GOLDLION HOLDINGS LIMITED

Supplementary Note to Directors' Report and Revised Financial Statements

For the year ended 31st December 2022

SUPPLEMENTARY NOTE TO DIRECTORS' REPORT

For the year ended 31st December 2022

This supplementary note to the directors' report for the year ended 31st December 2022 (the "Supplementary Note") was prepared in accordance with the Hong Kong Companies (Revision of Financial Statements and Reports) Regulation (Cap. 622F), as the Directors have voluntarily revised the original directors' report for the financial year ended 31st December 2022 that were approved by the Directors on 21st March 2023 (the "Original Directors' Report") in accordance with section 449 of the Hong Kong Companies Ordinance (Cap. 622).

The Supplementary Note revises the amount of the distributable reserves of the Company at 31st December 2022 under the section headed "Distributable reserves" in the Original Directors' Report (see the revision as set out below), and is to be treated as forming part of the Original Directors' Report.

The Original Directors' Report as supplemented and revised by the Supplementary Note is taken as having been approved by the Directors on the date of the Original Directors' Report instead of on the date of revision, and accordingly does not deal with events between those two dates.

The Supplementary Note was approved by the Directors on 20th September 2024.

REVISION TO THE SECTION HEADED "DISTRIBUTABLE RESERVES" IN THE ORIGINAL DIRECTORS' REPORT

Distributable reserves

Distributable reserves of the Company at 31st December 2022, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$162,546,000 (2021: HK$174,334,000).

On behalf of the Board

Mr. Tsang Chi Ming, Ricky
Chairman and Chief Executive Officer

Hong Kong, 20th September 2024

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE MEMBERS OF GOLDLION HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Goldlion Holdings Limited (the "Company") and its subsidiaries ("the Group"), which are set out on pages 8 to 79, comprise:

- the consolidated balance sheet as at 31st December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

EMPHASIS OF MATTER

We draw attention to note 2.1(d) to the consolidated financial statements, which describes the revision and reissuance of the consolidated financial statements due to the non-compliance in relation to the accounting of share repurchases transactions during the year ended 31st December 2022 with the Hong Kong Companies Ordnance. We issued our original auditor's report dated 21st March 2023 on the original consolidated financial statements. Due to the revision described in note 2.1(d), we provide this new auditor's report on the revised consolidated financial statements. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarized as follows:

- Carrying value of inventories
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Carrying value of inventories	
Refer to note 12 to the consolidated financial statements. The Group held inventories of HK$205 million as at 31st December 2022. When assessing the carrying value of inventory at each period end, the Group consistently applies a provisioning methodology for slow moving inventory based on inventory ageing and makes specific provision for obsolete inventory. We focused on this area because the estimation of provision percentages applied to different aged inventory categories and the estimation of specific provision for obsolete inventory are subject to high degree of estimation uncertainty. The inherent risk in relation to carrying value of inventory is considered significant as it involves significant judgement based on historical experience of selling products of similar nature through various sales channels as well as expectation of future sales under current market condition. These estimations are also subject to uncertainty as a result of change of market trends, customer preference and competitor actions.	We obtained an understanding of the management's internal control and assessment process of the carrying value of inventory and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We examined the basis of the methodology with respect to inventory provision and evaluated, amongst others, the outcome of management's estimations in prior year, analysis and assessment made by management with respect to slow moving and obsolete inventory. We evaluated the assumptions and estimates applied by management to determine the provisioning percentages applicable to individual ageing category of inventory by testing the accuracy of historical information involved, comparing with current year and historical sales trends of similar products and performing sensitivity analysis on changes of major assumptions of future sales, such as sales through rate. We tested the accuracy of the ageing profile of the inventory used in the calculation of provision. We performed a recalculation of the inventory provision using the ageing profile of the inventory as at 31st December 2022 and the provision percentages determined by management. Based on the procedures described, we considered management's judgement and estimates, which formed the basis of the carrying value of inventory, were reasonable and acceptable.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 8 to the consolidated financial statements. The Group held investment properties of HK$2,776 million as at 31st December 2022 which were stated at fair values. The fair value losses from the investment properties for the year ended 31st December 2022 approximates to HK$57 million. We focused on this area because the aggregate carrying amounts represented approximately 51% of total assets of the Group as at 31st December 2022 and the fair values are dependent on the methodologies used and are sensitive to changes of inputs used in the valuations. Fair values of the Group's investment properties are supported by valuation performed by independent professional valuers. The valuers adopted the income capitalization approach, which took into account the rental values and gross reversionary yields, and direct comparison approach, which largely used unobservable inputs including market rent, yield, etc.	We obtained an understanding of the management's internal control and assessment process of the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We assessed the competency, capability and objectivity of the independent external valuers by considering their qualifications, relevant experience and relationship with the Group. We involved our internal valuation specialist in our discussion with the external valuers to understand the rationale of the chosen valuation methods and the assumptions applied; and based on which we assessed the appropriateness of the methodologies used and the reasonableness of assumptions applied, where applicable, we further compared, on a sample basis, the data inputs and assumptions used in the valuation models, such as gross reversionary yields and rental values, to market and industry data. Based on the procedures performed, we considered the methodologies used and key assumptions applied in the valuation of the Group's investment properties were supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

From the matters communicated with those charged with governance, 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 Pang Ho Yin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20th September 2024

CONSOLIDATED BALANCE SHEET

As at 31st December 2022

	Note	As at 31st December 2022 HK$'000	As at 31st December 2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**145,273**	121,642
Right-of-use assets	7	**87,053**	66,352
Investment properties	8	**2,775,582**	2,994,394
Financial assets at fair value through other comprehensive income	9	**5,432**	6,947
Deferred income tax assets	20	**57,478**	46,814
		3,070,818	3,236,149
Current assets			
Property under development held for sale	11	**767,938**	715,807
Inventories	12	**204,578**	195,886
Trade receivables	14	**125,091**	100,565
Prepayments, deposits and other receivables	14	**80,503**	126,445
Contract assets	15	**64,980**	59,147
Tax recoverable		**3**	5,110
Restricted cash	16	**26,186**	20,687
Bank deposits	16	**840,885**	876,185
Cash and cash equivalents	16	**309,805**	454,342
		2,419,969	2,554,174
Total assets		**5,490,787**	5,790,323
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	2.1(d), 17	**1,101,358**	1,101,358
Reserves	2.1(d), 18	**3,346,025**	3,523,382
Total equity		**4,447,383**	4,624,740

CONSOLIDATED BALANCE SHEET

As at 31st December 2022

	Note	As at 31st December 2022 HK$'000	As at 31st December 2021 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables and accruals	19	**26,152**	31,862
Lease liabilities	21	**31,048**	11,171
Deferred income tax liabilities	20	**399,376**	447,608
		456,576	490,641
Current liabilities			
Trade payables	19	**47,251**	48,594
Other payables and accruals	19	**227,776**	238,696
Contract liabilities	15	**269,118**	365,446
Lease liabilities	21	**18,629**	13,985
Current income tax liabilities		**24,054**	8,221
		586,828	674,942
Total liabilities		**1,043,404**	1,165,583
Total equity and liabilities		**5,490,787**	5,790,323

The consolidated financial statements on pages 8 to 79 were approved by the Board of Directors on 20th September 2024 and were signed on its behalf by:

Mr. Tsang Chi Ming, Ricky
Chairman and Chief Executive Officer

Mr. Li Ka Fai, David
Director

The notes on pages 14 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2022

	Note	2022 HK$'000	2021 HK$'000
Turnover	5	**1,415,709**	1,372,184
Cost of sales	23	**(645,919)**	(503,857)
Gross profit		**769,790**	868,327
Other losses	22	**(57,110)**	(26,777)
Selling and marketing costs	23	**(406,197)**	(430,022)
Administrative expenses	23	**(153,775)**	(170,680)
Operating profit		**152,708**	240,848
Interest income	28	**22,725**	21,204
Interest expense	28	**(1,293)**	(1,001)
Profit before income tax		**174,140**	261,051
Income tax expense	29	**(19,678)**	(40,008)
Profit for the year attributable to owners of the Company		**154,462**	221,043
		HK cents	HK cents
Earnings per share for profit attributable to owners of the Company during the year – Basic and diluted	31	**15.73**	22.51

The notes on pages 14 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2022

	2022 HK$'000	2021 HK$'000
Profit for the year	**154,462**	221,043
Other comprehensive (loss)/income		
Items that will not be reclassified subsequently to profit or loss		
Revaluation of property, plant and equipment upon reclassification to investment property	**8,609**	11,030
Change in fair value of financial assets at fair value through other comprehensive (loss)/income	**(1,002)**	575
Income tax relating to these items	**(1,902)**	(144)
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	**(229,983)**	75,121
Other comprehensive (loss)/income for the year	**(224,278)**	86,582
Total comprehensive (loss)/income for the year attributable to owners of the Company	**(69,816)**	307,625

The notes on pages 14 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2022

	Share capital HK$'000	Other reserves (note 18) HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st January 2021	1,101,358	448,778	2,870,102	4,420,238
Comprehensive income				
Profit for the year	–	–	221,043	221,043
Other comprehensive income				
Revaluation of property, plant and equipment upon reclassification to investment property	–	11,030	–	11,030
Change in fair value of financial assets at fair value through other comprehensive income	–	431	–	431
Currency translation differences	–	75,121	–	75,121
Total other comprehensive income for the year	–	86,582	–	86,582
Total comprehensive income for the year	–	86,582	221,043	307,625
Final dividend relating to 2020	–	–	(63,838)	(63,838)
Interim dividend relating to 2021 (note 30)	–	–	(39,285)	(39,285)
Total transactions with owners in their capacity as owners	–	–	(103,123)	(103,123)
Balance at 31st December 2021	1,101,358	535,360	2,988,022	4,624,740
Balance at 1st January 2022	**1,101,358**	**535,360**	**2,988,022**	**4,624,740**
Comprehensive loss				
Profit for the year	**–**	**–**	**154,462**	**154,462**
Other comprehensive loss				
Revaluation of property, plant and equipment upon reclassification to investment property	**–**	**6,457**	**–**	**6,457**
Change in fair value of financial assets at fair value through other comprehensive loss	**–**	**(752)**	**–**	**(752)**
Currency translation differences	**–**	**(229,983)**	**–**	**(229,983)**
Total other comprehensive loss for the year	**–**	**(224,278)**	**–**	**(224,278)**
Total comprehensive (loss)/income for the year	**–**	**(224,278)**	**154,462**	**(69,816)**
Ordinary shares repurchased and cancelled (notes 2.1(d), 17, 18)	**–**	**–**	**(4,419)**	**(4,419)**
Appropriation to reserves (note 18(i))	**–**	**632**	**(632)**	**–**
Final dividend relating to 2021 (note 30)	**–**	**–**	**(68,748)**	**(68,748)**
Interim dividend relating to 2022 (note 30)	**–**	**–**	**(34,374)**	**(34,374)**
Total transactions with owners in their capacity as owners	**–**	**632**	**(108,173)**	**(107,541)**
Balance at 31st December 2022	**1,101,358**	**311,714**	**3,034,311**	**4,447,383**

The notes on pages 14 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**62,960**	256,076
Interest paid	28	**(1,293)**	(1,001)
Income tax paid		**(30,703)**	(52,757)
Net cash generated from operating activities		**30,964**	202,318
Cash flows from investing activities			
Purchases of property, plant and equipment	6	**(11,859)**	(12,716)
Additions to investment properties	8	**(7,617)**	(11,365)
Proceeds from disposals of property, plant and equipment	32(a)(i)	**99**	170
Increase in restricted cash		**(5,499)**	(20,687)
Increase in bank deposits with maturity over 3 months		**(13,543)**	(117,089)
Interest received		**25,284**	18,655
Net cash used in investing activities		**(13,135)**	(143,032)
Cash flows from financing activities			
Payment on repurchase of shares	17	**(4,384)**	–
Principal elements of lease payments	32(c)	**(16,876)**	(13,689)
Dividends paid to owners of the Company		**(103,122)**	(103,123)
Transaction costs attributable to repurchase of shares	17	**(35)**	–
Net cash used in financing activities		**(124,417)**	(116,812)
Net decrease in cash and cash equivalents		**(106,588)**	(57,526)
Cash and cash equivalents at 1st January		**454,342**	492,715
Effect of foreign exchange rate changes		**(37,949)**	19,153
Cash and cash equivalents at 31st December	16	**309,805**	454,342

The notes on pages 14 to 79 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 10 to the financial statements.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 7th floor, Goldlion Holdings Centre, 13–15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong SAR.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 21st March 2023. The Revised Financial Statements were approved by the Directors on 20th September 2024.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and the significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through other comprehensive income ("FVOCI").

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are especially significant to the consolidated financial statements are disclosed in note 4.

(a) Amended standard adopted by the Group

The Group has adopted HKFRS 16 (Amendment) "COVID-19-related rent concessions beyond 30th June 2021" (effective for annual periods beginning on or after 1st April 2021). The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 to cover lease payments related rent concessions that are originally due on or before 30th June 2022, provided the other conditions for applying the practical expedient are met.

All of the COVID-19 related rent concessions amounted to HK$1,882,000 (2021: HK$143,000) have been credited to the consolidated income statement within "selling and marketing costs".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) Amended standards effective in 2022 but not relevant to the Group

HKAS 16 (Amendment)	Property, plant and equipment: Proceeds before intended use
HKAS 37 (Amendment)	Onerous contracts – Cost of fulfilling a contract
HKFRS 3 (Amendment)	Reference to the conceptual framework
HKFRSs (Amendments)	Annual improvements 2018–2020 cycle
Accounting Guideline 5 (Amendment)	Merger accounting for common control combinations

The above amended standards did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(c) The following new standard, new interpretation and amended standards have been issued but are not effective for the financial year beginning on 1st January 2022 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Classification of liabilities as current or non-current	1st January 2024
HKAS 1 (Amendment)	Non-current liabilities with covenants	1st January 2024
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies	1st January 2023
HKAS 8 (Amendment)	Definition of accounting estimates	1st January 2023
HKAS 12 (Amendment)	Deferred tax related to assets and liabilities arising from a single transaction	1st January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet established
HKFRS 16 (Amendment)	Lease liability in a sale and leaseback	1st January 2024
HKFRS 17	Insurance contracts	1st January 2023
HKFRS 17 (Amendment)	Initial application of HKFRS 17 and HKFRS 9 – Comparative information	1st January 2023
HK (IFRIC) – Int 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	1st January 2023

The above new standard, new interpretation and amended standards are not expected to have a material impact on the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) Revision of consolidated financial statements

The Directors have voluntarily revised the original consolidated financial statements for the financial year ended 31st December 2022 that were approved by the Directors on 21st March 2023 (the "Original Financial Statements") in accordance with section 449 of the Hong Kong Companies Ordinance (Cap. 622), and these revised consolidated financial statements of the Company for the financial year ended 31st December 2022 (the "Revised Financial Statements") were prepared in accordance with the Hong Kong Companies (Revision of Financial Statements and Reports) Regulation (Cap. 622F).

The Company conducted certain on-market share repurchases during the periods from 27th September 2022 to 15th December 2022 under the general mandate granted by the shareholders of the Company on 20th May 2022, and the considerations of which were paid out of the distributable profits of the Company from time to time. The Original Financial Statements however failed to comply with the Hong Kong Companies Ordinance in as much as the above transactions were not correctly accounted for in the Original Financial Statements. The Directors became aware of such non-compliance subsequent to the date of the Original Financial Statements. After considering the advice from the Company's legal adviser, the Directors decided to cause the consolidated financial statements to be revised pursuant to section 449 of the Hong Kong Companies Ordinance (Cap. 622) and in accordance with the Hong Kong Companies (Revision of Financial Statements and Reports) Regulation (Cap. 622F).

For the aforementioned reason, the Company's consolidated balance sheet as at 31st December 2022 and consolidated statement of changes in equity for the year ended 31st December 2022, as well as related notes, were revised as follows:

		Reserves			
	Share capital HK$'000	**Other reserves** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000	**Total equity** HK$'000
As previously stated on the Original Financial Statements	1,096,939	311,714	3,038,730	3,350,444	4,447,383
Revision	4,419	–	(4,419)	(4,419)	–
As revised	1,101,358	311,714	3,034,311	3,346,025	4,447,383

The Revised Financial Statements replace the Original Financial Statements. The Revised Financial Statements were approved by the Directors on 20th September 2024.

Pursuant to the Hong Kong Companies Ordinance, the Original Financial Statements are taken as having been revised by the directors of the Company on the date of the Original Financial Statements instead of on the date of revision, and accordingly do not deal with events between those two dates.

The revision made in the Revised Financial Statements did not have any impact on the financial performance, basic and diluted earnings per share or operations of the Group for the year ended 31st December 2022.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, who make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement.

Translation differences on non-monetary assets such as equities classified as FVOCI are recognized in other comprehensive income ("OCI").

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognized in OCI. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to the income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in the income statement.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment

Buildings comprise mainly factories, retail outlets and offices other than investment properties as mentioned in note 2.6. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated depreciation rates as follows:

Buildings	2% to 5%
Plant and machinery	10% to 20%
Furniture and fixtures	20% to 33%
Computers	20% to 33%
Motor vehicles	20% to 25%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group revalues such property on the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in assets revaluation reserve.

The fair value at the date of the change in use is the deemed cost for subsequent accounting as investment properties. On disposal of the property, revaluation reserve is transferred to retained profits as a movement in reserves.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Investment properties

Investment properties, principally comprising leasehold land, land use right and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases is classified and accounted for as investment properties when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment properties are measured initially at their costs, including related transaction costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other losses.

For investment property under construction, in the event whereby the presumption for the Group to measure such property at fair value is rebutted because the fair value is not reliably measurable but expect so when construction is complete, the Group measure that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed, whichever is earlier.

Accounting policies in related to the transfer from owner-occupied property to investment property are disclosed in note 2.5. Right-of-use assets are transferred to investment property when there is change in use from owner-occupied property to held for long-term rental yields or for capital appreciation or both. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met.

2.7 Impairment of investments in subsidiaries and non-financial assets

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

Assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Property under development held for sale

Property under development held for sale is stated at the lower of cost and net realizable value. Development cost of property comprises cost of land use rights, construction costs and professional fees incurred during the development period. Upon completion, the property is transferred to completed property held for sale.

Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and the anticipated costs to completion.

Property under development held for sale is classified as current asset unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.10 Financial assets

(a) Classification

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

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

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

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement. Dividends received from such investments continue to be recognized in the consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "other income and gains – net" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

(d) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9 "Financial instruments" ("HKFRS 9"), which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

2.11 Equity instruments

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See note 14 for further information about the Group's accounting for trade receivables and note 2.10(d) for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.15 Share capital

Ordinary shares are classified as equity. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

2.16 Trade and other payables

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The deferred tax liability in relation to investment properties that are measured at fair value is determined assuming the properties will be recovered entirely through use and through sale for investment properties in the PRC and other region respectively.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in the income statement, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of leave.

(b) Profit sharing and bonus plans

The expected costs of profit sharing and bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within the next twelve months and are measured at the amounts expected to be paid when they are settled.

(c) Pension obligations

The Group operates defined contribution retirement schemes which are available for all qualified employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds. For the retirement schemes for Hong Kong and Singapore employees, monthly contributions made by the Group and the employees are calculated as a fixed percentage of the employees' basic salaries or a fixed sum for each employee where appropriate. Contributions to these schemes by the Group are expensed as incurred and/or are reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the Group's contributions.

The Group also participates in the employee pension schemes operated by the municipal governments of various cities in China Mainland and is required to make annual contributions to these schemes. The municipal governments are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group is to pay the ongoing required contributions under these schemes. The contributions are charged to the income statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition

(a) Sale of goods – wholesale

The Group manufactures and sells a range of garments, leather goods and accessories to distributors. Sales are recognized when control of the products has transferred, being when the products are delivered to the distributors, at a point in time.

The goods are often sold with volume discounts based on aggregate sales. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. A liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present. Sales return provisions are recorded based on the contracted return of goods. The Group estimates the sales return provision based on accumulated experience and the terms in the sales contracts with distributors.

(b) Sales of goods – retail

The Group sells garments, leather goods and accessories through chain of retail stores and e-commerce platform. Revenue from the sale of goods is recognized when a group entity sells a product to the customer, the point in time when the control of the goods has been transferred to the customer. Payment of the transaction price is due immediately when the customer purchases the goods.

(c) Sales of properties

Revenue from the sales of properties is recognized in the income statement on the basis that control over the ownership of the property has been passed to the customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all the benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities.

(d) Rental income from investment properties

Rental income from investment properties is recognized on a straight-line basis over the period of the respective leases.

(e) Licensing income and building management fee

Licensing income and building management fee are recognized in the accounting period in which the services are rendered.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition *(continued)*

(f) Contract liabilities

Contract liability is recognized when payments are received from customers in advance but the relevant performance obligation has not been performed.

A sales refund liability and an asset for the right of return goods are recognized in the consolidated balance sheet. The Group uses the expected value method to estimate the credit refund or return which best predicts the amount of reliable consideration to which the Group entitled.

The Group receives payments from customers in advance in pre-sales arrangement. Such proceeds from customers are recorded as contract liabilities before the relevant sales are recognized.

2.20 Interest income

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

2.21 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9; and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 "Revenue from contracts with customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Leases

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

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Leases *(continued)*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(a) Variable lease payments

Estimation uncertainty arising from variable lease payments

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

(b) Extension and termination options

Extension and termination options are included in certain property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

2.23 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders for final dividend and Board of Directors for interim dividend.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of an asset, liability or highly probable forecast transaction denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Group operates in various regions and is exposed to foreign exchange risk primarily arising from bank deposits, cash and cash equivalents, trade receivables and interest receivables which are denominated in Renminbi and Singapore dollar, and net investments in foreign subsidiaries in China Mainland and Singapore.

At 31st December 2022, if Hong Kong dollar had weakened/strengthened by 7% against Renminbi with all other variables held constant, post-tax profit for the year would have been HK$6,333,000 (2021: HK$5,065,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated bank deposits, cash and cash equivalents, trade receivables and interest receivables.

Management believes that the appreciation/depreciation of Singapore dollar against Hong Kong dollar would not have a material effect on the Group's post-tax profit for the year. Therefore, no sensitivity analysis for Singapore dollar is presented.

(ii) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates, except for the interest income derived from bank deposits. Apart from bank deposits, the Group has no significant interest-bearing assets or liabilities.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is managed on a group basis and individual basis. Credit risk arises from cash and cash equivalents, restricted cash and deposits with banks, credit exposures to wholesale and retail customers and other parties, including outstanding receivables and deposits and other receivables.

(i) Risk management

The Group limits its exposure to credit risk by rigorously selecting its counterparties including the deposit-takers and debtors and by diversification. Bank deposits are placed only with major and sizeable banks approved by the Board from time to time and there is no significant concentration risk to a single counterparty.

For properties that are still under construction and the buyers choose to pay by bank mortgage, the Group typically provides guarantees to banks in connection with the buyers' borrowing of mortgage loans to finance their purchases of the properties. If a buyer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by more than the buyer's deposits received, the Group may not be in a loss position in selling those properties. In this regard, the Directors of the Company consider that the Group's credit risk is largely mitigated.

The Group has arranged bank financing for certain buyers of property units and provided guarantees to secure obligations of such buyers for repayments. Detailed disclosure of these guarantees is made in note 33. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

The Group mitigates its exposure to risks relating to trade receivables by its established procedures in granting credit only to customers with sound credit track records. Sales to retail customers are settled in cash or using major credit cards, Alipay or WeChat Pay. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(i) Risk management (continued)

As at 31st December 2022, the financial assets of the Group that are exposed to credit risk and their maximum exposures are as follows:

	As at 31st December 2022		As at 31st December 2021	
	Carrying amount in balance sheet HK$'000	**Maximum exposure to credit risk HK$'000**	Carrying amount in balance sheet HK$'000	Maximum exposure to credit risk HK$'000
Financial assets:				
Trade receivables	**125,091**	**125,091**	100,565	100,565
Deposits and other receivables	**26,157**	**26,157**	26,125	26,125
Restricted cash, bank deposits and cash and cash equivalents	**1,176,876**	**1,176,849**	1,351,214	1,351,161

(ii) Impairment of financial assets

Cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements under HKFRS 9, yet the identified impairment loss is immaterial because the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets without financing components.

To measure the ECL, trade receivables have been grouped based on the settlement profiles of customers, shared credit risk characteristics and the days past due. The contract assets arise from the right to recover products from customer on settling right of return obligation. The Group has therefore concluded that the loss rates for contract assets should be considered separately from trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 1st January 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On this basis, ECL rate of contract assets is assessed to be close to zero, as at 31st December 2022. In respect of trade receivables, the ECL is determined according to a provision matrix where receivables balances are provided for at a weight average expected loss rate of 5%, 12% and 32% (2021: 3%, 8% and 22%) for ageing of trade receivables based on invoice date between 1 to 90 days, between 91 to 180 days and over 181 days, respectively.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group.

Other receivables and deposits

Other receivables and deposits are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime ECL. As at 31st December 2022, no impairment loss of deposits and other receivables was identified.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Company employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met. There were no available banking facilities as at 31st December 2022 (2021: nil).

The table below analyzes the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 31st December 2022				
	Less than 1 year HK$'000	**Between 1 year and 2 years HK$'000**	**Between 2 years and 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Financial liabilities:					
Trade payables	**47,251**	**–**	**–**	**–**	**47,251**
Other payables	**34,222**	**8,904**	**14,195**	**2,358**	**59,679**
Lease liabilities	**20,516**	**17,754**	**14,618**	**–**	**52,888**
Guarantees of mortgage facilities	**77,318**	**–**	**–**	**–**	**77,318**
	179,307	**26,658**	**28,813**	**2,358**	**237,136**

	As at 31st December 2021				
	Less than 1 year HK$'000	Between 1 year and 2 years HK$'000	Between 2 years and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial liabilities:					
Trade payables	48,594	–	–	–	48,594
Other payables	31,949	14,124	15,512	2,145	63,730
Lease liabilities	14,816	6,825	4,809	–	26,450
Guarantees of mortgage facilities	78,995	–	–	–	78,995
	174,354	20,949	20,321	2,145	217,769

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase the Company's shares or sell assets.

The Group monitors capital on the basis of the gearing ratio. Gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total lease liabilities less restricted cash, bank deposits and cash and cash equivalents. The gearing ratios at 31st December 2022 and 2021 were as follows:

	2022 **HK$'000**	2021 HK$'000
Total lease liabilities (note 21)	**49,677**	25,156
Less: restricted cash, bank deposits and cash and cash equivalents (note 16)	**(1,176,876)**	(1,351,214)
Net cash	**(1,127,199)**	(1,326,058)
Total equity	**4,447,383**	4,624,740
Gearing ratio	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value at 31st December 2022 and 2021, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 3	
	2022	2021
	HK$'000	HK$'000
Asset		
Financial assets at fair value through other comprehensive income	**5,432**	6,947

There were no transfers among levels 1, 2 and 3 during the year.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The changes in level 3 financial instruments for the years ended 31st December 2022 and 2021 were set out in note 9.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

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

(a) Write-down of inventories to net realizable value

Net realizable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. The Group reassesses these estimates at each balance sheet date.

(b) Estimate of fair value of investment properties

The fair values of investment properties are determined by using valuation techniques. Details of the judgements and assumptions involved are disclosed in note 8.

(c) Income taxes

The Group is subject to income taxes in a number of different jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

(d) Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge prospectively where useful lives are less than previously estimated lives. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(e) Recognition of right of return obligation

Right of return obligation is recorded based on the estimated expected sales amount in future and they are recorded when the relevant sales of goods are recognized or when there are other contractual obligations on sales return. The Group estimates the sales return provision based on contractually bound sales return amount, special sales return credit granted during the year and past experience as basis to provide for amount of sales returns at each financial report date.

(f) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, including, among others, the economic impact of the unprecedented COVID-19 on the operations of the Group and the countries in which it operates. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair values less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the assets in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's reported balance sheet and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the statement of profit or loss.

(g) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical and existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3.1.

5 OPERATING SEGMENTS

The Group has three reportable segments. The segments are managed separately as each business segment offers different products and services and requires different marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

Apparel in China Mainland and Hong Kong SAR – Distribution and manufacturing of garments, leather goods and accessories and licensing of brand name in China Mainland and Hong Kong SAR.

Apparel in Singapore – Distribution and manufacturing of garments, leather goods and accessories in Singapore.

Property investment and development – Investment in and development of properties in China Mainland, Hong Kong SAR and Singapore.

The Group reports the results of its operating segments based on the internal reports reviewed by the chief operating decision maker for the purpose of making strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

5 OPERATING SEGMENTS *(continued)*

(a) Reportable segment profit before income tax and other selected financial information by operating segment

	2022					
	Apparel in China Mainland and Hong Kong SAR HK$'000	Apparel in Singapore HK$'000	Property investment and development HK$'000	Segment total HK$'000	(Elimination)/ unallocated HK$'000	Group HK$'000
Turnover	1,046,320	34,703	334,686	1,415,709	–	1,415,709
Inter-segment sales	1,189	–	9,763	10,952	(10,952)	–
	1,047,509	34,703	344,449	1,426,661	(10,952)	1,415,709
Segment results	129,359	2,686	87,131	219,176		219,176
Unallocated costs						(45,036)
Profit before income tax						174,140
Income tax expense						(19,678)
Profit for the year						154,462
Interest income	13,843	–	4,387	18,230	4,495	22,725
Depreciation of property, plant and equipment	15,887	432	4,267	20,586	1,991	22,577
Depreciation of right-of-use assets	16,599	1,688	178	18,465	59	18,524
Impairment of right-of-use assets	10,703	–	–	10,703	–	10,703
Reportable segment assets:						
Property, plant and equipment	96,185	3,775	10,846	110,806	34,467	145,273
Right-of-use assets	77,167	6,786	2,816	86,769	284	87,053
Investment properties	–	–	2,775,582	2,775,582	–	2,775,582
Deferred income tax assets	–	–	–	–	57,478	57,478
Property under development held for sale	–	–	767,938	767,938	–	767,938
Inventories	195,174	9,404	–	204,578	–	204,578
Restricted cash, bank deposits and cash and cash equivalents	647,772	11,183	275,712	934,667	242,209	1,176,876
Contract assets	64,980	–	–	64,980	–	64,980
Others	148,100	6,097	47,083	201,280	9,749	211,029
Reportable segment liabilities:						
Trade payables	42,777	4,207	226	47,210	41	47,251
Other payables and accruals	48,710	2,237	185,874	236,821	17,107	253,928
Contract liabilities	215,667	–	53,451	269,118	–	269,118
Lease liabilities	42,367	6,921	103	49,391	286	49,677
Current income tax liabilities	–	–	–	–	24,054	24,054
Deferred income tax liabilities	–	–	–	–	399,376	399,376
Capital expenditure	9,347	1,103	9,026	19,476	–	19,476

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

5 OPERATING SEGMENTS *(continued)*

(a) Reportable segment profit before income tax and other selected financial information by operating segment *(continued)*

	2021					
	Apparel in China Mainland and Hong Kong SAR HK$'000	Apparel in Singapore HK$'000	Property investment and development HK$'000	Segment total HK$'000	(Elimination)/ unallocated HK$'000	Group HK$'000
Turnover	1,155,928	29,316	186,940	1,372,184	–	1,372,184
Inter-segment sales	695	–	9,307	10,002	(10,002)	–
	1,156,623	29,316	196,247	1,382,186	(10,002)	1,372,184
Segment results	234,462	8,138	69,886	312,486		312,486
Unallocated costs						(51,435)
Profit before income tax						261,051
Income tax expense						(40,008)
Profit for the year						221,043
Interest income	13,449	19	6,119	19,587	1,617	21,204
Depreciation of property, plant and equipment	12,963	576	4,404	17,943	2,122	20,065
Depreciation of right-of-use assets	11,995	251	285	12,531	58	12,589
Impairment of property, plant and equipment	9,788	25	–	9,813	–	9,813
Impairment of right-of-use assets	410	335	–	745	–	745
Reportable segment assets:						
Property, plant and equipment	67,343	3,104	14,842	85,289	36,353	121,642
Right-of-use assets	58,218	4,766	3,229	66,213	139	66,352
Investment properties	–	–	2,994,394	2,994,394	–	2,994,394
Deferred income tax assets	–	–	–	–	46,814	46,814
Property under development held for sale	–	–	715,807	715,807	–	715,807
Inventories	191,742	4,144	–	195,886	–	195,886
Restricted cash, bank deposits and cash and cash equivalents	766,699	22,969	413,850	1,203,518	147,696	1,351,214
Contract assets	59,147	–	–	59,147	–	59,147
Others	124,985	4,550	94,918	224,453	14,614	239,067
Reportable segment liabilities:						
Trade payables	47,170	1,124	268	48,562	32	48,594
Other payables and accruals	56,137	1,730	193,996	251,863	18,695	270,558
Contract liabilities	212,718	–	152,728	365,446	–	365,446
Lease liabilities	18,746	6,261	–	25,007	149	25,156
Current income tax liabilities	–	–	–	–	8,221	8,221
Deferred income tax liabilities	–	–	–	–	447,608	447,608
Capital expenditure	11,291	70	12,720	24,081	–	24,081

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

5 OPERATING SEGMENTS *(continued)*

(a) Reportable segment profit before income tax and other selected financial information by operating segment *(continued)*

Central costs (mainly costs of support functions that centrally provide services to all of the operating segments) are included as unallocated costs. Taxation charge is not allocated to reportable segments.

(b) Geographical information

The Group's turnover from external customers is derived from the following geographical areas:

	2022	2021
	HK$'000	HK$'000
China Mainland	**1,318,709**	1,286,946
Hong Kong SAR	**61,119**	54,937
Singapore	**35,881**	30,301
	1,415,709	1,372,184

The Group's non-current assets (excluding deferred income tax assets) by geographical location are detailed below:

	2022	2021
	HK$'000	HK$'000
China Mainland	**1,753,075**	1,948,579
Hong Kong SAR	**1,204,174**	1,188,226
Singapore	**56,091**	52,530
	3,013,340	3,189,335

(c) Information about major customers

In 2022 and 2021, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

5 OPERATING SEGMENTS *(continued)*

(d) Disaggregation of revenue

	2022 **HK$'000**	2021 HK$'000
Revenue recognized under HKFRS 15		
Sales of goods	**968,164**	1,060,346
Sales of properties	**139,033**	–
Building management fees	**40,787**	39,931
Licensing income	**112,859**	124,898
	1,260,843	1,225,175
Revenue recognized under other accounting standards		
Rental income from investment properties	**154,866**	147,009
	1,415,709	1,372,184
Timing of revenue recognition under HKFRS 15		
At a point in time	**1,135,956**	1,093,741
Over time	**124,887**	131,434
	1,260,843	1,225,175

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2021						
Cost	271,852	58,102	109,586	42,444	26,060	508,044
Accumulated depreciation	(166,111)	(48,949)	(92,796)	(38,277)	(19,612)	(365,745)
Net book amount	105,741	9,153	16,790	4,167	6,448	142,299
Year ended 31st December 2021						
Opening net book amount	105,741	9,153	16,790	4,167	6,448	142,299
Additions	363	1,553	4,852	5,540	408	12,716
Disposals	–	–	(448)	(202)	(41)	(691)
Transfer to investment property	(4,050)	–	–	–	–	(4,050)
Depreciation	(10,033)	(431)	(5,501)	(1,418)	(2,682)	(20,065)
Impairment loss	–	(2,516)	(7,251)	(46)	–	(9,813)
Exchange differences	482	207	309	162	86	1,246
Closing net book amount	92,503	7,966	8,751	8,203	4,219	121,642
At 31st December 2021 and 1st January 2022						
Cost	269,251	61,160	114,380	48,233	26,071	519,095
Accumulated depreciation	(176,748)	(53,194)	(105,629)	(40,030)	(21,852)	(397,453)
Net book amount	92,503	7,966	8,751	8,203	4,219	121,642
Year ended 31st December 2022						
Opening net book amount	**92,503**	**7,966**	**8,751**	**8,203**	**4,219**	**121,642**
Additions	**105**	**1,258**	**6,764**	**3,413**	**319**	**11,859**
Disposals	**–**	**–**	**(1)**	**(69)**	**(41)**	**(111)**
Transfer from investment properties	**42,568**	**–**	**–**	**–**	**–**	**42,568**
Transfer to investment properties	**(4,592)**	**–**	**–**	**–**	**–**	**(4,592)**
Depreciation	**(13,901)**	**(290)**	**(4,356)**	**(1,796)**	**(2,234)**	**(22,577)**
Exchange differences	**(1,349)**	**(604)**	**(761)**	**(604)**	**(198)**	**(3,516)**
Closing net book amount	**115,334**	**8,330**	**10,397**	**9,147**	**2,065**	**145,273**
At 31st December 2022						
Cost	**291,082**	**57,841**	**112,334**	**47,334**	**23,754**	**532,345**
Accumulated depreciation	**(175,748)**	**(49,511)**	**(101,937)**	**(38,187)**	**(21,689)**	**(387,072)**
Net book amount	**115,334**	**8,330**	**10,397**	**9,147**	**2,065**	**145,273**

Depreciation expense of HK$1,275,000 (2021: HK$1,730,000) has been expensed in cost of sales, HK$1,407,000 (2021: HK$1,626,000) in selling and marketing costs and HK$19,895,000 (2021: HK$16,709,000) in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

7 RIGHT-OF-USE ASSETS

	2022 HK$'000	2021 HK$'000
At 1st January	**66,352**	50,321
Additions	**43,909**	28,984
Disposal	**(116)**	(792)
Transfer to investment properties	**(1,568)**	–
Transfer from investment properties	**11,733**	–
Depreciation	**(18,524)**	(12,589)
Impairment loss	**(10,703)**	(745)
Exchange differences	**(4,030)**	1,173
At 31st December	**87,053**	66,352

The recognized right-of-use assets relate to the following types of assets:

	2022 HK$'000	2021 HK$'000
Land use rights in China Mainland	**49,276**	43,851
Buildings	**37,074**	22,233
Machinery and equipment	**466**	268
Furniture and fixtures	**137**	–
Motor vehicle	**100**	–
	87,053	66,352

Depreciation charge of right-of-use assets:

	2022 HK$'000	2021 HK$'000
Land use rights in China Mainland	**2,262**	1,991
Buildings	**15,905**	10,377
Machinery and equipment	**247**	113
Furniture and fixtures	**8**	9
Motor vehicle	**102**	99
	18,524	12,589

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

7 RIGHT-OF-USE ASSETS *(continued)*

Impairment assessment of plant and equipment and right-of-use assets

Management has performed an assessment on the Group's non-current assets, primarily comprising plant and equipment and right-of-use assets as at 31st December 2022. In this connection, management reviewed the results of operation of each retail store, representing different cash-generating units ("CGUs") in determining whether any impairment indicator exists with each of the CGUs under review. For those retail stores where an impairment indicator was noted, management assessed the recoverable amount of the CGU based on value-in-use calculation using projected cashflow over the lease term of each retail store.

The determination of the value-in-use calculation of the relevant CGU involves the use of assumptions and estimations such as change in revenue, change in operating cost and change in gross profit. Discount rate of 9.1% (2021: 7.62%) is adopted in the impairment assessment, which was determined based on the market's weighted average cost of capital.

The results of the assessment indicated that impairment provision of HK$10,703,000 on right-of-use assets (note 7) (2021: HK$745,000 on right-of-use assets and HK$9,813,000 on plant and equipment (note 6), respectively) were made as at 31st December 2022. Impairment losses of HK$10,703,000 were included in selling and marketing costs (2021: HK$770,000 and HK$9,788,000 were included in selling and marketing costs and administrative expenses, respectively) in the consolidated income statement.

8 INVESTMENT PROPERTIES

	2022 **HK$'000**	2021 HK$'000
At 1st January	**2,994,394**	2,950,107
Additions	**7,617**	11,365
Transfer from property, plant and equipment and right-of-use assets (note)	**14,769**	15,080
Transfer to property, plant and equipment and right-of-use assets	**(54,301)**	–
Fair value losses (note 22)	**(57,110)**	(26,777)
Exchange differences	**(129,787)**	44,619
At 31st December	**2,775,582**	2,994,394

Note:

The transfer comprised of property, plant and equipment and right-of-use assets to investment property of HK$4,592,000 (2021: HK$4,050,000) and HK$1,568,000 (2021: nil) and the related revaluation amount of HK$8,609,000 (2021: HK$11,030,000) which was included in the consolidated statement of comprehensive income for the year.

8 INVESTMENT PROPERTIES *(continued)*

The Group's interests in investment properties are analyzed as follows:

	2022 **HK$'000**	2021 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**253,000**	249,200
Leases of between 10 and 50 years	**915,700**	901,400
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**1,561,352**	1,799,134
Freehold outside Hong Kong	**45,530**	44,660
	2,775,582	2,994,394

The periods of leases whereby the Group leases out its investment properties range from 1 month to 120 months.

Except for an investment property under construction located outside Hong Kong accounted for at cost amounting to HK$1,376,000 as at 31 December 2022 (2021: nil), independent valuations of the Group's investment properties were performed by the independent professional valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Jones Lang LaSalle Property Consultants Pte Ltd, to determine the fair values of the investment properties as at 31st December 2022 and 2021. The fair value losses were included in "Other losses" in income statement (note 22). The following table analyzes the investment properties carried at fair value, by valuation method.

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For the year ended 31st December 2022

8 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

	Fair value measurements at 31st December 2022 using		
Description	**Quoted prices in active markets for identical assets (Level 1) HK$'000**	**Significant other observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**
Recurring fair value measurements			
Investment properties:			
– Hong Kong	**–**	**–**	**1,168,700**
– China Mainland	**–**	**–**	**1,559,976**
– Singapore	**–**	**–**	**45,530**

	Fair value measurements at 31st December 2021 using		
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements			
Investment properties:			
– Hong Kong	–	–	1,150,600
– China Mainland	–	–	1,799,134
– Singapore	–	–	44,660

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, 2 and 3 during the year.

8 INVESTMENT PROPERTIES *(continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Hong Kong HK$'000	China Mainland HK$'000	Singapore HK$'000	Total HK$'000
At 1st January 2022	**1,150,600**	**1,799,134**	**44,660**	**2,994,394**
Additions	**936**	**5,305**	**–**	**6,241**
Transfer from property, plant and equipment	**–**	**14,769**	**–**	**14,769**
Transfer to property, plant and equipment	**–**	**(54,301)**	**–**	**(54,301)**
Fair value gains/(losses)	**17,164**	**(75,144)**	**870**	**(57,110)**
Exchange differences	**–**	**(129,787)**	**–**	**(129,787)**
At 31st December 2022	**1,168,700**	**1,559,976**	**45,530**	**2,774,206**

	Hong Kong HK$'000	China Mainland HK$'000	Singapore HK$'000	Total HK$'000
At 1st January 2021	1,120,700	1,799,827	29,580	2,950,107
Additions	1,088	10,277	–	11,365
Transfer from property, plant and equipment	–	–	15,080	15,080
Fair value gains/(losses)	28,812	(55,589)	–	(26,777)
Exchange differences	–	44,619	–	44,619
At 31st December 2021	1,150,600	1,799,134	44,660	2,994,394

Valuation techniques

The valuations were based on:

(a) Income capitalization approach (term and reversionary method) taking into account the significant adjustment on term yield to account for the risk upon reversionary after expiry of current lease and adjustment on rental value to account for the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties (Level 3 approach).

(b) Direct comparison approach which largely used unobservable inputs and made reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as time, locations and building quality (Level 3 approach).

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For the year ended 31st December 2022

8 INVESTMENT PROPERTIES *(continued)*

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31st December 2022 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	1,559,976	Income capitalization approach (term and reversionary method)	Monthly rental value	RMB25–900/m^2	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	2.3% to 8% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Hong Kong	1,168,700	Income capitalization approach (term and reversionary method)	Monthly rental value	HK$94–128/$m^2$	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	4.15% to 4.4% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Singapore	45,530	Direct comparison approach	Price per square meter	S$6,839–7,640/$m^2$	The higher the assumed price per square meter, the higher the fair value

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For the year ended 31st December 2022

8 INVESTMENT PROPERTIES *(continued)*

Information about fair value measurements using significant unobservable inputs (Level 3) *(continued)*

Description	Fair value at 31st December 2021 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	1,799,134	Income capitalization approach (term and reversionary method)	Monthly rental value	RMB23–1,050/m^2	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	2.4% to 8% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Hong Kong	1,150,600	Income capitalization approach (term and reversionary method)	Monthly rental value	HK$91–127/$m^2$	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	4.2% to 4.45% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Singapore	44,660	Direct comparison approach	Price per square meter	S$6,137–8,789/$m^2$	The higher the assumed price per square meter, the higher the fair value

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$'000	2021 HK$'000
At 1st January	**6,947**	6,215
Fair value (loss)/gain transfer to equity	**(1,002)**	575
Exchange differences	**(513)**	157
At 31st December	**5,432**	6,947

The fair value of the unlisted equity investment that is denominated in RMB and not traded in an active market is determined by an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The valuation falls within level 3 of the fair value measurement hierarchy, for details, please refer to note 3.3.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

10 SUBSIDIARIES

The following is a list of principal subsidiaries, which in the opinion of the Directors, are significant to the results and net assets of the Group:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest 2022	Group's equity interest 2021
Goldlion (China) Limited [2]	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	US$18,000,000 (2021: US$18,000,000)	**100%**	100%
Goldlion Clothes Making Company Limited [2]	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	US$6,934,000 (2021: US$6,934,000)	**100%**	100%
Goldlion Enterprise (Singapore) Pte Limited	Singapore Limited liability company	Distribution of garments in Singapore	10,000 ordinary shares of S$100 each (2021: 10,000 ordinary shares of S$100 each)	**100%**	100%
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution of garments and property holding in Hong Kong, and licensing of brand name in the PRC	2 ordinary shares and 500,000 non-voting deferred shares (2021: 2 ordinary shares and 500,000 non-voting deferred shares)	**100%**	100%
Goldlion Group (B.V.I.) Limited [1]	British Virgin Islands Limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of US$1 each (2021: 10,000 ordinary shares of US$1 each)	**100%**	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares (2021: 2 ordinary shares)	**100%**	100%
Guangzhou Goldlion Investment Consultancy Company Limited [2]	PRC Limited liability company	Property holding in the PRC	HK$10,000,000 (2021: HK$10,000,000)	**100%**	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Investment holding in the British Virgin Islands	50,000 ordinary shares of US$1 each (2021: 50,000 ordinary shares of US$1 each)	**100%**	100%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

10 SUBSIDIARIES *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest 2022	Group's equity interest 2021
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each and 59,999,998 redeemable shares of HK$1 each (2021: 2 ordinary shares of HK$1 each and 59,999,998 redeemable shares of HK$1 each)	**100%**	100%
Meizhou Silver Dip Property Management Limited (2)	PRC Limited liability company	Property management in the PRC	RMB595,000 (2021: RMB595,000)	**100%**	100%
Shenyang Goldlion Commercial Mansion Limited (2)	PRC Limited liability company	Property holding in the PRC	RMB70,000,000 (2021: RMB70,000,000)	**100%**	100%
Rich Smart Resources Limited	Hong Kong Limited liability company	Property holding in Hong Kong	2 ordinary shares (2021: 2 ordinary shares)	**100%**	100%
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares (2021: 2 ordinary shares)	**100%**	100%
Meizhou Goldlion Properties Development Limited (2)	PRC Limited liability company	Property holding and development in the PRC	HK$50,000,000 (2021: HK$50,000,000)	**100%**	100%
Guangzhou Silver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000 (2021: HK$1,000,000)	**100%**	100%
Shenyang Sliver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000 (2021: HK$1,000,000)	**100%**	100%
Guangzhou Goldlion City Properties Company Limited (2)	PRC Limited liability company	Property holding in the PRC	RMB360,681,188 (2021: RMB360,681,188)	**100%**	100%
Joint Corporation Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	1 ordinary share (2021: 1 ordinary share)	**100%**	100%
Meizhou Goldlion Leather Investment Company Limited (2)	PRC Limited liability company	Investment holding in the PRC	RMB5,100,000 (2021: RMB5,100,000)	**100%**	100%
Guangzhou Goldlion E-commerce Company Limited (2)	PRC Limited liability company	Distribution of garments in the PRC	HK$121,000,000 (2021: HK$121,000,000)	**100%**	100%

(1) Subsidiary held directly by the Company. Except for Goldlion Group (B.V.I.) Limited, other subsidiaries are held indirectly by the Company.

(2) These subsidiaries are wholly foreign-owned enterprises established in PRC. English names of these subsidiaries are direct translations of their Chinese registered names.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

11 PROPERTY UNDER DEVELOPMENT HELD FOR SALE

The Group's interests in property under development held for sale are analyzed as follows:

	2022 **HK$'000**	2021 HK$'000
Land use rights	**97,834**	114,934
Development costs	**670,104**	600,873
	767,938	715,807

The property under development held for sale is located in Meixian Area, China Mainland. Under the Land Use Rights Grant Contract entered between the Meixian Bureau of Land and the Group on 24th January 2014, the delay in commencing and completion of construction works of the project after 18th June 2014 and 24th January 2017 respectively may be subject to a penalty. After taking into account of an independent legal advice, the Directors are of the view that the imposition of a penalty by the relevant authority is remote.

The amount of property under development held for sale expected to be completed and realized within the Group's normal operating cycle in the next one to three years is HK$767,938,000 (2021: HK$715,807,000).

12 INVENTORIES

	2022 **HK$'000**	2021 HK$'000
Raw materials	**1,657**	2,766
Work in progress	**12,876**	18,821
Finished goods	**190,045**	174,299
	204,578	195,886

The cost of inventories recognized as expense and included in cost of sales amounted to HK$475,055,000 (2021: HK$511,921,000) (note 23).

13 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	2022 HK$'000	2021 HK$'000
Financial assets at amortized cost		
Trade receivables (note 14)	**125,091**	100,565
Deposits and other receivables (note 14)	**26,157**	26,125
Restricted cash, bank deposits and cash and cash equivalents (note 16)	**1,176,876**	1,351,214
Financial assets at fair value through other comprehensive income (note 9)	**5,432**	6,947
Total	**1,333,556**	1,484,851
Financial liabilities, at amortized cost		
Trade payables (note 19)	**47,251**	48,594
Other payables	**59,679**	63,730
Lease liabilities	**49,677**	25,156
Total	**156,607**	137,480

14 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**127,286**	101,985
Less: provision for impairment	**(2,195)**	(1,420)
Trade receivables – net	**125,091**	100,565
Purchase deposits	**8,268**	3,823
Prepayments	**42,143**	60,472
General deposits	**13,433**	10,497
Interest receivable	**8,066**	10,625
VAT recoverable	**3,935**	36,025
Others	**4,658**	5,003
Total of prepayments, deposits and other receivables	**80,503**	126,445

Prepayments, deposits and other receivables do not contain impaired assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

14 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(continued)

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

The Group's sales are on cash on delivery or credit terms ranging from 30 days to 180 days after delivery. The ageing of the trade receivables based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
1–30 days	**101,618**	91,438
31–90 days	**17,827**	7,227
Over 90 days	**7,841**	3,320
Trade receivables	**127,286**	101,985
Less: provision for impairment of trade receivables	**(2,195)**	(1,420)
Trade receivables – net	**125,091**	100,565

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers dispersed in China Mainland and Singapore. The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates.

The carrying amounts of the Group's trade receivables, prepayments, deposits and other receivables approximate their fair values and are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
Renminbi	**189,549**	215,572
Hong Kong dollar	**9,948**	6,887
Singapore dollar	**6,097**	4,551
	205,594	227,010

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

14 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(continued)

Movements on the provision for impairment of trade receivables are as follows:

	2022 HK$'000	2021 HK$'000
At 1st January	**1,420**	1,356
Provision for impairment of trade receivables, net	**1,028**	153
Receivables written off during the year as uncollectible	**(234)**	(98)
Exchange differences	**(19)**	9
At 31st December	**2,195**	1,420

The provision for impaired receivables was included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

15 CONTRACT ASSETS AND CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Contract assets		
Arising from the right to recover products from customers on settling right of return obligation	**64,980**	59,147
Contract liabilities		
Sales deposits received from customers in relation to pre-sale of properties	**49,292**	147,393
Receipt in advance from customers	**28,289**	36,823
Right of return obligation	**144,801**	131,804
Deferred revenue	**46,736**	49,426
	269,118	365,446

Revenue that was included in the contract liabilities balance at the beginning of the reporting period was fully recognized in the reporting period, except for the sales deposits received from customers in relation to pre-sale of properties amounting to HK$33,544,000 (2021: nil).

Apart from the sales deposits received from customers in relation to pre-sale of properties amounting to HK$16,151,000 (2021: HK$2,629,000) which is expected to be recognized as revenue during the year ending 31st December 2024, all balances of contract liabilities at 31st December 2022 is expected to be recognized as revenue within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

16 RESTRICTED CASH, BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Cash at banks and in hand	**258,079**	438,187
Bank deposits with maturity less than 3 months	**51,726**	16,155
Cash and cash equivalents as stated in the consolidated cash flow statement	**309,805**	454,342
Restricted cash (note)	**26,186**	20,687
Bank deposits with maturity over 3 months	**840,885**	876,185
Restricted cash, bank deposits and cash and cash equivalents as stated in the balance sheet	**1,176,876**	1,351,214
Maximum exposure to credit risk	**1,176,849**	1,351,161

Note:

The balance represented the receipts from pre-sale of properties denominated in RMB and placed in designated bank accounts in China Mainland as at 31st December 2022, and will be released in accordance with certain construction progress milestones.

Restricted cash, bank deposits and cash and cash equivalents in the balance sheet are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
Renminbi	**862,564**	1,130,507
Hong Kong dollar	**303,129**	197,738
Singapore dollar	**11,183**	22,969
	1,176,876	1,351,214

These bank balances and cash of the Group held in the PRC are subject to the rules and regulations of foreign exchange control promulgated by the Chinese government.

17 SHARE CAPITAL

	2022		2021	
	Number of shares (thousands)	**Share capital HK$'000**	Number of shares (thousands)	Share capital HK$'000
Ordinary shares, issued and fully paid:				
At 1st January	**982,114**	**1,101,358**	982,114	1,101,358
Share repurchased and cancelled during the year (note)	**(3,678)**	**–**	–	–
At 31st December	**978,436**	**1,101,358**	982,114	1,101,358

Note:

During the year, the Company repurchased its own shares from the market in total of 3,678,000 ordinary shares at an aggregate consideration of HK$4,419,000 (including the relevant transaction costs and expenses of HK$35,000). The average price of the repurchased shares was HK$1.192 per share. These repurchased shares had been cancelled at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

18 RESERVES

	Capital reserve HK$'000	Revaluation reserve HK$'000	Other reserves[i] HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2022	(34,204)	112,162	99,394	358,008	535,360	2,988,022	3,523,382
Profit for the year	–	–	–	–	–	154,462	154,462
Revaluation of property, plant and equipment upon reclassification to investment property	–	6,457	–	–	6,457	–	6,457
Change in fair value of financial assets at fair value through other comprehensive loss	–	(752)	–	–	(752)	–	(752)
Currency translation differences	–	–	–	(229,983)	(229,983)	–	(229,983)
Total comprehensive income/(loss)	–	5,705	–	(229,983)	(224,278)	154,462	(69,816)
Ordinary shares repurchased and cancelled (note 17)	–	–	–	–	–	(4,419)	(4,419)
Appropriation to reserves	–	–	632	–	632	(632)	–
2021 final dividend paid	–	–	–	–	–	(68,748)	(68,748)
2022 interim dividend paid	–	–	–	–	–	(34,374)	(34,374)
Balance at 31st December 2022	(34,204)	117,867	100,026	128,025	311,714	3,034,311	3,346,025
Representing:							
Reserves	(34,204)	117,867	100,026	128,025	311,714	2,985,389	3,297,103
2022 final dividend proposed	–	–	–	–	–	48,922	48,922
	(34,204)	117,867	100,026	128,025	311,714	3,034,311	3,346,025

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

18 RESERVES *(continued)*

	Capital reserve HK$'000	Revaluation reserve HK$'000	Other reserves(i) HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2021	(34,204)	100,701	99,394	282,887	448,778	2,870,102	3,318,880
Profit for the year	–	–	–	–	–	221,043	221,043
Revaluation of property, plant and equipment upon reclassification to investment property	–	11,030	–	–	11,030	–	11,030
Change in fair value of financial assets at fair value through other comprehensive income	–	431	–	–	431	–	431
Currency translation differences	–	–	–	75,121	75,121	–	75,121
Total comprehensive income	–	11,461	–	75,121	86,582	221,043	307,625
2020 final dividend paid	–	–	–	–	–	(63,838)	(63,838)
2021 interim dividend paid	–	–	–	–	–	(39,285)	(39,285)
Balance at 31st December 2021	(34,204)	112,162	99,394	358,008	535,360	2,988,022	3,523,382
Representing:							
Reserves	(34,204)	112,162	99,394	358,008	535,360	2,919,274	3,454,634
2021 final dividend proposed	–	–	–	–	–	68,748	68,748
	(34,204)	112,162	99,394	358,008	535,360	2,988,022	3,523,382

(i) Other reserves are attributable to certain subsidiaries established in China Mainland. These reserves, comprising a general reserve fund and an enterprise development fund, are set aside in accordance with the relevant statutory requirements in China Mainland. The amount set aside is determined by the directors of these subsidiaries at their financial year end. The fund can only be used to make up losses incurred, increase registered capital or used for collective welfare of employees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Trade payables (note (a))	**47,251**	48,594
Other payables and accruals (note (b))	**253,928**	270,558
Less: non-current portion (note (c))	**(26,152)**	(31,862)
Current portion	**227,776**	238,696

The carrying amounts of the Group's trade payables, other payables and accruals approximate their fair values.

Notes:

(a) The ageing of the trade payables based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
1–30 days	**40,130**	38,892
31–90 days	**4,760**	8,584
Over 90 days	**2,361**	1,118
	47,251	48,594

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

	2022 HK$'000	2021 HK$'000
Renminbi	**43,004**	47,438
Singapore dollar	**4,206**	1,124
Hong Kong dollar	**41**	32
	47,251	48,594

(b) Nature of other payables and accruals is as follows:

	2022 HK$'000	2021 HK$'000
Deposits received	**56,959**	59,161
Construction payables	**128,351**	134,450
Accruals and others	**68,618**	76,947
	253,928	270,558

(c) The non-current portion of other payables and accruals represents the deposits received from tenants which will be refunded in a period over twelve months from 31st December 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

20 DEFERRED INCOME TAX

	2022 HK$'000	2021 HK$'000
Deferred income tax assets	**(57,478)**	(46,814)
Deferred income tax liabilities	**399,376**	447,608
	341,898	400,794

The gross movement on the deferred income tax account of the Group is as follows:

	2022 HK$'000	2021 HK$'000
At 1st January	**400,794**	393,897
Credited to consolidated income statement (note 29)	**(31,965)**	(3,105)
Charged to other comprehensive income	**1,902**	144
Exchange differences	**(28,833)**	9,858
At 31st December	**341,898**	400,794

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of HK$941,864,000 (2021: HK$919,924,000), of which HK$636,123,000 (2021: HK$624,217,000), HK$16,105,000 (2021: HK$13,917,000) and HK$77,851,000 (2021: HK$70,005,000) are subject to agreement by the Inland Revenue Department in Hong Kong and the relevant tax authorities in the PRC and Singapore, respectively, to carry forward against future taxable income. Out of the unrecognized tax losses, HK$925,759,000 (2021: HK$906,007,000) have no expiry date and the remaining amount will expire at various dates up to and including 2027.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

20 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities

	Accelerated taxation depreciation		Change in fair values		Dividend withholding tax		Others		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
At 1st January	**155,847**	151,081	**266,699**	273,663	**61,634**	55,862	**27,770**	21,998	**511,950**	502,604
Exchange differences	**(12,527)**	4,129	**(18,856)**	6,510	**(3,884)**	1,315	**(2,084)**	640	**(37,351)**	12,594
Charged/(credited) to consolidated income statement	**1,526**	637	**(18,570)**	(13,618)	**4,466**	4,457	**(1,119)**	5,132	**(13,697)**	(3,392)
Charged to other comprehensive income	**–**	–	**1,902**	144	**–**	–	**–**	–	**1,902**	144
At 31st December	**144,846**	155,847	**231,175**	266,699	**62,216**	61,634	**24,567**	27,770	**462,804**	511,950

Deferred income tax assets

	Provisions		Others (note)		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
At 1st January	**(54,715)**	(62,881)	**(56,441)**	(45,826)	**(111,156)**	(108,707)
Exchange differences	**4,200**	(1,426)	**4,318**	(1,310)	**8,518**	(2,736)
(Credited)/charged to consolidated income statement	**(9,390)**	9,592	**(8,878)**	(9,305)	**(18,268)**	287
At 31st December	**(59,905)**	(54,715)	**(61,001)**	(56,441)	**(120,906)**	(111,156)

Note: The amount mainly included the deferred income tax assets relating to the right of return obligation totalling HK$46,525,000 (2021: HK$44,625,000) at year end.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

21 LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Current liabilities	18,629	13,985
Non-current liabilities	31,048	11,171
	49,677	25,156

The total cash payment for lease for the year ended 31st December 2022 was HK$82,627,000 (2021: HK$99,271,000).

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

The Group leases various retail spaces and premises, warehouses, offices, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options (note 2.22(b)). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group also leases certain land use rights in China Mainland. These land use rights are leased for a period of between 40 and 70 years on which plants and buildings of the Group are situated on.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes except for the land use rights in China Mainland.

Future aggregate minimum lease payment under non-cancellable short-term leases amounted to HK$10,517,000 (2021: HK$14,561,000).

Payment obligations in respect of operating leases on properties with rentals vary with gross revenues are not included as future minimum lease payments.

22 OTHER LOSSES

	2022 HK$'000	2021 HK$'000
Fair value losses on investment properties	(57,110)	(26,777)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

23 EXPENSES BY NATURE

	2022 HK$'000	2021 HK$'000
Cost of inventories sold	**475,055**	511,921
Cost of properties sold	**97,293**	–
Provision for/(reversal of provision) impairment of inventories	**33,813**	(50,591)
Direct operating expenses arising from investment properties that generated rental income	**38,483**	40,797
Expenses relating to:		
– short-term leases	**24,622**	30,520
– variable lease payments (note)	**39,836**	54,061
Depreciation of property, plant and equipment (note 6)	**22,577**	20,065
Depreciation of right-of-use assets (note 7)	**18,524**	12,589
Impairment of property, plant and equipment (note 6)	**–**	9,813
Impairment of right-of-use assets (note 7)	**10,703**	745
Staff costs including directors' emoluments (note 24)	**203,617**	224,356
Auditors' remuneration:		
– audit services	**3,407**	3,146
– non-audit services	**852**	401
Advertising and promotion expenses	**98,235**	113,169
Provision for impairment of trade receivables, net (note 14)	**1,028**	153
Net exchange loss/(gain)	**1,727**	(64)
Other expenses	**136,119**	133,478
	1,205,891	1,104,559
Representing:		
Cost of sales	**645,919**	503,857
Selling and marketing costs	**406,197**	430,022
Administrative expenses	**153,775**	170,680
	1,205,891	1,104,559

Note: Rent concessions related to COVID-19 of HK$1,882,000 (2021: HK$143,000) have been credited in profit or loss and included in selling and marketing costs for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

24 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2022 HK$'000	2021 HK$'000
Staff costs		
– Wages and salaries (note)	**162,248**	181,829
– Retirement benefit costs (note 25)	**41,369**	42,527
	203,617	224,356

Note:

Jobs Support Scheme ("JSS") was introduced by the Singapore Government in February 2020 to provide relief and assistance to companies amidst the outbreak of COVID-19, with the aim of helping businesses retain their local employees during this period of uncertainty. Under JSS, Goldlion Enterprise (Singapore) Pte Limited (as eligible employers) would receive government grant up to 75% of the gross monthly wage of each local employee (Singapore Citizens and Permanent Residents), subject to a monthly wage cap of S$4,600 per employee. The JSS is intended to provide companies support on wages incurred for the month of April 2020 to September 2021. For the year ended 31st December 2022, no government grant related to JSS has been received for the year (2021: HK$570,000 has been credited in profit or loss and included in staff costs).

25 RETIREMENT BENEFIT COSTS

	2022 HK$'000	2021 HK$'000
Defined contribution schemes for:		
Hong Kong employees (note (a))	**532**	1,054
Singapore employees (note (b))	**1,503**	1,592
China Mainland employees (note (c))	**39,334**	39,881
	41,369	42,527

Notes:

(a) Under the Mandatory Provident Fund (the "MPF") scheme, both the employer and employee have to contribute 5% of the employee's relevant income or HK$1,500, whichever is lower, as mandatory contribution. The employer and employee may further contribute certain percentage of the employee's relevant income, as voluntary contribution.

The amount represents contributions paid and payable by the Group to the MPF scheme totalling HK$532,000 (2021: HK$1,054,000) without any forfeited contributions (2021: nil). Contributions totalling HK$88,000 (2021: HK$164,000) payable to the MPF scheme at the year end were included in other payables. There were no unutilized forfeited contributions at year end (2021: nil).

(b) Contributions paid and payable by the Group to the schemes amounted to HK$1,503,000 (2021: HK$1,592,000). Contributions totalling HK$217,000 (2021: HK$217,000) payable to the schemes at the year end were included in other payables. There were no unutilized forfeited contributions at year end (2021: nil).

(c) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. There was no contribution payable (2021: nil) to the municipal governments at year end. No exemption of contributions have been provided by the municipal government in relation to COVID-19 this year (2021: exemptions of contributions of HK$436,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

26 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

Pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefit of Directors) Regulation (Cap. 622G) and the Listing Rules, the remuneration of every Director and the Chief Executive for the year ended 31st December 2022:

	2022					
Name	**Fees HK$'000**	**Salary HK$'000**	**Discretionary bonuses HK$'000**	**Estimated money value of other benefits (1) HK$'000**	**Employer's contribution to a retirement benefit scheme HK$'000**	**Total HK$'000**
Director						
Madam Wong Lei Kuan	–	1,951	1,186	205	–	3,342
Mr. Ng Ming Wah, Charles	360	–	–	–	–	360
Dr. Lau Yue Sun	360	–	–	–	–	360
Mr. Li Ka Fai, David	360	–	–	–	–	360
Mr. Ngan On Tak	360	–	–	–	–	360
Director and Chief Executive						
Mr. Tsang Chi Ming, Ricky	–	4,984	4,744	27	18	9,773

	2021					
Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits (1) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Director						
Madam Wong Lei Kuan	–	1,951	1,476	35	–	3,462
Mr. Ng Ming Wah, Charles	360	–	–	–	–	360
Dr. Lau Yue Sun	360	–	–	–	–	360
Mr. Li Ka Fai, David	360	–	–	–	–	360
Mr. Ngan On Tak	360	–	–	–	–	360
Director and Chief Executive						
Mr. Tsang Chi Ming, Ricky	–	5,065	5,904	44	18	11,031

Note:

(1) Estimated money value of other benefits includes medical expenses reimbursement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

26 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to or receivable by the Directors in respect of their services as Directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking through defined benefit pension plans (2021: nil).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of termination of Directors' services were paid or made, directly or indirectly, to the Directors; nor are any payable (2021: nil).

(d) Consideration provided to third parties for making available Directors' services

During the year, no consideration was provided to or receivable by third parties for making available Directors' services (2021: nil).

(e) Information about loans, quasi-loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors

During the year, there are no loans, quasi-loans or other dealings in favor of the Directors, their controlled body corporates and connected entities (2021: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

27 EMOLUMENTS OF SENIOR MANAGEMENT

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year includes two (2021: two) Directors whose emoluments are reflected in the analysis presented in note 26(a) above. The emoluments payable to the remaining three (2021: three) individuals during the year are as follows:

	2022 HK$'000	2021 HK$'000
Basic salaries, housing and other allowances	**7,395**	13,656
Bonuses	**1,919**	1,417
Retirement benefit costs	**74**	594
	9,388	15,667

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands		
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**1**	1
HK$4,000,001 – HK$4,500,000	**1**	–
HK$4,500,001 – HK$5,000,000	**–**	1
HK$8,000,001 – HK$8,500,000	**–**	1

(b) Other than disclosed in notes 26(a) and 27(a) above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.

(c) Emoluments of senior management

Other than the emoluments of Directors and five highest paid individuals disclosed in notes 26(a) and 27(a) respectively, the emoluments of the senior management fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands		
HK$2,000,001 – HK$2,500,000	**1**	2
HK$2,500,001 – HK$3,000,000	**–**	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

28 INTEREST INCOME AND INTEREST EXPENSE

	2022 HK$'000	2021 HK$'000
Interest income:		
– Interest income from bank deposits	22,725	21,204
Interest expense:		
– Interest expense on lease liabilities	(1,293)	(1,001)
	21,432	20,203

29 INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Hong Kong profits tax:		
Current year	81	–
Taxation outside Hong Kong:		
Current year	51,289	43,035
Under-provision in prior year	273	78
	51,562	43,113
Deferred income tax (note 20)	(31,965)	(3,105)
Total income tax expense	19,678	40,008

Hong Kong profits tax rate has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year.

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the year at the rate of 25% (2021: 25%). Taxation on profits outside Hong Kong and the PRC has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

29 INCOME TAX EXPENSE *(continued)*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2022 **HK$'000**	2021 HK$'000
Profit before income tax	**174,140**	261,051
Calculated at a tax rate of 16.5% (2021: 16.5%)	**28,733**	43,073
Effect of different taxation rates in other countries	**(4,542)**	(2,756)
Income not subject to tax	**(18,147)**	(12,565)
Expenses not deductible for tax purposes	**3,333**	3,592
Utilization of unrecognized tax losses	**(1,399)**	(2,312)
Tax losses not recognized	**6,996**	6,472
Withholding tax on profits retained by the PRC subsidiaries	**4,466**	4,457
Others	**238**	47
Total income tax expense	**19,678**	40,008

Corporate withholding income tax on dividend distribution

Under the CIT Law, corporate withholding income tax is levied on the foreign investor incorporated in Hong Kong for dividends which arise from profits of foreign investment enterprises earned after 1st January 2008 at a tax rate of 5% (2021: 5%).

30 DIVIDENDS

	2022 **HK$'000**	2021 HK$'000
2021 interim dividend, paid, of 4.0 HK cents per ordinary share	**–**	39,285
2021 final dividend, paid, of 7.0 HK cents per ordinary share (note)	**–**	68,748
2022 interim dividend, paid, of 3.5 HK cents per ordinary share	**34,374**	–
2022 final dividend, proposed, of 5.0 HK cents per ordinary share (note)	**48,922**	–
	83,296	108,033

Note:

At a meeting held on 21st March 2023, the Directors declared a final dividend of 5.0 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

31 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021
Profit attributable to owners of the Company (HK$'000)	**154,462**	221,043
Weighted average number of ordinary shares in issue	**981,690,335**	982,114,035
Basic earnings per share (HK cents)	**15.73**	22.51

(b) Diluted

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the years ended 31st December 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

32 CASH FLOW INFORMATION

(a) Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	2022 HK$'000	2021 HK$'000
Profit before income tax	**174,140**	261,051
Adjustments for:		
– Depreciation of property, plant and equipment (note 6)	**22,577**	20,065
– Depreciation of right-of-use assets (note 7)	**18,524**	12,589
– Impairment of property, plant and equipment (note 6)	**–**	9,813
– Impairment of right-of-use assets (note 7)	**10,703**	745
– Provision for/(reversal of provision) impairment of inventories	**33,813**	(50,591)
– Interest income (note 28)	**(22,725)**	(21,204)
– Interest expense (note 28)	**1,293**	1,001
– Losses on disposals of property, plant and equipment (note 32(a)(i))	**12**	521
– Gains on disposal of right-of-use assets	**(12)**	(217)
– Fair value losses on investment properties	**57,110**	26,777
– Provision for impairment of trade receivables, net (note 14)	**1,028**	153
Changes in working capital:		
– Property under development held for sale	**(104,936)**	(280,556)
– Inventories	**(25,706)**	5,481
– Trade receivables, prepayments, deposits, other receivables and contract assets	**11,997**	(13,141)
– Trade payables, other payables, accruals and contract liabilities	**(114,858)**	283,589
Net cash generated from operations	**62,960**	256,076

Note:

(i) Disposals of property, plant and equipment

	2022 HK$'000	2021 HK$'000
Net book amount	**111**	691
Losses on disposals of property, plant and equipment	**(12)**	(521)
Proceeds received	**99**	170

32 CASH FLOW INFORMATION *(continued)*

(b) Major non-cash financing activities

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$43,909,000 and HK$43,352,000 (2021: HK$28,984,000 and HK$28,984,000), respectively, in respect of lease arrangements for buildings and equipment and disposals of right-of-use assets and lease liabilities of HK$116,000 and HK$128,000, respectively, in respect of lease arrangements for equipment (2021: HK$792,000 and HK$1,009,000, respectively, in respect of lease arrangements for building).

(c) Reconciliation of liabilities arising from financing activities

Lease liabilities

	2022 HK$'000	2021 HK$'000
At 1st January	**25,156**	10,516
Changes from financing cash flows	**(16,876)**	(13,689)
Additions	**43,352**	28,984
Disposal	**(128)**	(1,009)
Exchange differences	**(1,827)**	354
At 31st December	**49,677**	25,156

33 GUARANTEES OF MORTGAGE FACILITIES

	2022 HK$'000	2021 HK$'000
Guarantees in respect of mortgage facilities for certain property buyers	**77,318**	78,995

These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) the banks received the corresponding real estate ownership certificates as custody; or (ii) the satisfaction of mortgaged loans by the property buyers.

The Directors of the Company consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Therefore, no provision has been made in the financial statements for the guarantees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

34 COMMITMENTS

(a) Capital commitments

Capital expenditure of the Group at the balance sheet date but not yet incurred is as follows:

	2022 HK$'000	2021 HK$'000
Property, plant and equipment		
Contracted but not provided for	**8,087**	3,913
Investment properties		
Contracted but not provided for	**2,422**	–

(b) Commitments for property development expenditure and land use rights

	2022 HK$'000	2021 HK$'000
Contracted but not provided for	**134,339**	308,370
Authorized but not contracted for	**532,000**	215,000
	666,339	523,370

(c) Future aggregate minimum lease payments receivable under non-cancellable leases

	2022 HK$'000	2021 HK$'000
Rental receivables		
– not later than one year	**132,778**	146,958
– later than one year and not later than five years	**154,297**	208,848
– later than five years	**18,447**	19,334
	305,522	375,140

35 RELATED PARTY TRANSACTIONS

The Directors consider the immediate parent company and the ultimate parent company to be Top Grade Holdings Limited and Hin Chi Family Management Limited, which are incorporated in the British Virgin Islands and Hong Kong respectively. Top Grade Holdings Limited is interested in 62.65% of the Company's issued shares. Hin Chi Family Management Limited, as trustee of the Tsang Hin Chi (2007) Family Settlement, held all of the issued share capital of Top Grade Holdings Limited. The Company is ultimately controlled by the Tsang Family (comprising Madam Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and the other direct descendants of the late Dr. Tsang Hin Chi) which, together with 0.27% of the Company's issued shares held by Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky personally, and 5.51% of the Company's issued shares held by Tsang Hin Chi Charities (Management) Limited, collectively controlled approximately 68.43% of the Company's issued shares. The remaining 31.57% of the issued shares are widely held.

In addition to those disclosed elsewhere in the financial statements, the following significant transactions were carried out with related parties:

(a) Purchases of services

	2022 HK$'000	2021 HK$'000
Professional fees paid to a related company	320	320

Note:

Equitas Capital Limited acted as financial advisor to the Group for which a professional fees of HK$320,000 was paid by the Company during the year. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and the principal shareholder of Equitas Capital Limited.

(b) Key management compensation

	2022 HK$'000	2021 HK$'000
Salaries, directors' emoluments and other short-term employee benefits	25,929	37,531
Retirement benefit costs	110	692
	26,039	38,223

(c) Year-end balances arising from purchases of services

	2022 HK$'000	2021 HK$'000
Accruals		
– Equitas Capital Limited	160	160

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

36 BALANCE SHEET OF THE COMPANY

		As at 31st December 2022 HK$'000	As at 31st December 2021 HK$'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**10**	10
Current assets			
Amount due from a subsidiary		**1,167,110**	1,275,256
Prepayments		**694**	179
Cash and cash equivalents		**97,250**	1,551
		1,265,054	1,276,986
Total assets		**1,265,064**	1,276,996
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**1,101,358**	1,101,358
Retained earnings	note (a)	**162,546**	174,334
Total equity		**1,263,904**	1,275,692
LIABILITIES			
Current liabilities			
Accruals		**1,160**	1,304
Total equity and liabilities		**1,265,064**	1,276,996

The balance sheet of the Company was approved by the Board of Directors on 20th September 2024 and was signed on its behalf by:

Mr. Tsang Chi Ming, Ricky
Chairman and Chief Executive Officer

Mr. Li Ka Fai, David
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2022

36 BALANCE SHEET OF THE COMPANY *(continued)*

Note:

(a) Retained earnings movement of the Company

	Retained earnings HK$'000
At 1st January 2022	**174,334**
Ordinary shares repurchased and cancelled	**(4,419)**
2021 final dividend paid	**(68,748)**
2022 interim dividend paid	**(34,374)**
Profit for the year	**95,753**
At 31st December 2022	**162,546**
Representing:	
Reserves	**113,624**
2022 final dividend proposed	**48,922**
	162,546
At 1st January 2021	182,019
2020 final dividend paid	(63,838)
2021 interim dividend paid	(39,285)
Profit for the year	95,438
At 31st December 2021	174,334
Representing:	
Reserves	105,586
2021 final dividend proposed	68,748
	174,334

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31st December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit attributable to owners of the Company	**154,462**	221,043	148,286	306,028	376,244
Assets and liabilities					
Total assets	**5,490,787**	5,790,323	5,290,467	5,181,108	5,066,251
Total liabilities	**(1,043,404)**	(1,165,583)	(870,229)	(957,734)	(927,572)
Total equity	**4,447,383**	4,624,740	4,420,238	4,223,374	4,138,679