive director and the chief financial officer of the Group, which was related to the acquisition of Panland Investment Co., Ltd. and Artway Design Co., Ltd. in 2021. The balance is unsecured, interest-free and has no fixed terms of repayment.

(iii) The Group had an outstanding deposit of other receivable of RMB100,000 (31 December 2021: RMB100,000) due from China Brands Group. The balance is unsecured, interest-free and has no fixed terms of repayment.

(iv) The Group had an outstanding deposit of other payable of RMB100,000 (31 December 2021: RMB50,000) due to Wuxi Hengye, which was related to the Group's provision of rental services to Wuxi Hengye. The balance is unsecured, interest-free and is due at the end of the lease term.

(v) The Group had an outstanding balance of trade receivables of RMB414,000 (31 December 2021: Nil) due from Jegoplay Hongmeng, which is the associate of the Group. The balance is unsecured, interest-free and due in one month.

(vi) The Group had an outstanding balance of trade receivables of RMB177,000 (31 December 2021: Nil) due from Zhejiang Manqu, which is the subsidiary of the non-controlling shareholder of a subsidiary of the Group. The balance is unsecured, interest-free and due in one month.

(vii) The Group had an outstanding balance of other payables of RMB71,000 (31 December 2021: RMB303,000) due to Huang Xiaoyun, which was related to the Group's procurement of rental services from Huang Xiaoyun. The balance is unsecured, interest-free and due in three months.

(viii) For the year ended 31 December 2021, the Group had an outstanding deposit of RMB1,500,000 due from Wuxi Hengye, which was related to the Group's procurement deposit of product tags from Wuxi Hengye. The balance was unsecured, interest-free and repaid in 2022.

(ix) For the year ended 31 December 2021, the Group had an outstanding balance of trade payables of RMB42,000 due to Wuxi Hengye, which was related to the Group's procurement of product tags from Wuxi Hengye. The balance was unsecured, interest-free and repaid in 2022.

(x) The Group has an outstanding balance of other receivables of RMB15,228,000 (31 December 2021: Nil) due from Jegoplay Hongmeng, which is related to a loan granted by the Group. The loan bear interest at 4.5% per annum and is due on 31 August 2024.

39. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Compensation of key management personnel of the Group, including directors' remuneration as detailed in note 9 above, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	**2,762**	2,678
Salaries, allowances and benefits in kind	**5,591**	5,204
Equity-settled share option expenses	**2**	338
Pension scheme contributions	**234**	189
Total compensation paid to key management personnel	**8,589**	8,409

39(a)(iii) constituted connected transactions as defined in Chapter 14A of the Listing Rules. The Company is of the view that both transactions were de minimis transactions and were therefore fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules ("Fully Exempt CT").

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets	Financial assets at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income		
	Held for trading RMB'000	Equity instruments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	28,954	–	28,954
Trade receivables	–	–	23,657	23,657
Financial assets included in prepayments and other receivables (note 26)	–	–	41,423	41,423
Financial assets at fair value through profit or loss	84,436	–	–	84,436
Structured bank deposits and deposits in financial institutes	–	–	148,743	148,743
Financial assets included in other non-current assets	–	–	15,228	15,228
Cash and cash equivalents	–	–	263,615	263,615
	84,436	28,954	492,666	606,056

40. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

2021

Financial assets	Financial assets at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income		
	Held for trading RMB'000	Equity instruments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	32,134	–	32,134
Trade and bills receivables	–	–	38,960	38,960
Financial assets included in prepayments and other receivables (note 26)	–	–	78,740	78,740
Financial assets at fair value through profit or loss	21,937	–	–	21,937
Structured bank deposits and deposits in financial institutes	–	–	306,900	306,900
Cash and cash equivalents	–	–	227,995	227,995
	21,937	32,134	652,595	706,666

Financial liabilities	**Financial liabilities at amortised cost**	
	2022 RMB'000	2021 RMB'000
Trade payables	**9,206**	15,782
Lease liabilities	**11,734**	27,655
Financial liabilities included in other payables and accruals (note 30)	**15,664**	40,556
	36,604	83,993

41. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**28,954**	32,134	**28,954**	32,134
Financial assets at fair value through profit or loss	**84,436**	21,937	**84,436**	21,937
Financial assets included in other non-current assets	**15,228**	–	**15,189**	–
	128,618	54,071	**128,579**	54,071

Management has assessed that the fair values of cash and cash equivalents, structured bank deposits, deposits in financial institutes, trade and bills receivables, trade payables, financial assets included in prepayments and other receivables, financial assets included in other non-current assets, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices.

The Group invests in unlisted investments, which represent wealth management products issued by banks in the PRC and HK. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

41. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income – listed	28,871	–	–	28,871
Equity investments designated at fair value through other comprehensive income – unlisted	–	–	83	83
Financial assets at fair value through profit or loss	–	84,436	–	84,436
	28,871	84,436	83	113,390

41. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy *(Continued)*

Assets measured at fair value *(Continued)*

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income – listed	31,824	–	–	31,824
Equity investments designated at fair value through other comprehensive income – unlisted	–	–	310	310
Financial assets at fair value through profit or loss	–	21,937	–	21,937
	31,824	21,937	310	54,071

The movements in fair value measurements within Level 3 during the year are as follows:

	2022 RMB'000	2021 RMB'000
Equity investments designated at fair value through other comprehensive income – unlisted		
At 1 January	**310**	1,195
Total losses recognised in other comprehensive income	**(227)**	(885)
At 31 December	**83**	310

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 (2021: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, structured bank deposits and deposits in financial institutes. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below:

Foreign currency risk

All of the Group's turnover and substantially all of the Group's cost of sales and operating expenses are denominated in RMB. Accordingly, the transactional currency exposures of the Group are not significant. However, the Group's financial assets and liabilities including certain cash and cash equivalents denominated in Hong Kong dollars ("HK$") and United States dollars ("US$") are subject to foreign currency risk. Therefore, the fluctuations in the exchange rates of RMB against these foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in the PRC to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risks. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ against RMB exchange rate, with all other variables held constant, of the Group's equity (due to changes in the fair values of monetary assets and liabilities):

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Foreign currency risk *(Continued)*

	Increase/ (decrease) in HK$ exchange rate %	Increase/ (decrease) in equity* RMB'000
2022		
If RMB weakens against HK$	**5**	**(11,299)**
If RMB strengthens against HK$	**(5)**	**11,299**
If RMB weakens against US$	**5**	**(917)**
If RMB strengthens against US$	**(5)**	**917**
2021		
If RMB weakens against HK$	5	(15,063)
If RMB strengthens against HK$	(5)	15,063
If RMB weakens against US$	5	(725)
If RMB strengthens against US$	(5)	725

* Excluding retained profits

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging as at 31 December 2022

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	32,705	32,705
Financial assets included in prepayments, other receivables and other assets					
– Normal**	52,500	–	–	–	52,500
– Doubtful**	–	8,799	6,450	–	15,249
Cash and cash equivalents					
– Not yet past due	263,615	–	–	–	263,615
	316,115	8,799	6,450	32,705	364,069

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Credit risk *(Continued)*

Maximum exposure and year-end staging as at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	–	–	–	47,571	47,571
Financial assets included in prepayments, other receivables and other assets					
– Normal**	63,048	–	–	–	63,048
– Doubtful**	16,434	–	5,553	–	21,987
Cash and cash equivalents					
– Not yet past due	227,995	–	–	–	227,995
	307,477	–	5,553	47,571	360,601

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 25 to the financial statements.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The Group's policy is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2022			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Lease liabilities	**–**	**11,242**	**725**	**11,967**
Trade payables	**–**	**9,206**	**–**	**9,206**
Financial liabilities included in other payables and accruals	**–**	**15,664**	**–**	**15,664**
	–	**36,112**	**725**	**36,837**

	31 December 2021			
	On demand RMB'000	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Lease liabilities	–	24,141	4,265	28,406
Trade payables	–	15,782	–	15,782
Financial liabilities included in other payables and accruals	–	40,556	–	40,556
	–	80,479	4,265	84,744

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade payables and financial liabilities included in other payables and accruals less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2022 **RMB'000**	2021 RMB'000
Trade payables	**9,206**	15,782
Financial liabilities included in other payables and accruals	**15,664**	40,556
Less: Cash and cash equivalents	**(263,615)**	(227,995)
Net debt	**(238,745)**	(171,657)
Capital	**1,264,627**	1,487,756
Capital and net debt	**1,025,882**	1,316,099
Gearing ratio	**–**	–

43. EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the year end which require adjustment of or disclosure in the financial statements or notes thereto.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022	2021
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property	**28,004**	26,259
Investments in subsidiaries	**800,761**	1,059,488
Other intangible assets	**4,220**	6,876
Total non-current assets	**832,985**	1,092,623
CURRENT ASSETS		
Amounts due from subsidiaries	**105,125**	165,195
Prepayments and other receivables	**9,632**	16,409
Financial assets at fair value through profit or loss	**62,590**	–
Structured bank deposits and deposits in financial institutes	**148,743**	201,550
Cash and cash equivalents	**66,054**	49,712
Total current assets	**392,144**	432,866
CURRENT LIABILITIES		
Amounts due to subsidiaries	**455,883**	474,611
Other payables and accruals	**255**	260
Total current liabilities	**456,138**	474,871
NET CURRENT LIABILITIES	**(63,994)**	(42,005)
TOTAL ASSETS LESS CURRENT LIABILITIES	**768,991**	1,050,618
EQUITY		
Issued capital	**280,661**	280,661
Shares held for share award scheme (note)	**(30,946)**	(30,946)
Reserves (note)	**519,276**	800,903
Total equity	**768,991**	1,050,618

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Note:

A summary of the Company's reserves is as follows:

	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Shares held for Share Award Scheme RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2021	543	2,646,255	18,736	(30,946)	105,876	(1,809,399)	931,065
Total comprehensive loss for the year	–	–	–	–	4,920	(167,329)	(162,409)
Equity-settled share option arrangements	–	–	1,301	–	–	–	1,301
At 31 December 2021 and 1 January 2022	543	2,646,255	20,037	(30,946)	110,796	(1,976,728)	769,957
Total comprehensive loss for the year^	–	–	–	–	(909)	(281,059)	(281,968)
Equity-settled share option arrangements	–	–	341	–	–	–	341
At 31 December 2022	543	2,646,255	20,378	(30,946)	109,887	(2,257,787)	488,330

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation detailed in the prospectus of the Company dated 29 November 2011, over the nominal value of the Company's shares issued in exchange therefor.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in Note 2.4 to the financial statements. The amount will either be transferred to the share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

^ The total comprehensive loss for the year was mainly attributable to the impairment provided on the carrying amount of investments in subsidiaries of RMB258,727,000 in the Company's financial statements for the year ended 31 December 2022. The provisions have no effect on the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2022.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 24 March 2023.

Financial Summary

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

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Results					
REVENUE	**206,516**	323,509	727,755	818,747	898,295
Cost of sales	**(125,160)**	(128,898)	(250,689)	(180,751)	(215,983)
Gross profit	**81,356**	194,611	477,066	637,996	682,312
Other income and gains	**11,810**	17,230	21,437	30,168	47,135
Selling and distribution expenses	**(195,972)**	(275,725)	(409,338)	(485,534)	(495,697)
Administrative expenses	**(46,261)**	(52,522)	(59,562)	(82,511)	(63,573)
Impairment losses on financial assets, net	**(4,965)**	(2,115)	(2,673)	(1,686)	(4,371)
Other expenses	**(54,198)**	(9,304)	(103,187)	(55,105)	(79,880)
Finance income	**5,950**	14,476	15,894	18,523	20,726
Finance costs	**(888)**	(2,041)	(3,222)	(3,404)	—
Share of profits and losses of:					
Joint ventures	**—**	—	—	(160)	2,563
Associates	**(77)**	(927)	(1,613)	(4,484)	(1,242)
(LOSS)/PROFIT BEFORE TAX	**(203,245)**	(116,317)	(65,198)	53,803	107,973
Income tax expense	**(50,413)**	(35,546)	(54,456)	(34,098)	(47,138)
(LOSS)/PROFIT FOR THE YEAR	**(253,658)**	(151,863)	(119,654)	19,705	60,835
Attributable to:					
Owners of the parent	**(252,179)**	(151,815)	(122,154)	19,930	60,179
Non-controlling interests	**(1,479)**	(48)	2,500	(225)	656

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Assets, Liabilities and Non-controlling interests					
TOTAL ASSETS	**1,469,399**	1,745,801	1,984,611	2,198,555	2,140,524
TOTAL LIABILITIES	**200,351**	258,129	326,850	385,822	362,194
Non-controlling interests	**4,421**	(84)	2,070	(430)	(205)