晶苑國際集團有限公司*
CRYSTAL INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability and registered by way of continuation in the Cayman Islands)

Stock code : 2232

CRYSTAL INTERNATIONAL ANNUAL REPORT 2022

* For identification purposes only

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LO Lok Fung Kenneth *(Chairman)*
Mrs. LO CHOY Yuk Ching Yvonne *(Vice Chairman)*
Mr. LO Ching Leung Andrew *(Chief Executive Officer)*
Mr. WONG Sing Wah
Mr. LO Howard Ching Ho

Non-executive Directors

Mr. WONG Chi Fai
Mr. LEE Kean Phi Mark

Independent Non-executive Directors

Mr. CHANG George Ka Ki
Mr. MAK Wing Sum Alvin
Mr. WONG Siu Kee
Mrs. MAK TANG Pik Yee Agnes, MH, JP

BOARD COMMITTEES

Audit Committee

Mr. CHANG George Ka Ki *(Chairman)*
Mr. MAK Wing Sum Alvin
Mr. WONG Siu Kee
Mrs. MAK TANG Pik Yee Agnes

Remuneration Committee

Mr. MAK Wing Sum Alvin *(Chairman)*
Mr. CHANG George Ka Ki
Mr. WONG Siu Kee
Mr. LO Lok Fung Kenneth

Nomination Committee

Mr. LO Lok Fung Kenneth *(Chairman)*
Mr. MAK Wing Sum Alvin
Mr. WONG Siu Kee
Mrs. MAK TANG Pik Yee Agnes

Corporate Development Committee

Mr. LO Ching Leung Andrew *(Chairman)*
Mr. WONG Chi Fai
Mr. WONG Sing Wah
Mr. LO Howard Ching Ho
Mr. LEE Kean Phi Mark
Mr. CHANG George Ka Ki
Mr. MAK Wing Sum Alvin
Mr. WONG Siu Kee
Mrs. MAK TANG Pik Yee Agnes
Mr. LI Wai Kwan

Sustainability Committee

Mr. LO Ching Leung Andrew *(Chairman)*
Mr. WONG Chi Fai
Mr. LEE Kean Phi Mark

AUTHORISED REPRESENTATIVES

Mr. LO Ching Leung Andrew
Mr. NG Tsz Yeung

COMPANY SECRETARY

Mr. NG Tsz Yeung

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
88 Queensway, Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5–7/F., AXA Tower
Landmark East
No. 100 How Ming Street
Kowloon, Hong Kong

REGISTERED OFFICE

Ugland House
P.O. Box 309
Grand Cayman, KY1-1104
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Tel: +852 2862 8555
Fax: +852 2865 0990
Website: www.computershare.com/hk/contact

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hill, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

LEGAL ADVISERS

Simpson Thacher & Bartlett
Maples and Calder (Hong Kong) LLP

COMPANY WEBSITE

www.crystalgroup.com

INVESTOR RELATIONS

ir@crystalgroup.com

STOCK CODE

2232

Financial Highlights

The financial figures are presented in United States Dollars ("**US$**").

	For the year ended 31 December 2022	2021
Key Financial Information (US$'000)		
Revenue	2,490,966	2,341,432
Cost of sales	2,027,616	1,893,822
Gross profit	463,350	447,610
Profit for the year	173,229	163,291
Earnings per share (US cents)		
– basic	6.05	5.72
Key Financial Ratios		
Gross profit margin (%)	18.6%	19.1%
Net profit margin (%)	7.0%	7.0%

	At 31 December 2022	2021
Key Financial Information (US$'000)		
Total assets	1,894,965	1,959,495
Total liabilities	549,666	666,176
Total equity	1,345,299	1,293,319
Net debt (note a)	–	–
Bank balances and cash	455,056	401,270
Key Financial Ratios		
Net debt to equity ratio (%) (note b)	–	–
Cash conversion cycle (days) (note c)	63	56

Notes:

(a) Net debt represents total interest-bearing bank borrowings less bank balances and cash.

(b) Net debt to equity ratio represents total interest-bearing bank borrowings less bank balances and cash, divided by total equity.

(c) Cash conversion cycle represents inventory turnover days plus trade and bills receivables turnover days, less trade and bills payables turnover days.

Chairman's Statement

On behalf of the Board of Crystal International Group Limited, I am pleased to present the annual results of the Group for the year ended 31 December 2022.

2022 marked a year of substantial progress under the leadership of Mr. Andrew LO, our CEO. Despite the challenging market conditions and uncertain economic prospects, Crystal delivered a strong and resilient business performance. In the post-COVID-19 era, coupled with high inflation, rising interest rates and improved global logistics, our customers encountered high inventory. Short-term operational challenges will examine Crystal's business capability of dealing with adversity. These challenges have pushed us to reshape our strategies to enhance our competitiveness and better satisfy our customers.

Enhancing Crystal's competitiveness through improved productivity, manufacturing excellence, and talent development has been essential to our strategic priorities. In 2022, the management continued its efforts to achieve system transformation. We made satisfactory progress in revamping various internal systems of the Group for simplification, standardisation, automation, digitalisation and our ultimate goal of achieving Industry 4.0. We completed the acquisition of a fabric mill in Bangladesh in 2022, which was another milestone in the long-term vertical integration strategy of Crystal.

One of the primary responsibilities of the Board is to oversee the Group's risk management, of which people risk was identified as one of our overriding risks. Management oversight focused on mitigating this risk through well-planned succession planning and talent development. Our efforts in employer branding and talent retention have earned us prominent awards like HR Asia Best Companies to Work for in Asia 2022 in the Hong Kong, China, Singapore and Vietnam markets.

Climate change remains at the forefront of our corporate sustainability agenda. In 2022, following the national policy of China and the advocacy of the United Nations Climate Change Conference, we continued to ramp up our decarbonisation efforts for our Net Zero 2050 vision and the interim target of 35% absolute carbon reduction by 2030. We invested in enhanced energy efficiency, expedited our solar photovoltaic adoption from 3.6MW in 2021 to 7.8MW, and completed a consultancy study on a net zero roadmap, setting individual goals and pragmatic action plans for each of our factories. With the intensified focus on the rally towards net zero globally, I envision and look forward to deeper collaboration with our customers and value chain partners.

In 2022, we accomplished our third Global 5-year Sustainability Targets, including environmental and social indicators on carbon reduction, freshwater conservation, tree planting, women empowerment and employee volunteering. I am immensely grateful for the unwavering commitment of the management team and the unswerving dedication of our employees. I welcome readers to peruse our Sustainability Report 2022 for details of our achievements.

With the approval of the Board, in 2022 we established the Sustainability Committee, a new Board committee led by the CEO with two Non-executive Directors as members. I believe the Sustainability Committee will bolster our sustainability governance and make insightful recommendations to the Board on the Group's sustainability work in alignment with our business strategies.

The management, all levels of staff and our workforce have maintained their resilience and agility in responding to the evolving market and business environment. I join with the Board of Directors in congratulating our management team on its performance in 2022. It was our people that made this happen.

Chairman's Statement

My key responsibilities as Chairman of Crystal are to lead the Board and ensure good governance of Crystal. I have been exceptionally well supported by our Board members. The Directors with diverse backgrounds bring the Group a good balance and a wealth of skills and experience, which perfectly complement the talent of our management team. I am grateful for all their tremendous support and contributions. We maintain the right size and composition of the Board through orderly succession. In 2022, we welcomed Mrs. MAK to our Board, who joined us in June 2022 as an Independent Non-executive Director. Mrs. MAK is a highly experienced executive with considerable expertise in people management, technology, manufacturing and IT. Her addition complements the talent and capabilities mix of the Board and has increased female participation on the Board. Board discussions now include new perspectives, especially in IT and manufacturing. Mr. Frankie WONG was re-designated as a Non-executive Director effective from 1 February 2023. We are grateful for his excellent contribution to the Group spanning over 40 years during Crystal's significant growth. I wish him well in his new role.

Again, I would like to express my sincere gratitude to our shareholders, customers and business partners for their trust and support, and to our management team and staff for their diligence, contribution and efforts to ensure the continued success of the Group.

LO Lok Fung Kenneth
Chairman of the Board

Hong Kong, 23 March 2023

Management Discussion and Analysis

MARKET OVERVIEW

The year 2022 was full of both opportunities and challenges. On the positive front, with the relaxation of COVID-19-related restrictions on mobility in many countries, consumer demand for apparel strengthened, surpassing the pre-pandemic level, especially in the first half of 2022. The recovery in consumer confidence supported our orders from brand customers. Despite the recovery in consumer demand, along with the resumption of economic activities in various countries, macro-economic uncertainty cast a shadow on the global recovery of the consumer market owing to rising interest rates and the possibility of a recession in the U.S. market. One bright spot, however, is growing consumer awareness of the importance of health and exercise and the rising popularity of working out and participating in outdoor activities, which has continued to support sales of sportswear and athleisure products.

On the supply chain side, compared to the worst of the pandemic period in 2021, when some governments imposed sweeping lockdowns, there were fewer global supply chain disruptions in 2022. International oil prices and cotton prices peaked in the first half of 2022, but gradually retreated in the second half. Global container freight index also tumbled from their peak and is returning to the pre-pandemic level. Thus, the high supply chain costs in the first half of 2022 had eased considerably by the end of the year.

BUSINESS REVIEW

The recovery in consumer demand led to strong orders from our brand customers. Although revenue growth in the second half of the year was moderate compared to that in the first half, revenue throughout the year still surpassed the pre-pandemic level. Revenue growth in the Sportswear and outdoor apparel category was the most significant, thanks to the ongoing support from our major sportswear brand customers. All our sportswear customers, including a recently added internationally renowned sportswear brand, appreciate our capabilities. These sportswear customers consider us to be a long-term strategic partner and demonstrated their commitment with continuing demand for our products.

The Group's revenue for the year ended 31 December 2022 increased compared to the previous year, amounting to US$2,491 million (2021: US$2,341 million). The gross profit margin slightly decreased to 18.6% (2021: 19.1%) and net profit for the year was US$173 million (2021: US$163 million), representing net margin of 7.0% (2021: 7.0%).

During the year, the Group stepped up its investment in upstream vertical integration to gradually expand its capability to become a vertically integrated garment manufacturer, as set out in the Group's long-term strategic plan. Since the first acquisition of a fabric mill in Vietnam in late 2021, the Group has smoothly integrated the fabric mill operations into its business. The Group formed a strategic team with new talent to plan its long-term fabric business development. Thanks to the knowledge and experience shared by the team, the Group is pleased to announce that it completed the acquisition of the second wholly-owned fabric mill in September 2022 in Bangladesh for the Group's long-term expansion. The Group believes the facilities are strategically positioned to support the long-term fabric needs of its garment factories in the country and will enhance the overall productivity and efficiency of the Group's operations. The Group also acquired a garment factory in Vietnam, next to the fabric mill the Group acquired in 2021. The acquisition was completed in November 2022 and will serve as a pilot project for the Group's future vertically integrated business model on a single site.

The Group continued to invest in capacity expansion projects according to schedule. Capital expenditure for the year ended 31 December 2022 amounted to US$106 million, mainly to support its expansion in Vietnam and Cambodia. Together with the acquisitions mentioned above, capital investment for the year ended 31 December 2022 amounted to US$164 million (2021: US$132 million).

Management Discussion and Analysis

Crystal continued its journey to reach its Net Zero 2050 vision and the interim target commitment in 2021 of reducing aggregate greenhouse gas emissions by 35% by 2030. The Group is planning for its target validation by the Science-based Target Initiative (SBTi). The Group has set individual carbon-reduction targets and action plans with a clear timetable for each factory. During this year, it finished screening and evaluating its Scope 3 emissions, including the indirect emissions that related to its value chain. On the Net Zero strategy front, the Group rolled out a corporate decarbonisation package to standardise the low-carbon setup and enhance energy efficiency in its factory operations. The Group also ramped up the rooftop solar photovoltaic ("**PV**") projects in its factories to increase the onsite supply of renewable energy. In 2022, the Group installed a total of 4.2MW of solar PV, taking the Group's total PV capacity more than double in 2021 to 7.8MW. Crystal's sustainability efforts are well recognised by various renowned organisations and are highly appreciated by our business partners. In 2022, Crystal won the Distinction Award in the Hong Kong Sustainability Award 2022, granted by The Hong Kong Management Association. Crystal is also recognised as a Pioneering Organisation in Net-Zero Contribution by the Hong Kong Quality Assurance Agency, thanks to its net-zero achievements such as its Net-Zero jeans. These awards recognise Crystal's continuous efforts in achieving excellence in ESG, especially with its recent stepped-up commitment to the Net Zero 2050 vision.

The Board recognises the long-term support of shareholders and has resolved to propose a final dividend of HK11.8 cents per ordinary share (2021: HK9.8 cents). Together with the interim dividend declared and paid, the total dividend per ordinary share for the year ended 31 December 2022 will amount to HK16.8 cents (2021: HK13.8 cents), increase of 22% in total dividends per ordinary share and representing a distribution of 35% of the Group's net profit for the year ended 31 December 2022 (2021: 31%).

FINANCIAL REVIEW

Revenue

The Group's revenue for 2022 compared to 2021, by product category, each expressed as an absolute amount and as a percentage of total revenue was:

	For the year ended 31 December			
	2022		2021	
	US$'000	%	US$'000	%
Lifestyle wear	697,450	28.0%	734,963	31.4%
Denim	567,723	22.8%	570,962	24.4%
Sportswear and outdoor apparel	556,548	22.3%	426,550	18.2%
Intimate	470,912	18.9%	427,915	18.3%
Sweater	198,333	8.0%	181,042	7.7%
Total Revenue	2,490,966	100.0%	2,341,432	100.0%

Management Discussion and Analysis

With high inventory level kept by our brand customers, order demand from them has turned more conservative since the fourth quarter of 2022. As such, the Group's revenue increased by 6.4% compared to 2021. For Sportswear and outdoor apparel, the Group has been successfully implementing its strategy to lift the revenue contribution from 18.2% in 2021 to 22.3% in 2022.

The Group's sales analysed by geographic region based on port of discharge were:

	For the year ended 31 December			
	2022		2021	
	US$'000	%	US$'000	%
U.S.	959,853	38.5%	908,180	38.8%
Asia Pacific (note a)	940,759	37.8%	949,656	40.6%
Europe (note b)	449,119	18.0%	386,834	16.5%
Other countries/regions	141,235	5.7%	96,762	4.1%
Total Revenue	2,490,966	100.0%	2,341,432	100.0%

Notes:

(a) Asia Pacific primarily includes Japan, the PRC and South Korea.

(b) Europe mainly includes France, Germany, the Netherlands and the U.K..

Gross Profit and Gross Profit Margin

	For the year ended 31 December			
	2022		2021	
	Gross Profit US$'000	Gross Profit Margin %	Gross Profit US$'000	Gross Profit Margin %
Lifestyle wear	139,633	20.0%	146,743	20.0%
Denim	92,256	16.3%	104,413	18.3%
Sportswear and outdoor apparel	101,753	18.3%	76,593	18.0%
Intimate	87,261	18.5%	83,895	19.6%
Sweater	42,447	21.4%	35,966	19.9%
Total Gross Profit	463,350	18.6%	447,610	19.1%

Gross profit margin of Lifestyle wear and Sportswear and outdoor apparel remained relatively stable in 2022. For Denim and Intimate, decrease in gross profit margin is mainly due to asset impairment arising from rightsizing of production sites in the PRC. For Sweater, the acquisition of Masterknit Limited provides strong technical support to our Sweater business, leading to the increase in gross profit margin.

Management Discussion and Analysis

Other Expenses and Finance Costs

Selling and distribution expenses remained stable at 1.1% in 2022, compared with 1.0% in 2021.

Our administrative, research and development expenses and other income decreased to 8.6% of revenue in 2022 compared with 9.6% in 2021, reflecting cost-saving initiatives taken by the Group.

The effective borrowing rate for the Group in 2022 ranged from 1.25% to 6.23%, compared with 1.21% to 5.00% in 2021. The Group had no fixed-rate borrowings at 31 December 2022. Finance costs amounted 0.4% of revenue in 2022 compared to 0.3% in 2021.

Net Profit

Despite ongoing COVID-19 pandemic, the Group achieved a net profit of US$173 million for the year ended 31 December 2022. Net profit as a percentage of revenue maintained at 7.0% for both 2022 and 2021.

Capital Management

The consolidated financial position of the Group remained sound throughout the year. The positive operating cash flow of US$349 million (2021: US$190 million) contributed to cash and cash equivalents of US$455 million at 31 December 2022, compared with US$401 million at 31 December 2021. Cash and cash equivalents were mainly denominated in HK$ and US$. Bank borrowings, mainly denominated in HK$ and US$, decreased from US$168 million at 31 December 2021 to US$102 million at 31 December 2022. All bank borrowings of US$102 million at 31 December 2022 contained a repayable-on-demand clause and US$102 million was repayable within one year.

The Group held a positive net cash position of US$353 million at 31 December 2022. The gearing ratio (total interest-bearing bank borrowings, less bank balances and cash, divided by total equity) at 31 December 2022 was nil (31 December 2021: nil).

Our conversion cycle have remained healthy and stable at 63 days in 2022, compared to 56 days in 2021. Turnover of trade and bills receivables averaged 39 days in 2022, compared with 42 days throughout in 2021. Inventory turnover averaged 53 days in 2022, compared with 52 days in 2021. Trade and bills payable turnover averaged 29 days in 2022 compared to 38 days in 2021.

Capital expenditure, incurred, in the main for the building, equipping and the upgrading of production facilities, continues to be carefully managed. In 2022, capital expenditure amounted to US$106 million, compared with US$90 million in 2021. Capital commitments at 31 December 2022 were US$49 million compared to US$55 million at 31 December 2021.

Foreign currency exchange contracts are used to manage foreign currency exposure. The Group's policy is to monitor its foreign currency exposure and use foreign currency exchange contracts, as appropriate, to minimise its foreign currency risks.

Management Discussion and Analysis

Funding and Treasury Policy

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations, as well as its future investments and expansion plans.

Use of Proceeds from Initial Public Offering

The net proceeds have been applied in accordance with the allocation set out in the announcement made by the Company on 13 March 2019 as follows:

– US$259 million (HK$2,019 million) for capital expenditure to increase manufacturing capacity

– US$58 million (HK$457 million) for upstream vertical integration into fabric production in Asia

– US$122 million (HK$952 million) for the repayment of Vista Corp Holdings Limited and its subsidiaries (the "**Vista**") related loans

– US$49 million (HK$381 million) for working capital and general corporate purposes

For the period from 3 November 2017 (the listing date of the Company) to 31 December 2022, US$488 million (HK$3,809 million) of the net proceeds has been applied:

– US$259 million (HK$2,019 million) to expand manufacturing capacity

– US$58 million (HK$457 million) to pursue upstream vertical integration

– US$122 million (HK$952 million) to repay the Vista related loans

– US$49 million (HK$381 million) to use as working capital

Management Discussion and Analysis

The net proceeds were fully utilised in the manner set out below:

Use	Segment	Revised Allocation of Net Proceeds as set out in the Announcement dated 13 March 2019 *(US$'million)*	Unutilised Net Proceeds at 31 December 2021 *(US$'million)*	Utilised Net Proceeds in 2022 *(US$'million)*	Unutilised Net Proceeds at 31 December 2022 *(US$'million)*
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	88	0	0	0
Additional manufacturing facilities in Vietnam	Denim and Intimate	112	0	0	0
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	59	0	0	0
Upstream vertical integration in Asia		58	27	27	0
Repayment of Vista related loans		122	0	0	0
Working capital and general corporate purposes		49	0	0	0
Total		488	27	27	0

Use	Segment	Revised Allocation of Net Proceeds as set out in the Announcement dated 13 March 2019 *(HK$'million)*	Unutilised Net Proceeds at 31 December 2021 *(HK$'million)*	Utilised Net Proceeds in 2022 *(HK$'million)*	Unutilised Net Proceeds at 31 December 2022 *(HK$'million)*
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	686	0	0	0
Additional manufacturing facilities in Vietnam	Denim and Intimate	876	0	0	0
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	457	0	0	0
Upstream vertical integration in Asia		457	217	217	0
Repayment of Vista related loans		952	0	0	0
Working capital and general corporate purposes		381	0	0	0
Total		3,809	217	217	0

Pledge of Assets

At 31 December 2022, assets pledged by the Group are set out in note 35 to the consolidated financial statements.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed below, the Group had neither material acquisition nor disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2022.

On 7 September 2022, two wholly-owned subsidiaries of the Group entered into a sale and purchase agreement (the "**HAY Agreement**") with Mr. LIU, Shuang-Chuan ("**Mr. LIU**"), Mrs. LIU WU, Tzu-Hsuan ("**Mrs. LIU WU**") and Mr. HUANG, Chun-Chih ("**Mr. HUANG**"), all are independent third parties.

Pursuant to the HAY Agreement, the Group conditionally agreed to acquire and Mr. LIU, Mrs. LIU WU and Mr. HUANG conditionally agreed to sell 50%, 30% and 20%, respectively, of the equity interest in How Are You Textile Industry Limited ("**HAY**"), a company incorporated in Bangladesh with limited liability. HAY is principally engaged in manufacture of garment fabrics and was acquired with the objective of supporting the long term fabric needs of the Group's garment factories in Bangladesh. The cash consideration of the acquisition was US$37.0 million. The acquisition was completed on 30 September 2022 and accounted for as an acquisition of business using the acquisition method.

On 31 October 2022, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement (the "**Successor Agreement**") with Tien Pou International Ltd. ("**Tien Pou**"), a company incorporated in Cayman Islands with limited liability and it is an independent third party.

Pursuant to the Successor Agreement, the Group conditionally agreed to acquire and Tien Pou conditionally agreed to sell all of the equity interest in Successor Limited ("**Successor**"), a company incorporated in Samoa with limited liability. Successor is an investment holding company and owned a factory in Vietnam next to a fabric mill the Group acquired in 2021 and was acquired to serve as a pilot project for the Group's future vertically integrated business model on a single site. The cash consideration of the acquisition was US$20.7 million. The acquisition was completed on 30 November 2022 and accounted for as an acquisition of business using the acquisition method.

Significant Investment Held

For the year ended 31 December 2022, the Group held no significant investments.

Material Acquisitions and Future Plans for Major Investment

Further to the acquisition of a fabric mill in Vietnam and Bangladesh in 2021 and 2022 respectively, the Group continues to invest in vertical upstream integration. The Group did not have other future plans for major investments or acquisition for major capital assets at the date of this annual report.

Contingent Liabilities

At 31 December 2022, the Group had no material contingent liability (31 December 2021: Nil).

Subsequent Events after the Reporting Period

At the date of this annual report, no material event has occurred after the reporting period.

Management Discussion and Analysis

EMPLOYMENT, TRAINING AND DEVELOPMENT

The Group employed around 73,000 people at 31 December 2022. Total staff costs, including administrative and management staff, for the year ended 31 December 2022 equated to 23.8% of revenue, compared with 24.8% in 2021. The Group remunerates its staff according to their performance, qualifications and industry practices, and conducts regular reviews of its remuneration policy. Employees may receive discretionary bonuses and monetary rewards based on their ratings in annual performance appraisals. The Group also offers rewards or other incentives to motivate the personal growth and career development of employees, such as ongoing opportunities for training to enhance their technical and product knowledge, as well as their knowledge of industry quality standards. Each new employee of the Group is required to attend an introductory course, while there are also various types of training courses available to all employees of the Group.

OUTLOOK AND PROSPECTS

After strong consumer demand in the post-pandemic period, high retail inventory and economic uncertainty have continued to weigh on growth in 2023. The destocking from high inventory levels and softening demand since the fourth quarter of 2022 have led to weak order trends and low order visibility. Consumers, feeling the pinch from high inflation, are less inclined to spend on discretionary products and are seeking cheaper alternatives. Moreover, after two years of pandemic lockdown, people return to offices and other pre-pandemic patterns resulting in change of consumer preference, especially in denim market, consumers demand more formal attire, they buy more chinos, cargo pants and other non-denim pants, as such, demand for denim is slowing down and we expect 2023 to be a challenging year.

The acquisition of the fabric mills in Vietnam and Bangladesh demonstrates the Group's dedication to pursuing vertical integration for its long-term development. With the Group's continued investment in upstream vertical integration, capital investment in 2023 is expected to be similar to the level in 2022.

Directors and Senior Management

DIRECTORS

At 23 March 2023, the Board consisted of 11 Directors, comprising five Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. The functions and duties of the Board include convening general meetings, implementing the resolutions passed at general meetings, determining strategy, business and investment plans, formulating the annual financial budget, reviewing and approving financial accounts and formulating proposals for profit distributions as well as exercising other powers, functions and duties, as conferred by the Articles of Association.

Executive Directors

Mr. LO Lok Fung Kenneth（羅樂風）, aged 84, is the Chairman of the Board and an Executive Director. He is also the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee of the Company. He co-founded the Group with Mrs. Yvonne LO in 1970. Mr. Kenneth LO has been a director of the Company since its establishment in January 1993. With over 60 years of experience in the apparel manufacturing industry, he has been instrumental in developing the Group into a world leader. Mr. Kenneth LO stepped down as the Chief Executive Officer in December 2007. As Chairman, he has assumed the role of strategic thinker and change driver – he devotes his time to anticipating and identifying opportunities and risks in the industry and how they may have an impact on the Group's business. In addition, Mr. Kenneth LO is committed to developing and driving the corporate culture, business ethics and sustainability, which are memorialised in his book "For The Greater Good – Becoming The World's No. 1 Apparel Maker", published in 2016.

Mr. Kenneth LO received the Businessperson of the Year award of the DHL and South China Morning Post Hong Kong Business Awards in 2021 that recognised his outstanding achievements in environmental, social and governance, entrepreneurship and good corporate governance in dealing with challenges arising from the COVID-19 pandemic. He received the Industrialist of the Year Award of the Federation of Hong Kong Industries in 2012 for his contribution to industrial development and to society. He won the Ernst Young Entrepreneur of the Year China Award (Hong Kong/Macau Region) in 2014 and the DHL and South China Morning Post Hong Kong Business Award (Owner-Operator Category) in 2016.

Mr. Kenneth LO is currently an honorary fellow of the Vocational Training Council in Hong Kong, as well as a guest professor at Yunnan University（雲南大學）. He is also the honorary chairman of the CEO Club of The Hong Kong Polytechnic University, a fellow of The Hong Kong Management Association, the honorary president and a committee member of the Hong Kong Woollen & Synthetic Knitting Manufacturers' Association, Limited, as well as a general committee member of the Textile Council of Hong Kong Limited. In addition, Mr. Kenneth LO involves in charity work and environmental protection. He has been a director and chairman of the Windshield Charitable Foundation（宏施慈善基金）since November 2001, a director of World Green Organisation Limited since May 2013, an honorary advisor to the Agency for Volunteer Service since September 2018 and the founder and chairman of Crystal Climate Charity Foundation since November 2022.

Mr. Kenneth LO is the husband of Mrs. Yvonne LO (the Vice Chairman and an Executive Director), and father of Mr. Andrew LO (an Executive Director and the Chief Executive Officer) and Mr. Howard LO (an Executive Director and a senior vice president).

Directors and Senior Management

Mrs. LO CHOY Yuk Ching Yvonne (羅蔡玉清), aged 78, is the Vice Chairman of the Board and an Executive Director. She co-founded the Group with Mr. Kenneth LO in 1970. She has been a director of the Company since its establishment in January 1993. Since the Group's establishment, Mrs. Yvonne LO has overseen the finance and administrative functions and has over 50 years of business management experience.

Apart from business management, Mrs. Yvonne LO has also devoted herself to charity and social work. She established the Yuk Ching Charity Trust (玉清慈善基金) (now known as The Incorporated Trustees of Yuk Ching Charity Trust), which aims to help the education of students by, among other activities, providing financial support, and has been its donor and trustee since October 2004, and chairman since 2005. Since February 2017, Mrs. Yvonne LO has been the Honorary Chairperson of The Hong Kong Federation of Women (香港各界婦女聯合協進會).

Mrs. Yvonne LO is the wife of Mr. Kenneth LO (the Chairman and an Executive Director) and mother of Mr. Andrew LO (an Executive Director and the Chief Executive Officer) and Mr. Howard LO (an Executive Director and a senior vice president).

Mr. LO Ching Leung Andrew (羅正亮), aged 57, is the Chief Executive Officer of the Group and has been an Executive Director since March 1994. With around 30 years of experience in the apparel manufacturing industry, Mr. Andrew LO is now primarily responsible for formulating and overseeing the overall development strategies and operations of the Group. He first joined the Group in 1988, starting in the production department of the sweater division and has since risen through the ranks. He served as Deputy Chief Executive Officer of the Group from 2003 to 2007, and was promoted to the Chief Executive Officer of the Group in 2008. He is also the chairman of each of the Corporate Development Committee and the Sustainability Committee of the Company.

Mr. Andrew LO served as a softgoods sub-committee member of The Hong Kong Exporters' Association from 2003 to 2007, as well as a director of the Hong Kong Research Institute of Textiles and Apparel from 2010 to 2016. He was a director of the Textile Council of Hong Kong Limited from 2014 to 2021. Mr. Andrew LO was a member of the Textiles Advisory Board from 2013 to 2018 and was a member of the Trade and Industry Advisory Board from 2017 to 2019. He has been a director of Law's Foundation Limited since 2018. He was appointed a member of Hong Kong Trade Development Council Garment Advisory Committee with effect from 1 April 2023.

Mr. Andrew LO was appointed a member of the 5th committee of the Chinese People's Political Consultative Conference of Huicheng District, Huizhou City (中國政治協商會議惠州市惠城區委員會第五屆委員) and a council member of the Better Hong Kong Foundation in 2012.

Mr. Andrew LO graduated from the University of Toronto with a bachelor's degree in arts in June 1988. He is the son of Mr. Kenneth LO (the Chairman and an Executive Director) and Mrs. Yvonne LO (the Vice Chairman and an Executive Director); and a brother of Mr. Howard LO (an Executive Director and a senior vice president).

Directors and Senior Management

Mr. WONG Sing Wah（黃星華）, aged 59, has been an Executive Director since January 2011. He is currently the president of knits division and is primarily responsible for overseeing the lifestyle wear, the sportswear and outdoor apparel and the sweater divisions, supporting corporate functions and setting up strategies and governance policy. Mr. Dennis WONG initially joined the Group as an assistant merchandiser of the sweater division in May 1983, then serving as overseas sales manager from 1986 and later overseas operation manager until 1990. Mr. Dennis WONG re-joined the Group in June 1996 as sales manager of the lifestyle wear division, and has held various positions since then. He served as sales senior manager until March 2000, and successively as assistant general manager of the Japan operation until August 2003, deputy general manager of the Japan operation until January 2004, deputy general manager-operations until October 2004, general manager of sales and operations until June 2007 and, subsequently, the president (t-shirt operation) until December 2011. He is also a member of the Corporate Development Committee of the Company.

Mr. Dennis WONG was awarded the title of "2013 Top Ten Economic Individual of Dongguan City" (2013年東莞十大經濟人物), and served as the vice chairman of the 1st supervisory committee of the Dongguan City Association of Enterprises with Foreign Investment Changping Branch（東莞市外商投資企業協會常平分會）in 2010.

Mr. LO Howard Ching Ho（羅正豪）, aged 44, has been an Executive Director and a member of the Corporate Development Committee of the Company since January 2021. Mr. Howard LO was appointed senior vice president of sales and operations of knits division in April 2014. He joined the Group in September 2005, becoming an executive trainee until March 2007. He then transferred to the lifestyle wear division and served as assistant manager-merchandising from April 2007 to August 2007, assistant general manager of sales from September 2007 to July 2008, assistant general manager from August 2008 to December 2010 and general manager of sales and operations from January 2011 to March 2014. Before joining the Group, Mr. Howard LO worked at Citigroup from 2001 to 2005. He received one of the Young Industrialist Awards of Hong Kong in 2016.

Mr. Howard LO graduated from the University of Toronto with a bachelor's degree in commerce in June 2001. He is the son of Mr. Kenneth LO (the Chairman and an Executive Director) and Mrs. Yvonne LO (the Vice Chairman and an Executive Director), and brother of Mr. Andrew LO (an Executive Director and the Chief Executive Officer).

Non-executive Directors

Mr. WONG Chi Fai（王志輝）, aged 63, was re-designated from an Executive Director to a Non-executive Director with effect from 1 February 2023. He was an Executive Director from March 1994 to January 2023.

Mr. Frankie WONG was mainly responsible for overseeing the Group's innovation development and productivity enhancement, supporting corporate functions and setting up strategies and governance policy. Mr. Frankie WONG joined the Group and served as the senior production officer from November 1982 and has since risen through the ranks. He then served as overseas plant manager from 1986 to 1988 and general manager of the t-shirt and woven division from 1988 to 1994. He was promoted to Executive Director in March 1994. He is also a member of each of the Corporate Development Committee and the Sustainability Committee of the Company.

With over 40 years of experience in the apparel manufacturing industry, Mr. Frankie WONG served as a member of the board of directors of The Hong Kong Research Institute of Textiles and Apparel Limited from September 2016 to September 2022. He was also awarded the title of Honorary Citizen of Zhongshan City（中山市榮譽市民）in 2013 for his significant contributions to the economic and social development of the city.

Directors and Senior Management

Mr. LEE Kean Phi Mark, aged 50, was appointed a Non-executive Director with effect from 1 February 2022. He is a member of each of the Corporate Development Committee and the Sustainability Committee of the Company. He was previously the Senior Vice President of Crystal SL Global Pte. Ltd., a wholly owned subsidiary of the Company, from 2017 to 2020 and is currently a director and legal representative of some of the Group's subsidiaries.

Mr. Mark LEE was appointed an executive director and the chief executive officer of Sing Lun Holdings Pte Ltd ("**Sing Lun**") in 2003. Sing Lun is a privately-owned enterprise, operating a diverse range of business interests worldwide. The Sing Lun group, with key business interests that include industrial activities, investments and real estate, was awarded the EY-Standard Chartered Family Business Award of Excellence in 2018. Sing Lun was previously listed on the Singapore Stock Exchange between 2000 and 2008. Prior to that, Mr. Mark LEE was an executive director of Bowen Distribution Pte Ltd from 2001 to 2002, having been general manager of Sing Lun & Company Pte Ltd from 1999 to 2000 before which he held various positions in marketing and product management at CSA Distribution Pte Ltd from 1997 to 1999.

Mr. Mark LEE has over 20 years' experience in the apparel industry. In recognition of his entrepreneurial spirit, Mr. Mark LEE was awarded "Most Outstanding Entrepreneur" during the Asia Pacific Entrepreneur Awards 2010 in Singapore. He is also the winner of the prestigious EY Entrepreneur of The Year – Manufacturing in 2015. In 2016, Mr. Mark LEE was one of 30 members of the Committee for Future Economy (CFE) setup by the Prime Minister in 2016 to position Singapore well for the future.

Mr. Mark LEE is currently a board member of the following statutory bodies in Singapore – Singapore National Heritage Board and the Board of Trustees of Yusof Ishak Institute of South-East Asian Studies. He is the Chairman of Singapore's Asian Civilisations Museum. Mr. Mark LEE is a current council member of the Singapore Business Federation, holding the position of deputy honorary treasurer, chairman of the Jobs and Skills Committee and vice chairman of the Young Business Leaders Network. He is a council member of the Singapore Chinese Chamber of Commerce & Industry ("**SCCCI**") and is the chairman of the Youth Business and Sustainability Committee of SCCCI.

He is an advisor to and a past president of the Singapore Textile and Fashion Federation (Taff), and past chairman of the Textile and Fashion Federation Training Centre (TaF.tc) academic and examination board from 2014 to 2020. Due to his great interest in sports, Mr. Mark LEE is a board member of the Singapore Sports School, chairing its Financial Assistance Fund. Mr. Mark LEE graduated from Monash University with a bachelor's degree in business marketing in 1996.

Independent Non-executive Directors

Mr. CHANG George Ka Ki (張家騏), aged 71, has been an Independent Non-executive Director since the initial public offer of the Company in November 2017. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Corporate Development Committee of the Company. Mr. CHANG has spent much of his career in accounting and auditing thus possesses solid professional knowledge in these areas. He also served as the deputy group controller of the Group from 1984 to 1986.

Mr. CHANG has been a director at Morningside Asia, a venture capital firm, since September 1991 and, since March 2015, a non-executive director of Hang Lung Group Limited, a company engaged in property development and investment, that is listed on the Hong Kong Stock Exchange (Stock Code: 0010). Mr. CHANG has been a certified public accountant recognised by the State of California, U.S. since 1980 and a member of the American Institute of Certified Public Accountants since 1984. He has also been an associate member of the Hong Kong Institute of Certified Public Accountants since 1984, and a chartered accountant and a member of the Institute of Chartered Accountants of Ontario since 1992. Mr. CHANG graduated from the University of Wisconsin Madison and received a Master of Business Administration in December 1976.

Directors and Senior Management

Mr. MAK Wing Sum Alvin（麥永森）, aged 70, has been an Independent Non-executive Director since the initial public offer of the Company in November 2017. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the Corporate Development Committee of the Company. After working in Citibank for over 26 years, Mr. MAK retired on 1 May 2012. He last served as the Head of Markets and Banking for Citibank Hong Kong, being the country business manager for corporate and investment banking business. In Citibank, he held various senior positions including Head of Global Banking responsible for managing all the coverage bankers. Prior to that, he also managed the Hong Kong corporate finance business, the regional asset management business and was the Chief Financial Officer of North Asia. Mr. MAK is also an independent non-executive director of the following companies which are all listed on the Hong Kong Stock Exchange: Luk Fook Holdings (International) Limited (Stock Code: 0590), Lai Fung Holdings Limited (Stock Code: 1125), Hong Kong Technology Venture Company Limited (Stock Code: 1137) and Goldpac Group Limited (Stock Code: 3315). He was previously an independent non-executive director of I.T Limited (Stock Code: 0999) from March 2012 to December 2019.

Mr. MAK is a Chartered Accountant and a member of the Institute of Chartered Accountants of Ontario and a member of the Hong Kong Institute of Certified Public Accountants. Mr. MAK is a member of Hong Kong Housing Society and a member of several of its committees. He is also a member of the supervisory board of Hong Kong Housing Society. Mr. MAK graduated from the University of Toronto and obtained a bachelor's degree in commerce in 1976.

Mr. WONG Siu Kee（黃紹基）, aged 67, was appointed an Independent Non-executive Director on 4 June 2021. He is a member of each of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Development Committee of the Company.

Mr. Kent WONG is an executive director and Managing Director, Corporate and HK, Macau & Overseas of Chow Tai Fook Jewellery Group Limited ("**CTF**") (listed on the Hong Kong Stock Exchange; Stock Code: 1929), being responsible for CTF's overall corporate management and its development in Hong Kong, Macau, Taiwan and overseas.

Mr. Kent WONG has over 40 years' practical experience in the jewellery industry with diverse specialties in business development in the Greater China region as well as in corporate operations and management. Mr. Kent WONG was ranked the 1st place in the "Best CEO" category in Institutional Investor's 2021 All-Asia Executive Team rankings, the Rest of Asia, Consumer/Discretionary sector, combined vote-type. He has been feted with the highest accolade of the JNA Awards 2020, the "Lifetime Achievement Award", for his outstanding lifetime achievements and contributions to the global jewellery community. He was named as "Asia's Best CEO (Investor Relations)" by Corporate Governance Asia, an authoritative regional journal on corporate governance, at its Asian Excellence Awards for five consecutive years from 2017 to 2021. Mr. Kent WONG was also named as "CEO of the Year/Luxury/Asia" at the 2016 IAIR Awards presentation ceremony held by the International Alternative Investment Review and awarded "Director of The Year" by The Hong Kong Institute of Directors in December 2015.

Mr. Kent WONG was a member of the 2022 Fair Organising Committee of the Hong Kong Trade Development Council for its Hong Kong International Jewellery Show and Hong Kong International Diamond, Gem and Pearl Show. He is a council member of The Hong Kong Management Association, chairman of the executive committee of the Hong Kong Jewellers' & Goldsmiths' Association, chairman of the Jewellers' and Goldsmiths' Association of Hong Kong, chairman of the supervising committee of the Hong Kong & Kowloon Jewellers' & Goldsmiths' Employees' Association Ltd, a permanent honorary president of the Kowloon Gold Silver and Jewel Merchants' Staff Association, and a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference. He is also a board member of Diamonds Do Good, a board member of CIBJO, the World Jewellery Confederation and president of the executive committee 2020/2022 of Youth Outreach.

Directors and Senior Management

Mrs. MAK TANG Pik Yee Agnes（麥鄧碧儀）, MH, JP, aged 67, was appointed an Independent Non-executive Director on 15 June 2022. She is a member of each of the Audit Committee, the Nomination Committee and the Corporate Development Committee of the Company.

Mrs. MAK was previously the executive director of the Hong Kong Productivity Council ("**HKPC**") from 2010 to 2017. During her seven-year tenure at HKPC, Mrs. MAK substantially strengthened HKPC's corporate governance, infrastructure facilities and support services. She introduced certain innovative technologies, such as independent software testing and certification services, 3D printing, robotics, industry 4.0 and other smart manufacturing technologies to assist local businesses, particularly small and medium-sized enterprises, to acquire the necessary technical and management competence to exploit new opportunities in high value-added markets. Under her capable leadership, the HKPC built a solid foundation in developing both its corporate governance and its technical competence.

Mrs. MAK has over 30 years' solid experience in the Information Technology sector. Before joining HKPC, she held senior positions in various telecommunications companies, private enterprises and public bodies from 1991 to 2007, namely, The Gap (Far East) Limited, Tradelink Electronic Document Services Limited, British American Tobacco China, the Mandatory Provident Fund Schemes Authority, Sunday Communications Limited and PCCW Mobile. She previously devised strategic plans and road maps of corporate development for companies in different industries and was responsible for formulating and implementing corporate governance systems together with re-engineering business processes, in order to build and develop corporate teams while also strengthening relationships with business partners.

While Mrs. MAK has been successful in developing her career, she is also firmly committed to serving the community by promoting IT education and the application of Information Technology. She previously served as the President of the Hong Kong Computer Society (1995-1998), the Chairman of the Faculty Advisory Committee of the Faculty of Science of Hong Kong Baptist University (2011-2014), the Chairman of the Committee on Information Technology Training and Development of the Vocational Training Council (2007-2013), the Vice-chairman of the Employees Retraining Board (2009-2011), a director of the Hong Kong Science and Technology Parks Corporation (2009-2010), a member of Hong Kong Council for Accreditation of Academic and Vocational Qualifications (2007-2010), a member of the Social Welfare Advisory Committee (2007-2013) and a member of the Steering Committee on the Promotion of Electric Vehicles under the jurisdiction of the Financial Secretary (2015-2021). In addition, Mrs. MAK was appointed the Chairperson of the Information & Communications Technology Industry Training Advisory Committee of the Education Bureau (2013-2021). She currently serves as one of its member and has successfully formulated the Specification of Competency Standards (SCS) for the industry with industry practitioners. Mrs. MAK is currently a member of the Court of the City University of Hong Kong, a member of the supervisory board of the Hong Kong Housing Society and is also a member of its special committee on Elderly Housing.

Mrs. MAK was recognised as one of the "Ten Outstanding Young Persons in Hong Kong" in 1995. She was conferred the title of Distinguished Fellow by the Hong Kong Computer Society in 1999. She was appointed Justice of the Peace in 2002, awarded the Medal of Honour by the HKSAR Government in 2007 and conferred the status of Honorary Fellow by the Vocational Training Council in 2008.

Directors and Senior Management

Changes in Directors' Biographical information

Changes in the information of Directors since 17 August 2022, being the date of the Company's 2022 interim report, and up to the date of this report, which are required to be disclosed pursuant to the Listing Rules, are set out below:

Name of Director	Details of Changes
Mr. Kenneth LO	• Being the founder and appointed chairman of Crystal Climate Charity Foundation since November 2022
Mr. Andrew LO	• Appointed chairman of the Sustainability Committee of the Company with effect from 5 December 2022 • Ceased to be a director of the Textile Council of Hong Kong Limited in 2021 • Appointed member of Hong Kong Trade Development Council Garment Advisory Committee with effect from 1 April 2023
Mr. Frankie WONG	• Appointed member of the Sustainability Committee of the Company with effect from 5 December 2022 • Re-designated as a Non-executive Director with effect from 1 February 2023 • Under the terms of his letter of appointment, he is entitled to annual director's fee of HK$360,000. He provides consultancy service to the Group through his wholly-owned company at an annual fee of HK$2,990,000 • Ceased to be a member of the board of directors of The Hong Kong Research Institute of Textiles and Apparel Limited with effect from 10 September 2022
Mr. Mark LEE	• Appointed member of the Sustainability Committee of the Company with effect from 5 December 2022 • Ceased to be the vice chairman of SMEC Innovation Sub-committee of the Singapore Business Federation with effect from 31 July 2022 • Ceased to be a board director of Business China with effect from 30 September 2022 • His annual director's fee and consultant fee have been revised to HK$360,000 and SGD432,000 respectively with effect from 1 January 2023
Mrs. MAK	• Appointed member of the Audit Committee of the Company with effect from 6 October 2022 • Her annual director's fee has been revised to HK$490,000 with effect from 6 October 2022

Directors and Senior Management

SENIOR MANAGEMENT

The Executive Directors and senior management are responsible for the day-to-day management and operation of the business.

Mr. LI Wai Kwan（李偉君）, aged 51, was appointed Chief Financial Officer on 1 December 2018. He is a member of the Corporate Development Committee of the Company.

Prior to joining the Company, Mr. LI was the chief financial officer of Zhuhai Dahengqin Property Limited. Before that, Mr. LI worked in several companies listed on the Hong Kong Stock Exchange including China Agri-Industries Holdings Limited (stock code: 606) and Esprit Holdings Limited (stock code: 330), where he developed extensive experience in leading finance and accounting, mergers and acquisitions, treasury, investor relations and corporate governance functions.

Mr. LI graduated from the University of Toronto with a bachelor's degree in Commerce with distinction, and received a Master of Business Administration from York University, Canada. He is also a member of the Hong Kong Institute of Certified Public Accountants amongst his various professional qualifications.

Mr. LO Wing Sing Eddie（盧永盛）, aged 63, was appointed the president of the intimate division in May 2006 and was mainly responsible for overseeing the overall operation of the intimate division. Mr. Eddie LO joined the Group in March 2003 and has held various positions. He served as the general manager from 2003 and was later promoted to president of the ACCI group. He was then transferred as acting president of the intimate division from June 2005 to April 2006. Mr. Eddie LO was subsequently promoted to president of the intimate division. Before joining the Group, Mr. Eddie LO worked at Glorious Sun Enterprises Ltd., which is listed on the Stock Exchange (Stock Code: 0393), serving as the general manager and a director of its subsidiary Jeanswest Corporation Pty. Ltd., an apparel retailing company.

After taking up of his new role in the Group with effect from 1 January 2023, Mr. Eddie LO is no longer a member of senior management of the Company.

Mr. WONG Ho（黃河）, aged 56, was appointed the president of the denim division in January 2016. Mr. WONG Ho joined the Group as a quality control supervisor of the lifestyle wear division in October 1992 and has held various positions. He was transferred to the denim division and served as operation manager from 1999, prior to being promoted to general manager. Mr. WONG Ho obtained a higher diploma in textiles and clothing studies from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1989.

COMPANY SECRETARY

Mr. NG Tsz Yeung（伍子暘）, aged 38, was appointed the Company Secretary and an Authorised Representative of the Company for the purpose of the Listing Rules in May 2021 and is responsible for overseeing the company secretarial function, corporate governance and compliance of the Group. Prior to joining the Group, Mr. Edmund NG was the assistant company secretary, Hong Kong of Standard Chartered Bank (Hong Kong) Limited and the company secretary of Hong Kong Airlines Limited. Mr. Edmund NG holds a Bachelor of Laws (Hons) degree from the University of London and a Master of Corporate Governance degree from The Hong Kong Polytechnic University. He is also a fellow of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

Report of the Directors

The Board is pleased to present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

COMPANY INCORPORATION

The Company was initially incorporated in Bermuda on 4 January 1993. In anticipation of the listing of shares on the Stock Exchange, the Company re-domiciled and was registered by way of continuation as an exempted company in the Cayman Islands on 29 December 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company's shares were listed on the Main Board of the Stock Exchange on 3 November 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion of the Group's future business development are set out in the Chairman's Statement as well as the Management Discussion and Analysis on pages 4 to 13 of this annual report. Commentary on the Group's relationships with its key stakeholders is given in the Chairman's Statement on pages 4 to 5 of this annual report and the Sustainability Report 2022 of the Company to be published in accordance with the Listing Rules. An analysis of the Group's performance during the year using key financial information is set out in the Financial Highlights on page 3 of this annual report. In addition, the Group has implemented certain environmental policies to regulate its performance and has complied with relevant laws and regulations that have had a significant impact on the Group, further details of which are set out in the Sustainability Report 2022 to be published in accordance with the Listing Rules.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated financial statements on pages 66 to 166 of this annual report.

The Board has recommended to pay Shareholders a final dividend of HK11.8 cents per ordinary share for the year ended 31 December 2022. Subject to the approval of the proposed final dividend by Shareholders at the AGM to be held on Wednesday, 7 June 2023, the proposed final dividend is expected to be paid on 7 July 2023.

DIVIDEND POLICY

The Company has adopted a dividend policy ("**Dividend Policy**"), which was approved by the Board on 5 December 2018. According to the Dividend Policy, the Company may distribute dividends by way of cash or other means that the Board considers appropriate. Any proposed distribution of dividends would be subject to the discretion of the Board and the approval of Shareholders, taking into account the Group's results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other considerations that the Board may deem relevant. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that the Company and its subsidiaries have entered into or may enter into in the future.

Report of the Directors

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT THE AGM AND TO RECEIVE THE FINAL DIVIDEND

The forthcoming AGM will be held on Wednesday, 7 June 2023. Notice of the AGM will be sent to Shareholders in due course. For the purpose of determining Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 2 June 2023 to Wednesday, 7 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 1 June 2023.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 26 June 2023 to Wednesday, 28 June 2023, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 23 June 2023.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five years is set out on page 167 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 23 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 40 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2022, the reserves of the Company available for distribution to its Shareholders amounted to approximately US$623 million (2021: US$598 million).

DONATIONS

Charitable donations made by the Group during the year ended 31 December 2022 amounted to US$0.7 million (2021: US$0.8 million).

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2022 are set out in note 38 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, sales to the Group's five largest customers accounted for approximately 59.8% of the Group's total sales for the year (of which sales to the Group's largest customer accounted for approximately 30.1%). Purchases from the Group's five largest suppliers accounted for approximately 28.5% of the Group's total purchases for the year (of which purchases attributable to the largest supplier accounted for approximately 10.4%).

During the year ended 31 December 2022, Mr. Frankie WONG (an Executive Director) was interested in 0.03% of equity interest (i.e. 480,000 shares) in one of the Group's five largest suppliers, Pacific Textiles Holdings Limited. Save as disclosed above, none of the Directors nor any of their close associates nor any shareholder (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in any of the Group's five largest customers or suppliers at 31 December 2022.

RETIREMENT BENEFIT SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The Group also participates in defined contribution retirement schemes organised by the relevant local government authorities in the PRC and other jurisdictions where the Group operates. In addition, the Group operates one defined benefit retirement scheme (that is closed to new members) in the U.K.. Particulars of the retirement benefit schemes are set out in note 27 to the consolidated financial statements.

Report of the Directors

DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this annual report are:

Executive Directors

Mr. LO Lok Fung Kenneth *(Chairman)*
Mrs. LO CHOY Yuk Ching Yvonne *(Vice Chairman)*
Mr. LO Ching Leung Andrew *(Chief Executive Officer)*
Mr. WONG Sing Wah
Mr. LO Howard Ching Ho

Non-executive Directors

Mr. WONG Chi Fai (re-designated from an Executive Director to a Non-executive Director with effect from 1 February 2023)
Mr. LEE Kean Phi Mark (appointed on 1 February 2022)

Independent Non-executive Directors

Mr. GRIFFITHS Anthony Nigel Clifton (retired on 15 June 2022)
Mr. CHANG George Ka Ki
Mr. MAK Wing Sum Alvin
Mr. WONG Siu Kee
Mrs. MAK TANG Pik Yee Agnes (appointed on 15 June 2022)

In accordance with Article 16.2 of the Articles of Association, Mrs. MAK will retire at the AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

In accordance with Article 16.18 of the Articles of Association, Mr. Kenneth LO, Mr. Howard LO, Mr. Frankie WONG and Mr. MAK shall retire at the AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

The Company has received written annual confirmations from all Independent Non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS', SENIOR MANAGEMENT'S AND COMPANY SECRETARY'S PROFILES

Profiles of the Directors, the senior management and the Company Secretary are set out on pages 14 to 21 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

The service agreements with each executive director and the letters of appointment given to each Independent Non-executive Director and Mr. Mark LEE were entered into for a fixed term of one year that commenced on 6 October 2022. The letter of appointment of Mr. Frankie WONG was entered into for an initial term commencing from 1 February 2023 and ending on 5 October 2023. The service agreements and the letters of appointment are subject to termination in accordance with their respective terms. The service agreements and the letters of appointment may be renewed in accordance with the Articles of Association and the applicable Listing Rules. In addition, Mr. Mark LEE also entered into an agreement with Crystal SL Global Pte. Ltd., a wholly owned subsidiary of the Company, for provision of consultancy services to the Group. A consultancy agreement was entered into between a wholly owned subsidiary of the Group and a company wholly owned by Mr. Frankie WONG for his consultancy service to the Group.

The emoluments of Directors have been determined with reference to their skills, knowledge and involvement in the Company's affairs, the performance of each Director and prevailing market conditions during the year.

Save as disclosed above, none of the Directors has entered, or has proposed to enter, into a service agreement with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022.

SHARE AWARD SCHEME

Pursuant to the resolution of the Board passed on 28 December 2016, the Company has adopted the Share Award Scheme A for the primary purpose of providing incentives to eligible employees of the Group. Upon the one-off transfer of awarded shares under Share Award Scheme A to eight members of our senior management team, the Share Award Scheme A has been terminated upon the vesting of these awarded shares. On 7 April 2017, the Company passed a resolution of the Board to further adopt the Share Award Scheme B and appointed an independent professional trustee to assist with the administration and vesting of the Share Awards. The following is a summary of the principal terms of the Share Award Scheme B:

1. Purpose of the Scheme

The purpose of the Share Award Scheme B is to recognise the past and existing executives, consultants or officers of the Company or any of its subsidiaries for their past service and contribution to the Group, to motivate and retain skilled and experience personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

2. Eligible Participants

The Share Award Scheme B Eligible Persons include existing and past executives, consultants or officers of the Group. The Scheme B Participants are the Share Award Scheme B Eligible Persons selected by the Board or the Designated Management Team at its discretion.

3. Maximum Number of Shares Available

The maximum number of Share Awards that may be granted under the Share Award Scheme B in aggregate (excluding Share Awards that have lapsed or been cancelled in accordance with the rules of the Share Award Scheme B) shall be such number of Shares held by the Trustee from time to time.

4. Maximum Entitlement for Each of the Scheme B Participants

There is no limit on the maximum number of Share Awards to be granted to each Scheme B Participant under Share Award Scheme B.

5. Vesting of the Share Awards

On 3 November 2019, all of the Share Awards held by the Scheme B Participants were vested.

6. Payment on Acceptance of the Share Awards

The price of the Share Awards will be specified in the Share Award Grant Letter in such form as the Board may determine. The vested Share Awards were granted to the grantees of Share Award Scheme B for nil consideration pursuant to the Share Award Grant Letters.

7. Remaining Life

The Share Award Scheme B shall be valid and effective for a period of ten years commencing on the date of the first grant of the Share Awards being 12 October 2017, subject to any prior termination of the Share Award Scheme B by the Board or the Designated Management Team at any time before the expiry of the Scheme Period.

There was no unvested Share Awards at the beginning and at the end of the year ended 31 December 2022. No Share Awards were granted, vested, cancelled and lapsed under the Share Award Scheme B during the year ended 31 December 2022.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save for the related party transactions disclosed in note 36 to the consolidated financial statements, no Director and Controlling Shareholder and/or any of his/her connected entities had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party at the end of the year or at any time during the year.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

A number of agreements and arrangements with connected persons (as defined under Chapter 14A of the Listing Rules) have been entered into in the ordinary and usual course of business. The transactions disclosed under this section constituted non-exempt continuing connected transactions and connected transactions under Chapter 14A of the Listing Rules.

The following table sets out the amounts of the Group's non-exempt connected transactions for the year ended 31 December 2022:

Connected persons	Nature of transactions	Transaction amount US$'000	Right-of-use assets US$'000
Tanbo Development Limited	Expense paid/payable for lease of premises	69	67
Happy Field Company Limited	Expense paid/payable for lease of premises	689	667
Joint Access Limited	Expense paid/payable for lease of premises	536	519
	Sub-total	1,294	1,253

2022 Leases

In 2020, the Group, as tenants, entered into various leases with (1) Tanbo Development Limited, (2) Happy Field Company Limited (being entities controlled by the Controlling Shareholders) and (3) Joint Access Limited (being an entity controlled by Mr. Andrew LO) (collectively, the "**Connected Landlords**"), which were renewed on 16 December 2021 (the "**2022 Leases**"). Pursuant to the 2022 Leases, the Connected Landlords agreed to lease the premises for warehouse and living quarters purposes. The terms of the lease agreements with the Connected Landlords were one year commencing from 1 January 2022. Since the Connected Landlords are connected persons of the Company and the transactions with these entities are of a similar nature, such transactions have been aggregated and treated as if they were one transaction, pursuant to Rules 14A.82(1) of the Listing Rules.

DTZ Cushman & Wakefield Limited, the property valuer of the Company, has confirmed that the rent under the 2022 Leases reflects prevailing market rates. The Directors confirm that the annual rent is determined on normal commercial terms and with reference to market price.

In accordance with IFRS 16 applicable to the Company, the transactions under the 2022 Leases were recognised as acquisitions of right-of-use assets, which constituted one-off connected transactions of the Company under Chapter 14A of the Listing Rules. Since the transactions under the 2022 Leases were of similar nature, such transactions were aggregated and treated as if they were one transaction, pursuant to Rules 14A.81 and 14A.82(1) of the Listing Rules.

As the applicable "percentage ratios" (other than the profits ratio) for the transactions were more than 0.1% but below 5%, the transactions described above were exempt from the circular (including independent financial adviser review) and independent shareholders' approval requirements but was subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Renewal of Connected Transactions

In December 2022, the Group renewed certain lease agreements with Tanbo Development Limited, Happy Field Company Limited and Joint Access Limited under the 2022 Leases, the terms of which will expire on 31 December 2023. Details of the renewal of leases were set out in the announcement made by the Company on 15 December 2022.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in note 36 to the consolidated financial statements. During the year ended 31 December 2022, certain related party transactions, as disclosed in notes 36(a) and 36(d) to the consolidated financial statements, constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and the Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31 December 2022, none of the Directors was interested in any business, apart from the Group's businesses, which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

Save as otherwise disclosed in this annual report, at no time during the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

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

At 31 December 2022, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange:

Interests in the Company

Name of Director	Nature of Interest	Number of shares (note a)	Approximate Percentage of Shareholding in the Company (%)
Mr. Kenneth LO (note b)	Beneficial owner	306,610,590	10.75
	Interest of spouse	308,437,090	10.81
	Interests held jointly with another person	1,569,052,100	55.00
Mrs. Yvonne LO (note c)	Beneficial owner	306,610,590	10.75
	Interest of spouse	306,610,590	10.75
	Founder of a discretionary trust who can influence the trustee	1,826,500	0.06
	Interests held jointly with another person	1,569,052,100	55.00
Mr. Andrew LO (note d)	Beneficial owner	68,074,080	2.39
Mr. Dennis WONG (note d)	Beneficial owner	7,497,360	0.26
Mr. Frankie WONG (note d)	Beneficial owner	4,806,000	0.17
Mr. Howard LO (note d)	Beneficial owner	41,345,680	1.45
Mr. Mark LEE (note e)	Beneficial owner	591,000	0.02

Notes:

(a) All positions are long positions.

(b) Under the SFO, Mr. Kenneth LO, as the spouse of Mrs. Yvonne LO, is deemed to be interested in the 308,437,090 shares in which Mrs. Yvonne LO is interested. Mr. Kenneth LO and Mrs. Yvonne LO were interested in a total of 1,569,052,100 shares jointly held by Mr. Kenneth LO and Mrs. Yvonne LO.

(c) Under the SFO, Mrs. Yvonne LO, as the spouse of Mr. Kenneth LO, is deemed to be interested in the 306,610,590 shares in which Mr. Kenneth LO is interested. Mrs. Yvonne LO and her spouse Mr. Kenneth LO were interested in a total of 1,826,500 shares held by The Incorporated Trustees of Yuk Ching Charity Trust of which Mrs. Yvonne LO is a founder and chairman. Mrs. Yvonne LO and Mr. Kenneth LO were interested in a total of 1,569,052,100 shares jointly held by Mrs. Yvonne LO and Mr. Kenneth LO.

(d) These shares were acquired pursuant to Share Award Scheme A.

(e) These shares were acquired pursuant to Share Award Scheme B.

Save as disclosed above, at 31 December 2022, none of the Directors or chief executive of the Company had any interest or short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have taken under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

At 31 December 2022, the following person(s) (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Nature of Interest	Number of shares (Long position)	Approximate percentage of shareholding in the Company (%)
FIL Limited (note)	Interest in controlled corporation	172,467,500	6.05
Pandanus Partners L.P. (note)	Interest in controlled corporation	172,467,500	6.05
Pandanus Associates Inc. (note)	Interest in controlled corporation	172,467,500	6.05
Schroders PLC	Investment manager	142,865,000	5.01

Note: According to the disclosure of interest forms, FIL Limited is controlled (as defined under the SFO) by Pandanus Partners L.P., which in turn is controlled (as defined under the SFO) by Pandanus Associates Inc.. Those 172,467,500 Shares represent the same interests and are therefore duplicated among them.

Save as disclosed above, at 31 December 2022, the Directors are not aware of any other corporation or individual (other than the Directors or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

PUBLIC FLOAT

At the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as agreed with the Stock Exchange during the year ended 31 December 2022 and up to the date of this annual report.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report section on pages 33 to 57 of this annual report.

AUDIT COMMITTEE

The Audit Committee, together with the management of the Company and the external auditor of the Company, conducted a review of the accounting principles and policies adopted by the Group and the financial statements for the year ended 31 December 2022.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by Messrs. Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as the independent auditor of the Company will be proposed at the forthcoming AGM.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In 2022, the Group has complied with the "comply or explain" provisions contained in the Environmental, Social and Governance Reporting Guide. For details, please refer to the Sustainability Report 2022 to be published in accordance with the Listing Rules.

On behalf of the Board
LO Lok Fung Kenneth
Chairman
23 March 2023

Corporate Governance Report

CORPORATE GOVERNANCE FRAMEWORK

The Group believes that good corporate governance can enhance its overall effectiveness thus creating additional value for its shareholders. The Group is committed to maintaining high standards and has applied the Principles that are set out in the CG Code in Appendix 14 to the Listing Rules. The Group's corporate governance practices are based on these Principles. The Board believes that good corporate governance standards are essential in contributing to the provision of a framework for the Group to safeguard the interests of its shareholders, enhance corporate value, formulate its business strategies and policies and enhance transparency and accountability.

For the financial year ended 31 December 2022, the Group has been in compliance with all the code provisions under the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Upon specific enquiry being made of all Directors, each of them has confirmed their compliance with the required standards set out in the Model Code for the year ended 31 December 2022 and up to the date of this annual report.

BOARD OF DIRECTORS

Roles and Responsibilities

The Group endeavours to enhance corporate efficiency and profitability through the Board. The Directors recognise their collective and individual responsibility to the shareholders and perform their duties diligently to contribute to positive results for the Group and maximise returns for shareholders.

The functions and duties of the Board include convening general meetings, reviewing and monitoring the training and continuous professional development of the Directors and senior management, reviewing the Group's compliance with the CG Code and disclosures in the Corporate Governance Report, implementing the resolutions passed at general meetings, determining strategies, business and investment plans, formulating the annual financial budget and reviewing as well as approving the financial accounts and formulating proposals for profit distributions as well as exercising other powers, functions and duties conferred by the Articles of Association. Responsibilities relating to the implementation of decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the senior management.

The Board is responsible for performing the functions set out in code provision A.2.1 in Part 2 of the CG Code. During the year, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Board Composition

The Board continuously seeks to enhance its effectiveness and maintain the highest standards of corporate governance. It recognises diversity at Board level as an essential element in maintaining competitive advantage and sustainable development. The Board considers it vital to have the appropriate balance of skills, experience and diversity of perspectives to support the execution of its business strategies.

At 31 December 2022, the Board comprised six Executive Directors, one Non-executive Director and four Independent Non-executive Directors, whose biographical details and family relationships among certain Directors are set out in the section headed "Directors and Senior Management" on pages 14 to 21 of this annual report. There are no other material financial, business or other relevant relationships among the Directors.

	Name of Directors	**Relevant Board Committees**
Executive Directors	Mr. Kenneth LO *(Chairman)*	RC NC
	Mrs. Yvonne LO *(Vice Chairman)*	
	Mr. Andrew LO *(Chief Executive Officer)*	CDC SC
	Mr. Frankie WONG	CDC SC
	Mr. Dennis WONG	CDC
	Mr. Howard LO	CDC
Non-executive Director	Mr. Mark LEE	CDC SC
Independent Non-executive Directors	Mr. CHANG	AC RC CDC
	Mr. MAK	AC RC NC CDC
	Mr. Kent WONG	AC RC NC CDC
	Mrs. MAK	AC NC CDC

The Company has received written annual confirmations of independence from each Independent Non-executive Director pursuant to Rule 3.13 of the Listing Rules and considers all Independent Non-executive Directors to be independent.

Board Diversity

The Group has reviewed the Board Diversity Policy during the year ended 31 December 2022. The Board recognises diversity at board level as an essential element in maintaining the Company's competitive advantage and sustainable development. In designing, reviewing and assessing the Board's composition, board diversity is considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of service and time to be devoted to being a Director. The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies and enhance its effectiveness.

Corporate Governance Report

Gender Diversity

At 31 December 2022, Crystal employed around 73,000 people, being 30.5% male and 69.5% female. Our female representation within the workforce continues to be maintained at a high level and amongst other listed companies. The Company has achieved gender diversity at the Board and senior management level with two female Directors on the Board. The female representation at the board and senior management is 14.29% as of 31 December 2022 (2021: 7.69%). Appropriate emphasis on maintaining gender diversity has been placed in the reviews of board composition, board diversity and succession planning to ensure a pipeline of potential successors in achieving and maintaining gender diversity.

The following table sets out the Workforce Gender Diversity by region and gender at 31 December 2022:

	Percentage of Workforce		
Country	**Total**	**Male**	**Female**
Vietnam	49.6%	27.3%	72.7%
China	17.0%	35.5%	64.5%
Bangladesh	14.1%	46.0%	54.0%
Cambodia	11.9%	19.3%	80.7%
Sri Lanka	6.7%	26.5%	73.5%
Hong Kong and other offices in Asia	0.7%	44.6%	55.4%
Total	100%	30.5%	69.5%

Chairman and CEO

The Chairman of the Board is Mr. Kenneth LO, and the CEO is Mr. Andrew LO. The roles of Chairman and CEO are performed by separate individuals, and there is clear division of responsibilities between the Chairman and the CEO to ensure a balance of power and authority.

Board Independence

The Board has established mechanisms to ensure that a strong independent element on, and independent views and input are available to the Board.

(a) Composition of the Board and Board Committees

- Independent Non-executive Directors enhance the effectiveness and decision-making of the Board by providing objective judgement and constructive challenge to the management. The Board should ensure the appointment of at least three Independent Non-executive Directors and at least one-third of its members being Independent Non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time).

- Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, Independent Non-executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

(b) Assessment of Independence

- The Nomination Committee adhere to the Nomination Policy, its terms of reference and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of Independent Non-executive Directors.

- Each of the Independent Non-executive Directors is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence.

- The Nomination Committee is mandated to assess annually the independence of all Independent Non-executive Directors by reference to the independence criteria as set out in the Listing Rules to ensure that they can continually exercise independent judgement.

(c) Compensation

- According to the CG Code, no equity-based remuneration (e.g. share options or grants) with performance related elements will be granted to Independent Non-executive Directors as this may lead to bias in their decision making and compromise their objectivity and independence.

(d) Board Decision Making

- All of the Directors are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance from the Company Secretary and, where necessary, independent advice from external professional advisers at the Company's expense.

- All of the Directors shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.

- The Chairman shall, at least annually, hold meetings with the Independent Non-executive Directors without the presence of other Directors to discuss major issues and any concerns.

(e) Review of the Mechanisms Implementation

- The Board shall, or may designate a board committee to, make an annual review of the implementation and effectiveness of these mechanisms.

During the year ended 31 December 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of Independent Non-executive Directors as mentioned in item (a) above. The Board reviewed the implementation and effectiveness of the mechanisms and was satisfied that the relevant measures and mechanisms were robust and implemented effectively.

Appointment and Re-election of Directors

There is a written nomination policy and process (that is formal, considered and transparent) for the selection and appointment of new Directors and a plan for orderly succession of appointments. All of the Directors are subject to retirement by rotation at least once every three years.

The Non-executive Directors and Independent Non-executive Directors have letters of appointment from the Company for a fixed term of one year that commenced on 6 October 2022. They are subject to retirement by rotation and are eligible for re-election at the AGM.

Corporate Governance Report

BOARD COMMITTEES

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established five Committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Development Committee and the Sustainability Committee. The Sustainability Committee was established in December 2022. The Audit Committee comprises only Independent Non-executive Directors as members in order to ensure its independence, while the Remuneration Committee and the Nomination Committee comprise a majority of Independent Non-executive Directors to ensure the exercise of effective independent judgement.

The reports of the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Development Committee and the Sustainability Committee for the year under review are set out on pages 37 to 49 of this report.

In order to comply with the Listing Rules and the CG Code, the terms of reference of each of the Audit Committee, the Remuneration Committee and the Nomination Committee and the list of Directors and their roles and functions are regularly revised, updated and published on the websites of the Group and the Stock Exchange.

AUDIT COMMITTEE REPORT

Committee Composition and Meetings

During the year ended 31 December 2022, the composition of the Audit Committee changed. Mr. GRIFFITHS retired from office as an Independent Non-executive Director and ceased to be the Chairman of the Audit Committee with effect from the conclusion of the AGM on 15 June 2022. Mr. CHANG and Mr. Kent WONG, each of whom is an Independent Non-executive Director, were appointed the Chairman and a member of the Audit Committee respectively with effect from 15 June 2022. Mrs. MAK, an Independent Non-executive Director, was appointed a member of the Audit Committee with effect from 6 October 2022. The Audit Committee comprised four members, each of whom is an Independent Non-executive Director:

- Mr. GRIFFITHS Anthony Nigel Clifton (Chairman)
  (retired with effect from 15 June 2022)
- Mr. CHANG George Ka Ki (Chairman)
  (appointed Chairman with effect from 15 June 2022)
- Mr. MAK Wing Sum Alvin
- Mr. WONG Siu Kee
  (appointed with effect from 15 June 2022)
- Mrs. MAK TANG Pik Yee Agnes
  (appointed with effect from 6 October 2022)

The Board considers the Audit Committee to have appropriate, relevant financial experience and each member is independent as required by the Listing Rules. The Audit Committee met five times during the year and, in view of the impact of the COVID-19 pandemic, all members attended all five meetings by either virtual means, or whenever possible, in person. The Chief Financial Officer and the Head of Internal Audit attended the meetings of the Audit Committee by invitation. There was active contact between the members of the Audit Committee between meetings.

Committee Purpose

There was no revision of the terms of reference of the Audit Committee during the year. In accordance with its current terms of reference (available on the websites of the HKEx and the Company), the main focus of the Audit Committee continues to be:

- Reviewing the financial results and reports
- Monitoring the internal control environment
- Assessing the state of the Group's risk management process
- Receiving reports from the external and internal auditors
- Reviewing continuing connected transactions

The work of the Audit Committee and the Internal Audit Department was partially constrained during the year by the impact of the COVID-19 pandemic, which effectively prevented travel outside Hong Kong.

Reviewing the Financial Results and Reports

During the year ended 31 December 2022, the Audit Committee reviewed the Group's audited consolidated financial statements and reports relating to the year ended 31 December 2021 together with the external auditor, and was satisfied as to the extent of the work done by the external auditor, the consistent application of the Group's accounting policies, the appropriateness of the financial judgements applied, and compliance with Board approved limits of connected transactions. Similar work was conducted in respect of the unaudited condensed consolidated financial statements and reports issued by the Group for the six months ended 30 June 2022. In view of their material significance to the Group, the Audit Committee continued to pay ongoing attention to the valuation of the intangible assets. The Audit Committee was satisfied with the outcome of its various reviews set out here.

The Audit Committee reviewed the Group's audited consolidated financial statements and reports relating to the year ended 31 December 2022 on 20 March 2023 and noted the considerable efforts made by both the Group's finance and accounting staff and the staff of the external auditor to complete their work in time for the Audit Committee's review to take place as scheduled.

Monitoring the Internal Control Environment

The Audit Committee reviewed reports from the Internal Audit Department, all of which were related to the application of internal controls in different parts of the Group and the management response to the points made in the reports. The focus in 2022 was (a) a review of the enterprise risk framework; (b) the nature and effectiveness of the Group's risk management, focusing particularly on cyber security; (c) progress on digital transformation and the consequent revamp of various systems; and (d) climate change risks. The Audit Committee was generally satisfied by the responses given and remedial action taken. The Audit Committee required the Internal Audit Department to follow up on the proposed action to ensure it has been and will continue to be applied. During the year, the Audit Committee reviewed the follow-up conducted in regard to the audits conducted by the Internal Audit Department. When the Audit Committee considers it appropriate, relevant senior management members are invited to meet the Audit Committee for further clarification, discussion and agreement of programmes for additional action. The Audit Committee continued the practice in prior years of advising the Board of its major findings and the areas it considered required action by the Board. The risk management and internal controls of the Group were reviewed at each Audit Committee meeting. The resources, staff qualifications and experience, training programmes, budget of the internal audit functions, and of the accounting and financial reporting functions of the Group were reviewed and considered to be adequate.

The Audit Committee reviewed the functioning of the Internal Audit Department and was satisfied that effective reviews were undertaken. As approved by the Board in 2021, an internal audit team was in the process of being established in Vietnam in 2022 and the Head of Internal Audit oversees the work of such team.

Assessing the State of the Group's Risk Management Process and Major Risks Reviewed

The Group's risk management process is overseen and supervised by the executive committee of the Company that has delegated operational oversight to the Chief Financial Officer. With the assistance of the Internal Audit Department, the Audit Committee checks to see whether the process is actively in place, and in 2022 it received a written report from the Chief Financial Officer on the system, the classification and assessed impact of identified risks, and the action taken, where required. At every meeting, the Audit Committee reviews the log of complaints made by whistleblowers and satisfies itself as to the appropriateness of action taken by management in response to the complaints. The Audit Committee, noting that one complaint was made during the year and had reported accordingly to the Board.

The Audit Committee had determined previously that cyber security was an area of prevailing risk to the Group, and this has also been reflected in Group's risk management process. Accordingly, the Audit Committee met with the general manager responsible for cyber security during the year, and received written reports from time to time to review the cyber protection systems in place, the frequency, location and types of attacks that had occurred, and their impact, together with remedial action taken to improve cyber protection. The rolling out of further improvements to all systems operated within the Group and the education of all employees of the Group on cyber security measures continued during the year.

In anticipation of an update on climate change financial disclosure requirements to be imposed by the Stock Exchange, the Audit Committee would keep abreast of the development of such update.

Reports from the External and Internal Auditors

External Auditor

The Audit Committee met the external auditor four times during 2022, once without management present. The external auditor's work, in particular the areas of key focus, was discussed and understood, as were the points recorded in the external auditor's management letter issued after the audit of the annual consolidated financial statements for the year ended 31 December 2021. The Audit Committee was satisfied regarding the action taken and proposed to be taken by management to resolve the points raised by the external auditor. As part of its terms of reference, the Audit Committee reviewed the independence of the external auditor and was satisfied in that respect. The Audit Committee received management's comments on the fees proposed by the external auditor and was satisfied that they were reasonable for the scope of work being undertaken. Consequently, the Audit Committee recommended to the Board that the external auditor be reappointed, and its recommendation was endorsed by the Board and confirmed at the AGM in 2022.

Internal Audit

At the beginning of each year, the Audit Committee reviews the work planned by the Head of Internal Audit for his Department for the year to ensure that over a number of years, all parts of the Group are audited as regards financial and material internal controls, in addition to key risk mitigation. As the work is carried out, detailed reports are submitted to the Audit Committee for review and comment before being released more generally. The Audit Committee satisfies itself as to the quality and focus of the work done by the Internal Auditors, that it has been given appropriate access and co-operation in conducting its work, and that senior management is overseeing the implementation of any remedial action required. Occasionally, the CEO or the Board may require the Internal Audit Department to focus on a short-term, urgent matter, and the agreement of the Audit Committee is sought. From time to time, the Audit Committee makes proposals to the CEO regarding the structure and staffing of the Internal Audit Department.

Other Meetings

It is customary for the Audit Committee to meet the Chairman of the Board annually in its own right to discuss its work and observations during the year, as well as the major issues encountered by the Group in implementing its strategy. The focus of such meetings is on risk, specific areas of concern, and the adequacy of the resources applied to managing these areas and concerns. The discussions include the performance of the CEO. In addition, the Audit Committee meets the CEO annually to discuss its observations and any concerns it has regarding the internal control system of the Group, together with the effectiveness of the risk management process. These discussions include the performance of the Internal Audit Department and its Head.

Connected Transactions

The Group has a small number of transactions with companies controlled by Directors. The anticipated annual limits for each transaction for the following year are reported to shareholders annually by public notice. The Audit Committee is kept informed of the value of each of these connected transactions on a regular basis throughout the year so that it can ensure the limits that have been approved by the Board and notified to shareholders are not exceeded. Towards the end of the year, it reviews the current year's transactions to ensure the caps are unlikely to be breached and also to assess that the caps proposed for the following year have been determined at an arm's length basis and are in the best interests of all shareholders. It may determine there should be adjustments to the caps prior to its recommending the following year's connected transaction caps to the Board for approval. In March 2023, the Audit Committee reviewed the position of connected transactions in 2022 and certified this outcome to the Board.

CHANG George Ka Ki
On behalf of the Audit Committee
23 March 2023

REMUNERATION COMMITTEE REPORT

Committee Composition and Meetings

The Remuneration Committee comprises four members:

- Mr. MAK Wing Sum Alvin (Chairman) – Independent Non-executive Director
- Mr. CHANG George Ka Ki – Independent Non-executive Director
- Mr. WONG Siu Kee – Independent Non-executive Director
- Mr. LO Lok Fung Kenneth – Executive Director and Chairman of the Board

The Remuneration Committee met twice in 2022, and all members attended each meeting.

Committee Purpose

In accordance with its terms of reference (available on the websites of the Stock Exchange and the Company), the Remuneration Committee was established to:

- establish and review the policy and structure of the remuneration for Directors and senior management.
- make recommendations to the Board on the remuneration packages of individual Directors and senior management.
- review and/or approve matters relating to share schemes under the Listing Rules, if any.

Directors and Senior Management Remuneration Policy

The Directors and Senior Management Remuneration Policy sets out the general principles which guide the Group to deal with remuneration matters of Directors and senior management of the Company.

Directors and Senior Management Remuneration and Benefits

The Directors and Senior Management Remuneration Policy aims (i) to provide a fair market level of remuneration, (ii) to retain and motivate Directors and senior management, and (iii) to attract experienced people of high calibre to oversee the business and development of the Group. Remuneration of Directors and senior management is reviewed by the Remuneration Committee annually with reference to companies of comparable business or scale, the Group's corporate goals and objectives.

The Remuneration Committee would consult the Chairman of the Board and the CEO about remuneration proposals for other Executive Directors. The Remuneration Committee would be provided with sufficient resources when deciding on any remuneration proposals and have access to independent professional advice if necessary. The Remuneration Committee would ensure that no Director or any of their associates shall be involved in deciding the Director's own remuneration.

(a) Executive Directors and Senior Management

Executive Directors and senior management are valuable assets contributing to the Group's success. To ensure the ability to attract and retain talents, the Directors and Senior Management Remuneration Policy is built upon the principles of providing equitable and market-competitive remuneration package. The Remuneration Policy is, therefore, aiming at being fair with equal opportunity, competitive but not excessive.

Remuneration packages of Executive Directors and senior management shall comprise various components linking to individual and the Group's performance and comparable to other key market players in the same or similar industries.

(b) Non-executive Directors (including Independent Non-executive Directors)

Non-executive Directors shall receive fixed remuneration/fee to be set at an appropriate level to attract and retain capable talent by reference to the relevant time commitment and the size and complexity of the Group and benchmarked against other comparable key market players.

The Remuneration Committee of the Company review the Directors and Senior Management Remuneration Policy from time to time as appropriate, and in any event, annually. In 2022, the Remuneration Committee reviewed the policy and was satisfied that it was implemented effectively.

Work of the Committee

The Remuneration Committee conducts annual reviews of the salaries, bonuses and benefits of Directors and senior management in accordance with the Directors and Senior Management Remuneration Policy. It recommends to the Board proposals for overall rewards and appropriate remuneration for Directors and senior management. In addition to the Group's financial performance in the relevant years, the Remuneration Committee makes reference to various other factors in setting the remuneration for Directors and senior management to ensure they are fairly rewarded with regards to the size and complexity of the operations and their individual contribution, as well as to retain high calibre management.

Comprehensive market benchmarking was conducted to compare the remuneration of Directors and senior management with compensation figures for senior executives of comparable companies. The Head of Human Resources met the Remuneration Committee twice during the year to provide information to facilitate the Committee's review in respect of 2022:

- structuring the bonus payout plan;
- recommendations for bonus awards;
- development of the total compensation position and changes in total compensation; and
- industry compensation benchmarking of the Directors and senior management.

The Remuneration Committee was satisfied that this reward setting mechanism was robust and flexible in motivating Directors and senior management to pursue successful achievement of the organisational goals.

During the year ended 31 December 2022, the Remuneration Committee discussed and agreed on its recommendations in respect of fees and annual salaries of individual Independent Non-executive Directors, Non-executive Directors, Executive Directors and senior management. No material matter relating to share schemes of the Company was reviewed and/or approved by the Remuneration Committee.

MAK Wing Sum Alvin
On behalf of the Remuneration Committee
23 March 2023

NOMINATION COMMITTEE REPORT

Committee Composition and Meetings

During the year ended 31 December 2022, the composition of the Nomination Committee changed. Mr. GRIFFITHS retired from office as an Independent Non-executive Director and ceased to be a member of the Remuneration Committee with effect from the conclusion of the AGM on 15 June 2022. Mrs. MAK, an Independent Non-executive Director, was appointed a member of the Nomination Committee with effect from 15 June 2022. The Nomination Committee comprises four members:

- Mr. LO Lok Fung Kenneth (Chairman) – Executive Director and Chairman of the Board
- Mr. GRIFFITHS Anthony Nigel Clifton (retired with effect from 15 June 2022) – Independent Non-executive Director
- Mr. MAK Wing Sum Alvin – Independent Non-executive Director
- Mr. WONG Siu Kee – Independent Non-executive Director
- Mrs. MAK TANG Pik Yee Agnes (appointed with effect from 15 June 2022) – Independent Non-executive Director

The Nomination Committee met twice during 2022, and all members attended each meeting.

Committee Purpose

In accordance with its current terms of reference (available on the websites of the Stock Exchange and the Company), the Nomination Committee was established to examine and review for the Company:

- Board composition
- Board diversity
- Board succession
- Board effectiveness

and to make recommendations to the Board in these areas for its consideration.

Work of the Committee

The Nomination Committee works in accordance with its current terms of reference, which can be found on the Company's website. It continuously reviews the composition of the Board, including its diversity and succession.

The Nomination Committee has a written nomination policy and process for selecting and appointing new Director(s). The Nomination Committee made recommendations to the Board on the Board composition, the key profiles of new Independent Non-executive Directors, and the Board's role and responsibilities. In addition, the Nomination Committee conducted interviews with four candidates, and assessed their independence and board diversity both before and after nominating the candidate to the Board for appointment as Independent Non-executive Director, effective 15 June 2022.

At least annually, the Nomination Committee reviews the present and future skills, experience, expertise, character and gender diversity the Board needs for the Company to achieve its long-term strategic objectives and business plans. If the Nomination Committee feels there are gaps in the collective skills, experience, expertise and character of the Board, it notifies the Board of its views and reasoning, as well as its recommendations as to what, if any, action needs to be taken and when.

To assess the composition of the Board and its needs to perform effectively, the Nomination Committee developed working papers on the skills and attributes needed on the Board and by individual Directors.

A preliminary review of succession on the Board was made. The Nomination Committee recommended to the Board the re-appointment of various Directors at the AGM. The Nomination Committee adopted and applied the skills and attributes papers in its assessment of the Board composition, developing medium-term succession plans for discussion with the Board, and arranging a further review of the effectiveness of the performance of the Board and its committees. In this regard, the Nomination Committee commenced the process of identifying suitable successors for the current Independent Non-executive Directors to be effected within the next three years to allow proper time for acclimatisation and effective handover for the positions. Specifically, the Nomination Committee reviewed the suitability of Mrs. MAK to be an Independent Non-executive Director and was unanimous in recommending to the Board her appointment, which was made effective 15 June 2022.

The Nomination Committee reviewed the training and development programmes for certain Directors and senior management to assist in developing the management's readiness over time to be appointed to top management positions and to fulfil the needs of Director on overseeing and executing the Group's strategies. The Nomination Committee was satisfied with the progress made.

During the year, the discussion on the Board evaluation was started. The Nomination Committee reviewed the mode, methodology and foci of the evaluation. Key findings of previous Board evaluations were revisited. The relevant work of the Board evaluation was ongoing.

In addition, the independence of each of the Independent Non-executive Directors was reviewed by the Nomination Committee and found to be satisfactory.

LO Lok Fung Kenneth
On behalf of the Nomination Committee
23 March 2023

CORPORATE DEVELOPMENT COMMITTEE REPORT

Committee Composition and Meeting

During the year ended 31 December 2022, the composition of the Corporate Development Committee changed. Mrs. MAK, an Independent Non-executive Director, was appointed a member of the Corporate Development Committee with effect from 15 June 2022. The Corporate Development Committee comprises ten members, including nine Directors, and one senior management executive:

- Mr. LO Ching Leung Andrew (Chairman) – Executive Director and Chief Executive Officer
- Mr. WONG Sing Wah – Executive Director
- Mr. LO Howard Ching Ho – Executive Director
- Mr. WONG Chi Fai – Non-executive Director
- Mr. LEE Kean Phi Mark – Non-executive Director
- Mr. CHANG George Ka Ki – Independent Non-executive Director
- Mr. MAK Wing Sum Alvin – Independent Non-executive Director
- Mr. WONG Siu Kee – Independent Non-executive Director
- Mrs. MAK TANG Pik Yee Agnes (appointed with effect from 15 June 2022) – Independent Non-executive Director
- Mr. LI Wai Kwan – Chief Financial Officer

The Corporate Development Committee met once in 2022, and all members attended the meeting.

Committee Purpose

In accordance with the Corporate Development Committee's terms of reference, the Corporate Development Committee was established to:

- review and advise the Board on future development opportunities for the Group;
- challenge the strategic direction in terms of profitability, risks and return on equity;
- recommend any potential acquisition opportunities for the Board's consideration; and
- review strategies for business expansion, capital expenditure restructuring, organisational models and competency structures for the Board's consideration.

Work of the Committee

During the year ended 31 December 2022, the Corporate Development Committee reviewed potential corporate development opportunities, vertical integration, productivity enhancement, carbon net zero challenges and opportunities, and other strategies for business expansion.

LO Ching Leung Andrew
On behalf of the Corporate Development Committee
23 March 2023

SUSTAINABILITY COMMITTEE

Committee Composition and Meeting

The Sustainability Committee was a new Board committee established on 5 December 2022 and comprises three members:

- Mr. LO Ching Leung Andrew (Chairman) – Executive Director and Chief Executive Officer
- Mr. WONG Chi Fai – Non-executive Director
- Mr. LEE Kean Phi Mark – Non-executive Director

The first meeting was convened in March 2023.

Committee Purpose

In accordance with the Sustainability Committee's terms of reference, Sustainability Committee is established to oversee and make recommendations to the Board on the following matters:

- The sustainability vision, strategies, frameworks and policies to ensure alignment with the Group's business strategies.
- Relevant sustainability risks and opportunities.
- The Group's sustainability impact on shareholder value and the Group's reputation.

Work of the Committee

During the year ended 31 December 2022 and up to the date of this annual report, the Sustainability Committee started preparation work and engagement with relevant parties to:

- Oversee and provide direction on the development and implementation of the Group's sustainability vision, strategies, and goals, to ensure its effectiveness and alignment with the Group's business strategies.
- Review and endorse relevant policies, frameworks and management approaches.
- Review and evaluate the sustainability performance of the Group, report and make recommendations to the Board.
- Determine and report to the Board on the sustainability issues that are material to the Group's operations.
- Review and report to the Board on relevant risks and opportunities.
- Provide insights on emerging sustainability trends and issues that could impact the business operations and performance of the Group.

- Oversee and make recommendations to the Board on sustainability and community investment plans.

- Review the Group's annual Sustainability Report and recommend endorsement by the Board.

LO Ching Leung Andrew
On behalf of the Sustainability Committee
23 March 2023

DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the Directors during the year ended 31 December 2022 are:

	Fees US$'000	Salaries and allowances US$'000	Performance-based bonuses (note iii) US$'000	Retirement benefit schemes contributions US$'000	Total US$'000
For the year ended 31 December 2022					
Executive Directors (note i):					
Mr. Kenneth LO	–	704	–	–	704
Mrs. Yvonne LO	–	366	–	–	366
Mr. Andrew LO (note iv)	–	797	1,146	16	1,959
Mr. Frankie WONG	–	301	596	17	914
Mr. Dennis WONG	–	753	1,014	40	1,807
Mr. Howard LO	–	416	493	23	932
Non-executive Director (note ii):					
Mr. Mark LEE (note v)	37	–	–	–	37
Independent Non-executive Directors (note ii):					
Mr. GRIFFITHS (note vi)	28	–	–	–	28
Mr. CHANG	65	–	–	–	65
Mr. MAK	77	–	–	–	77
Mr. Kent WONG	61	–	–	–	61
Mrs. MAK (note vii)	29	–	–	–	29
	297	3,337	3,249	96	6,979

Notes:

(i) The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(ii) The Non-executive Director's and Independent Non-executive Directors' emoluments shown above were for their services as Directors.

(iii) The amounts represent performance-based bonuses paid to the Directors to reward their contributions to the Group, based on the performance of the Group.

(iv) Mr. Andrew LO is also the CEO during the year ended 31 December 2022.

(v) Mr. Mark LEE was appointed a Non-executive Director with effect from 1 February 2022. He entered into an agreement with a wholly owned subsidiary of the Company as a consultant of the Group with an annual fee of SGD390,000 (equivalent to approximately US$283,000). During the year ended 31 December 2022, Mr. Mark LEE received consultation fee of SGD351,000 (equivalent to approximately US$254,000) from the Group.

(vi) Mr. GRIFFITHS retired from office as an Independent Non-executive Director with effect from the conclusion of the AGM on 15 June 2022.

(vii) Mrs. MAK was appointed an Independent Non-executive Director with effect from 15 June 2022.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year ended 31 December 2022. None of the Directors has waived any emoluments during the year ended 31 December 2022.

FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The five individuals with the highest emoluments in the Group include three Directors. The emoluments of the five highest paid individuals are:

	2022 US$'000
Salaries and allowances	**2,690**
Performance-based bonuses (note)	**3,815**
Retirement benefit schemes contributions	**106**
	6,611

Note: The amounts represent performance-based bonuses paid to the five highest paid individuals to reward their contributions to the Group.

Their emoluments were within the following bands (presented in HK$):

	Number of Directors 2022	Number of employees 2022
HK$7,000,001 to HK$7,500,000	2	–
HK$7,500,001 to HK$8,000,000	–	1
HK$14,000,001 to HK$14,500,000	1	–
HK$15,000,001 to HK$15,500,000	1	–
	4	1

During the year ended 31 December 2022, no emoluments were paid by the Group to any of 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.

SENIOR MANAGEMENT REMUNERATION BY BANDS

The remuneration of the Company's senior management, whose profiles are set out on page 21 of this annual report, for the year ended 31 December 2022 were within the following bands (presented in HK$):

	Number of senior management
HK$4,500,001 to HK$5,000,000	2
HK$6,000,001 to HK$6,500,000	1

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to participate in continuous professional training at the Company's expenses. All Directors (being Mr. Kenneth LO, Mrs. Yvonne LO, Mr. Andrew LO, Mr. Dennis WONG, Mr. Howard LO, Mr. Frankie WONG, Mr. Mark LEE, Mr. CHANG, Mr. MAK, Mr. Kent WONG and Mrs. MAK) participated in appropriate continuous professional development activities including the Company's in-house update training for Directors during the year ended 31 December 2022 and relevant training records have been maintained by the Company for accurate and comprehensive record keeping.

DIRECTORS' ATTENDANCE AND DEVELOPMENT

Details of Director's attendance at the Board meetings, board committee meetings, AGM and development programme held during the year ended 31 December 2022 are set out in the table below:

Name of Directors	Board (note 1)	Audit Committee (note 2)	Remuneration Committee	Nomination Committee	Corporate Development Committee	2022 AGM	Development Programme (note 3)
	Number of Meetings Attended/Held						
Executive Directors							
Mr. Kenneth LO	5/5*		2/2	2/2*		1/1	1/1
Mrs. Yvonne LO	5/5					1/1	1/1
Mr. Andrew LO	5/5		2/2 (note 4)	2/2 (note 4)	1/1*	1/1	1/1
Mr. Frankie WONG	4/5				0/1	0/1	1/1
Mr. Dennis WONG	5/5				1/1	1/1	1/1
Mr. Howard LO	3/5				1/1	0/1	1/1
Non-executive Directors							
Mr. Mark LEE (note 5)	4/5				1/1	1/1	1/2
Independent Non-executive Directors							
Mr. GRIFFITHS (note 6)	1/1	2/2*		1/1		0/1	0/0
Mr. CHANG (note 7)	5/5	5/5*	2/2		1/1	1/1	1/1
Mr. MAK	5/5	5/5	2/2*	2/2	1/1	1/1	1/1
Mr. Kent WONG (note 8)	5/5	3/3	2/2	2/2	1/1	1/1	1/1
Mrs. MAK (note 9)	4/4	1/1		1/1	0/0	0/0	3/3
Approximate average duration per meeting (HH:MM)	3:18	2:20	1:00	1:00	2:30	0:20	–

* representing chairman of the Board or relevant board committees.

Notes:

(1) The above figures exclude resolutions in writing signed by all Directors, meetings between the Chairman and Independent Non-executive Directors without the presence of Executive Directors and the board meetings other than the regular board meetings.

(2) Excluding meetings with the chairman, the CEO, the relevant Executive Directors and the line presidents of the operating divisions.

(3) In-house update training or continuing professional development programme for the Directors.

(4) Although Mr. Andrew LO is not a member of the Remuneration Committee and the Nomination Committee, he (being the CEO) was invited to attend meetings of those committees and was prohibited from voting or being counted as part of the quorum.

(5) Mr. Mark LEE was appointed a Non-executive Director with effect from 1 February 2022.

(6) Mr. GRIFFITHS retired from office as an Independent Non-executive Director with effect from the conclusion of the AGM on 15 June 2022.

(7) Mr. CHANG was appointed the chairman of the Audit Committee with effect from 15 June 2022.

(8) Mr. Kent WONG was appointed a member of the Audit Committee with effect from 15 June 2022.

(9) Mrs. MAK was appointed an Independent Non-executive Director and a member of each of the Nomination Committee and the Corporate Development Committee with effect from 15 June 2022. She was appointed a member of the Audit Committee with effect from 6 October 2022.

EXTERNAL AUDITOR

The Group's independent external auditor is Messrs. Deloitte Touche Tohmatsu. The external auditor is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements.

The Audit Committee reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process. It receives a report from the external auditor confirming its independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

For the year ended 31 December 2022, the total fees paid/payable in respect of services provided by Messrs. Deloitte Touche Tohmatsu were US$1.2 million, comprising fees for audit services US$0.9 million and for non-audit services (including tax filing and advice) US$0.3 million.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the financial affairs of the Group in the consolidated financial statements of the annual and interim reports, other price sensitive announcements and other financial disclosures required under the Listing Rules, and to report to the regulators as well as to disclose information required pursuant to statutory requirements. The statement of the external auditor about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. When the Directors become aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, such uncertainties would be set out and discussed in detail in this Corporate Governance Report.

The statement of the independent auditor of the Company about its reporting responsibilities and opinion on the consolidated financial statements of the Company for the year ended 31 December 2022 is set out in the Independent Auditor's Report on pages 61 to 65 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems.

The Board's oversight of the Company's risk management and internal control systems, both directly and via the Audit Committee, is ongoing, and the effectiveness of the Company's risk management and internal control systems is reviewed at least annually and reported to the shareholders pursuant to the requirements of the Listing Rules.

During the year under review, the Board conducted its annual review of the effectiveness of the system of internal control (including financial, operational and compliance control) and risk management, discovered no material defect in internal control and considered the existing system to be both effective and adequate. The adequacy of resources, qualified staff, training courses and budgets in its accounting, internal audit and financial reporting functions and the relevant environmental, social and governance performance and reporting of the Group were also reviewed. This was achieved primarily through:

- approving the work plan for the risk management function
- reviewing the periodical risk management activity reports
- reviewing the risks register and updating the relevant risks
- reporting movements in key risks

The Company also had adequate resources, qualified staff, training courses and budgets in the abovementioned functions.

The Board acknowledges that it is responsible for the risk management and internal control systems and for reviewing their effectiveness. Such systems have been designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

INTERNAL AUDIT

Reporting to the Audit Committee, the Internal Audit Department (refer to page 39) provides necessary information to assist management and the Audit Committee to assess the effectiveness of the risk management and internal control systems in order to achieve the business objectives and corporate governance requirements of the Group. Internal auditors conduct or support investigations, as required or directed from time to time by the Board or the Audit Committee.

Corporate Governance Report

INSIDE INFORMATION

The Group has reviewed the policy and procedures for the handling and dissemination of inside information during the year ended 31 December 2022. The policy provides a general guide to Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and replying to enquiries. Control procedures are implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

COMPANY SECRETARY

During the year under review, Mr. Edmund NG is the Company Secretary. The Company Secretary reports directly to the Board and is responsible for providing updated and timely information to all Directors.

During the year ended 31 December 2022, Mr. Edmund NG complied with all the required qualifications, experience and training requirements under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Group aims to establish fair and transparent procedures to afford all shareholders an equal opportunity to exercise their rights in an informed manner and communicate efficiently with the Group. Under the Articles of Association and the relevant policies and procedures of the Group, shareholders have, among others, the following rights:

Convene an Extraordinary General Meeting

General meetings shall be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong (5-7/F., AXA Tower, Landmark East, No.100 How Ming Street, Kowloon, Hong Kong) or, in the event the Company ceases to have a principal office, the registered office, specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company. General meetings may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong (5-7/F., AXA Tower, Landmark East, No.100 How Ming Street, Kowloon, Hong Kong) or, in the event the Company ceases to have a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company. The Company will take appropriate action and make all necessary arrangements in accordance with the requirements of Article 12.3 of the Company's Articles of Association once a valid requisition is received.

Propose a Person for Election as a Director

The Company has adopted the procedures for shareholders to propose a person for election as a Director with effect from the Listing Date. The procedures are available on the Group's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Pursuant to code provision F.2.2 in Part 2 of the CG Code, the Company has invited representatives of the external auditor of the Company to attend the AGM to be convened on 7 June 2023 to answer shareholders' questions relating to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The Board recognises the importance of communication with its shareholders and investors. The Company has established an Investor Relations Department to communicate with research analysts, institutional investors and shareholders in an on-going and timely manner, providing them necessary information, data and services to understand the Company's operations, strategies and development. The Company also issues press releases from time to time. Current information about the Company including the annual report, announcements, circulars and press releases can be downloaded from the Company's website (www.crystalgroup.com). Enquiries may be put to the Board by either contacting the Investor Relations Department through email at ir@crystalgroup.com or raising questions at a general meeting. The relevant part of the shareholders' communication policy was reviewed during the year. The Board is of the view that there are sufficient channels for shareholders to communicate their views on various matters affecting the Company and the steps to solicit and understand the views of shareholders and stakeholders. The implementation of the policy and the communication with shareholders were effective.

CONSTITUTIONAL DOCUMENT

The M&A were amended and restated at 6 October 2017 with effect from the Listing Date. There has been no change to the M&A during the year ended 31 December 2022 and a copy of the M&A is available on the websites of the Company and the Stock Exchange.

AWARDS AND RECOGNITIONS

The Board is pleased to list out some of the major awards presented by renowned organisations to the Group during 2022:

Organisation	Recognition/Award
The Hong Kong Management Association	Hong Kong Sustainability Award 2022 – Distinction Award (Large-sized Organisation Category)
Hong Kong ESG Reporting Awards (HERA) Limited	Best ESG Report – Mid-cap – Grand Award
	Commendation for the Excellence in Social Positive Impact
	Commendation for the Carbon Neutral Award
The Hong Kong Management Association	2022 Best Annual Reports Awards – Certificate of Excellence in Environmental, Social and Governance Reporting
Hong Kong Quality Assurance Agency	Pioneering Organisation in Net-Zero Contribution – Achievement of Net Zero Certificate, Commitment to Net Zero Certificate
ClimatePartner	Carbon Neutral Label
HR Asia	Best Companies to Work for in Asia 2022
The Federation of Hong Kong Industries	BOCHK Corporate Environmental Leadership Awards 2021: Bronze Award, 5 Years+ EcoPioneer, EcoChallenger and EcoPartner
World Wide Fund for Nature (WWF) – Hong Kong	Platinum Label – Low Carbon Manufacturing Programme (LCMP)

The recognition provided by these awards further inspires the Board to ensure the complete compliance of the Group's products and service with the most stringent benchmarks and specifications demanded by key customers. They also contribute towards the Group's ability to benefit from consolidating its base of suppliers, as the Group complies with the tightening regulations and more requirements relating to corporate sustainability in the fast-changing apparel industry.

Glossary

"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company restated at 6 October 2017
"Audit Committee" or "AC"	the Audit Committee of the Company
"Board"	the board of directors of the Company
"Board Diversity Policy"	the policy on board diversity of the Company
"CG Code"	the Corporate Governance Code
"Chairman"	the chairman of the Board (unless the context requires otherwise)
"Chief Executive Officer" or "CEO"	the chief executive officer of the Group
"Chief Financial Officer"	the chief financial officer of the Group
"Company Secretary"	the company secretary of the Company
"Controlling Shareholders"	collectively refers to Mr. Kenneth LO and Mrs. Yvonne LO
"Corporate Development Committee" or "CDC"	the Corporate Development Committee of the Company
"Coronavirus-19" or "COVID-19"	the 2019 Novel Coronavirus
"Crystal International" or "Company", or "we", or "our", or "us"	Crystal International Group Limited, a company incorporated in Bermuda with limited liability and registered by way of continuation in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Designated Management Team"	a designated management team led by CEO
"Director(s)"	the director(s) of the Company
"Directors and Senior Management Remuneration Policy"	the policy on remuneration of Directors and senior management of the Company
"Executive Directors"	the executive directors of the Company (unless the context requires otherwise)
"Group" or "Crystal" or "Crystal Group"	the Company and/or its subsidiaries
"HK$"	Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Incentive Shares"	128 shares of the Company transferred from Crystal Group Limited to eligible employees pursuant to Share Award Scheme A on 28 December 2016

Glossary

"Independent Non-executive Directors"	independent non-executive directors of the Company (unless the context requires otherwise)
"Listing Date"	3 November 2017
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"M&A"	the Memorandum and Articles of Association of the Company (as amended from time to time)
"Model Code"	the Model Code for Securities Transactions by directors of Listed Companies
"MPF Scheme"	Mandatory Provident Fund Scheme in Hong Kong
"Mr. Andrew LO"	Mr. LO Ching Leung Andrew
"Mr. CHANG"	Mr. CHANG George Ka Ki
"Mr. Dennis WONG"	Mr. WONG Sing Wah
"Mr. Eddie LO"	Mr. LO Wing Sing Eddie
"Mr. Edmund NG"	Mr. NG Tsz Yeung
"Mr. Frankie WONG"	Mr. WONG Chi Fai
"Mr. GRIFFITHS"	Mr. GRIFFITHS Anthony Nigel Clifton
"Mr. Howard LO"	Mr. LO Howard Ching Ho
"Mr. Kenneth LO"	Mr. LO Lok Fung Kenneth
"Mr. Kent WONG"	Mr. WONG Siu Kee
"Mr. LI"	Mr. LI Wai Kwan
"Mr. Mark LEE"	Mr. LEE Kean Phi Mark
"Mr. MAK"	Mr. MAK Wing Sum Alvin
"Mrs. MAK"	Mrs. MAK TANG Pik Yee Agnes
"Mrs. Yvonne LO"	Mrs. LO CHOY Yuk Ching Yvonne
"Nomination Committee" or "NC"	the Nomination Committee of the Company
"Non-executive Directors"	non-executive directors of the Company (unless the context requires otherwise)

Glossary

"Ordinary Share"	ordinary share(s) of HK$0.01 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
"PRC" or "China"	the People's Republic of China
"Principles"	the principles of good corporate governance (unless the context requires otherwise)
"Remuneration Committee" or "RC"	the Remuneration Committee of the Company
"RMB"	the Renminbi
"Scheme B Participants"	the participants of the Share Award Scheme B
"Scheme Period"	a period of ten years commencing on the date of the first grant of the Share Awards being 12 October 2017
"SFO"	the Securities and Futures Ordinance of Hong Kong
"SGD"	Singapore dollars
"Share Awards"	the share awards granted under the Share Award Scheme B
"Share Award Grant Letter"	the grant letter of Share Awards
"Share Award Scheme A"	the Company's share award scheme adopted on 28 December 2016
"Share Award Scheme B"	the Company's share award scheme adopted in April 2017
"Share Award Scheme B Eligible Persons"	the persons eligible of receiving Share Awards under the Share Award Scheme B
"Shareholder(s)"	the holder(s) of ordinary share(s) of HK$0.01 each in the issued capital of the Company
"Stock Exchange", "Hong Kong Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"Sustainability Committee" or "SC"	the Sustainability Committee of the Company
"Trustee"	The Core Trust Company Limited, an independent professional trustee of Share Award Scheme B
"U.K."	the United Kingdom
"US$"	United States dollars
"United States" or "USA" or "U.S." or "US"	the United States of America
"Vice Chairman"	the vice chairman of the Board

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF CRYSTAL INTERNATIONAL GROUP LIMITED
(incorporated in Bermuda with limited liability and registered by way of continuation in the Cayman Islands)

OPINION

We have audited the consolidated financial statements of Crystal International Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 66 to 166, which comprise the consolidated statement of financial position at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of goodwill and an intangible asset with indefinite useful life

We identified the impairment assessment of goodwill and an intangible asset with indefinite useful life, namely brand name, which are allocated to the cash-generating unit of SLH Pte. Ltd. ("**SLH CGU**") of Vista Corp Holdings Limited ("**Vista**") as a key audit matter because of the significance of the balances to the consolidated statement of financial position as a whole and the significant degree of judgment made by management in the assessment process.

As set out in note 4 to the consolidated financial statements, determining whether goodwill and the intangible asset with indefinite useful life are impaired requires management's estimation of the value in use of the SLH CGU business to which the goodwill and the intangible asset with indefinite useful life have been allocated. The value in use calculation requires the management of the Group to estimate the future cash flows expected to arise from the SLH CGU, which includes key assumptions for cash flow projections, including yearly growth rates of revenue, gross margin and discount rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As set out in notes 15 and 16 to the consolidated financial statements, the carrying amounts of goodwill and the intangible asset with indefinite useful life allocated to the SLH CGU of Vista are US$74,941,000 and US$31,777,000, respectively, at 31 December 2022.

The management of the Group determined that there was no impairment in the SLH CGU of Vista containing goodwill and the intangible asset with indefinite useful life during the year ended 31 December 2022.

Our procedures in relation to the impairment assessment of goodwill and the intangible asset with indefinite useful life included:

- Understanding the entity's key controls in relation to the impairment assessment of goodwill and the intangible asset with indefinite useful life, including the process of preparation of the future cash flow projections;
- Evaluating the appropriateness of the key assumptions in the cash flow projections, including yearly growth rates of revenue and gross margin by reference to the historical performance, future business plan of the Group as well as industrial trends;
- Involving our internal valuation expert to evaluate the appropriateness of the valuation methodology and the reasonableness of the discount rate used by management by performing re-calculations based on market data and certain company specific parameters;
- Obtaining the sensitivity analysis performed by management and assessing the extent of impact on the value in use; and
- Evaluating the historical accuracy of the forecasted cash flows by comparing them to actual results in the current year.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of the net realisable value of inventories	
We identified the assessment of the net realisable value of inventories as a key audit matter due to the significance of the inventories' balance to the consolidated statement of financial position as a whole and the management judgment involved in the determination of the net realisable value. As disclosed in notes 4 and 19 to the consolidated financial statements, inventories are carried at US$280,202,000, which represent approximately 27% and 15% of the Group's current assets and total assets at 31 December 2022, respectively. An expense of US$14,846,000 was recognised in profit or loss to write down the cost of inventories to their net realisable values during the year ended 31 December 2022. As disclosed in note 4 to the consolidated financial statements, the management identified slow-moving and obsolete inventories based on the aged analysis of inventory and recent or subsequent usage/sales and determined the write-down of inventories based on latest selling prices at the end of the year.	Our procedures in relation to the assessment of the net realisable value of inventories included: • Obtaining an understanding of the management's process in identifying slow-moving and obsolete inventories and determining the net realisable value of inventories; • Engaging our internal IT specialists to test the accuracy of the inventories aging list in the system generated report and assessing whether slow-moving and obsolete inventories were properly identified after taking into account subsequent sales of finished goods and subsequent usage and consumption of raw materials and work in progress; and • Comparing the actual selling prices of finished goods subsequent to year end, on a sample basis, to their carrying amounts to check whether the finished goods are stated at the lower of cost and net realisable value.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our 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 IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

- 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.

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 the independent auditor's report is TSE Fung Chun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTES	2022 US$'000	2021 US$'000
Revenue	5	2,490,966	2,341,432
Cost of sales		(2,027,616)	(1,893,822)
Gross profit		463,350	447,610
Other income, gains or losses		21,563	15,702
Impairment losses under expected credit loss model, net of reversal	8	1,856	(669)
Selling and distribution expenses		(26,920)	(24,047)
Administrative expenses		(202,342)	(208,804)
Research and development expenses		(34,358)	(31,057)
Finance costs		(10,977)	(7,416)
Share of results of an associate		524	530
Profit before tax	6	212,696	191,849
Income tax expense	9	(39,467)	(28,558)
Profit for the year		173,229	163,291
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(67,825)	14,198
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit assets	27	–	(217)
Deferred tax credit arising on defined benefit assets		–	163
Surplus on revaluation of properties		3,021	2,084
Deferred tax expense arising on revaluation of properties		(1,336)	(509)
		1,685	1,521
Other comprehensive (expense) income for the year		(66,140)	15,719
Total comprehensive income for the year		107,089	179,010

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTE	2022 US$'000	2021 US$'000
Profit for the year attributable to:			
Owners of the Company		172,726	163,106
Non-controlling interests		503	185
		173,229	163,291
Total comprehensive income for the year attributable to:			
Owners of the Company		106,586	178,825
Non-controlling interests		503	185
		107,089	179,010
Basic earnings per share for profit attributable to the owners of the Company (US cents)	10	6.05	5.72

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 US$'000	2021 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	582,342	623,811
Right-of-use assets	13	98,316	86,775
Deposits paid for acquisition of property, plant and equipment	14	24,992	12,339
Goodwill	15	74,941	74,941
Intangible assets	16	76,025	80,942
Defined benefit assets	27	–	–
Interest in an associate	17	16,376	16,338
Loan receivables	18	225	520
Deferred taxation assets	26	1,185	–
		874,402	895,666
Current assets			
Inventories	19	280,202	308,344
Right-of-use assets	13	1,495	1,600
Trade, bills and other receivables	20	154,467	251,305
Trade receivables at fair value through other comprehensive income	21	126,701	99,495
Amounts due from related companies	30	216	217
Loan receivables	18	1,062	756
Tax recoverable		1,364	842
Bank balances and cash	22	455,056	401,270
		1,020,563	1,063,829
Total assets		1,894,965	1,959,495

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	2022 US$'000	2021 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	3,654	3,654
Reserves		1,337,828	1,285,202
Equity attributable to owners of the Company		1,341,482	1,288,856
Non-controlling interests		3,817	4,463
Total equity		1,345,299	1,293,319
Non-current liabilities			
Other payables	24	318	825
Lease liabilities	25	20,515	19,461
Deferred taxation liabilities	26	38,977	34,714
		59,810	55,000
Current liabilities			
Trade and other payables	24	340,285	396,967
Lease liabilities	25	10,310	11,367
Amount due to an associate	29	13,717	12,719
Tax liabilities		23,847	22,526
Bank borrowings	28	101,697	167,597
		489,856	611,176
Total equity and liabilities		1,894,965	1,959,495

The consolidated financial statements on pages 66 to 166 were approved and authorised for issue by the board of directors on 23 March 2023 and are signed on its behalf by:

Mr. LO Lok Fung Kenneth
DIRECTOR

Mrs. LO CHOY Yuk Ching Yvonne
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company								
	Share capital US$'000	Share premium US$'000	Property revaluation reserve US$'000	Exchange reserve US$'000	Capital reserve US$'000	Retained profits US$'000	Subtotal US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2021	3,654	505,677	64,815	(61,612)	9,903	641,944	1,164,381	–	1,164,381
Profit for the year	–	–	–	–	–	163,106	163,106	185	163,291
Exchange difference arising on translation of foreign operations	–	–	–	14,198	–	–	14,198	–	14,198
Remeasurement of defined benefit assets	–	–	–	–	–	(217)	(217)	–	(217)
Deferred tax credit arising on defined benefit assets	–	–	–	–	–	163	163	–	163
Surplus on revaluation of properties	–	–	2,084	–	–	–	2,084	–	2,084
Deferred tax expense arising on revaluation of properties	–	–	(509)	–	–	–	(509)	–	(509)
Total comprehensive income for the year	–	–	1,575	14,198	–	163,052	178,825	185	179,010
Dividend paid (note 11)	–	–	–	–	–	(54,350)	(54,350)	–	(54,350)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	58	58
Acquisition of subsidiaries (note 31(c))	–	–	–	–	–	–	–	4,220	4,220
At 31 December 2021	3,654	505,677	66,390	(47,414)	9,903	750,646	1,288,856	4,463	1,293,319
Profit for the year	–	–	–	–	–	172,726	172,726	503	173,229
Exchange difference arising on translation of foreign operations	–	–	–	(67,825)	–	–	(67,825)	–	(67,825)
Surplus on revaluation of properties	–	–	3,021	–	–	–	3,021	–	3,021
Deferred tax expense arising on revaluation of properties	–	–	(1,336)	–	–	–	(1,336)	–	(1,336)
Total comprehensive income (expense) for the year	–	–	1,685	(67,825)	–	172,726	106,586	503	107,089
Dividend paid (note 11)	–	–	–	–	–	(53,960)	(53,960)	–	(53,960)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(1,149)	(1,149)
Release of property revaluation reserve	–	–	(502)	–	–	502	–	–	–
At 31 December 2022	3,654	505,677	67,573	(115,239)	9,903	869,914	1,341,482	3,817	1,345,299

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 US$'000	2021 US$'000
OPERATING ACTIVITIES		
Profit before tax	212,696	191,849
Adjustments for:		
Interest income	(4,407)	(1,228)
Finance costs	10,977	7,416
Depreciation of property, plant and equipment	72,671	72,865
Depreciation of right-of-use assets	14,930	15,164
Amortisation of intangible asset	4,917	4,917
Net loss (gain) arising from changes in fair value of derivative financial instruments	979	(619)
Loss (gain) on disposals of property, plant and equipment	1,378	(855)
Gain on termination of leases	(703)	(21)
Share of results of an associate	(524)	(530)
Write-down of inventories	14,846	10,232
Write-down of deposit paid for acquisition of property, plant and equipment	596	–
Impairment loss recognised in respect of goodwill	4,780	813
Impairment loss recognised in respect of property, plant and equipment	16,539	–
(Reversal of) impairment losses recognised under expected credit loss model	(1,856)	669
Operating cash flows before movements in working capital	347,819	300,672
Decrease (increase) in inventories	9,238	(74,562)
Decrease (increase) in trade, bills and other receivables	100,847	(22,173)
Increase in trade receivables at fair value through other comprehensive income	(27,406)	(34,718)
Decrease in amounts due from related companies	–	220
Decrease in defined benefit assets	–	738
(Decrease) increase in trade and other payables	(47,616)	36,660
Increase in amount due to an associate	998	3,141
Cash generated from operations	383,880	209,978
Profits tax paid	(34,729)	(20,116)
NET CASH FROM OPERATING ACTIVITIES	349,151	189,862

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTE	2022 US$'000	2021 US$'000
INVESTING ACTIVITIES			
Payment for property, plant and equipment		(91,750)	(65,402)
Net cash outflow on acquisition of subsidiaries	31	(47,657)	(25,735)
(Payment) receipt on settlement of derivative financial instruments		(979)	619
Loan receivables advanced		(972)	–
Interest received		4,407	1,228
Loan receivables received		911	880
Proceeds on disposal of property, plant and equipment		563	1,815
Dividend received from an associate		–	1,603
NET CASH USED IN INVESTING ACTIVITIES		(135,477)	(84,992)
FINANCING ACTIVITIES			
Repayment of bank borrowings		(318,662)	(245,075)
Dividend paid		(53,960)	(54,350)
Repayment of lease liabilities		(12,950)	(17,329)
Interest paid		(10,977)	(7,416)
Dividends paid to non-controlling interests		(1,149)	–
New bank borrowings raised		253,118	230,406
Capital injection from non-controlling interest		–	58
NET CASH USED IN FINANCING ACTIVITIES		(144,580)	(93,706)
NET INCREASE IN CASH AND CASH EQUIVALENTS		69,094	11,164
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(15,308)	6,679
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		401,270	383,427
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		455,056	401,270

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL INFORMATION

Crystal International Group Limited (the "**Company**") was previously incorporated in Bermuda as an exempted company with limited liability and registered by way of continuation in the Cayman Islands as an exempted company with limited liability. The Company is directly held by its controlling shareholders, Mr. LO Lok Fung Kenneth and Mrs. LO CHOY Yuk Ching Yvonne, both executive directors of the Company. The address of the registered office of the Company is Ugland House, P.O. Box 309, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business of the Company is 5-7/F., AXA Tower, Landmark East, No. 100 How Ming Street, Kowloon, Hong Kong.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 November 2017.

The consolidated financial statements are presented in United States dollars ("**US$**"), which is also the functional currency of the Company.

The Company is an investment holding company and the principal activities of its principal subsidiaries and associate are set out in notes 38 and 17 respectively.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**"), for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Amendments to IFRSs that are mandatorily effective for the current year (Continued)

2.1 Impacts on application of Amendments to IFRS 3 "Reference to the Conceptual Framework"

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 "Business Combinations" so that it refers to the "Conceptual Framework for Financial Reporting" issued by the IASB in March 2018 (the "**Conceptual Framework**") instead of the International Accounting Standards Committee's "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting" issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" ("**IAS 37**") or IFRIC 21 "Levies" ("**IFRIC 21**"), an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 "Income Taxes" ("**IAS 12**") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on 1 January 2023. At 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to US$30,126,000 and US$30,825,000 respectively. The application of the amendments should have no material impact on the Group's financial positions and performance and/or on the disclosures set out in these consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

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

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations (Continued)

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed at the acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amount of the acquiree's identifiable net assets or at fair value.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost established at the date of the acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

A CGU or groups of CGUs to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU or groups of CGUs to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the CGU or groups of CGUs.

On disposal of the relevant CGU or any of the CGUs within the groups of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU or a CGU within the groups of CGUs, the amount of goodwill disposed of is measured on the basis of the relative values of the operation or the CGU disposed of and the portion of the CGU or the groups of CGUs retained.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using accounting policies that are uniform with those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes result in changes in ownership interest held by the Group. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investment in an associate (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9 "Financial Instruments" ("**IFRS 9**"), the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposal of the interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interest in the associate that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, that better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group adopts the practical expedient or not separating non-lease components from the lease component, instead accounting for the lease component and any associated non-lease components as a single lease component.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The costs of right-of-use assets include:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments which are payments that may, in form, contain variability but that, in substance, are unavoidable) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option that is reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the Group considers it will probably exercise the termination option.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of use asset) when there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When lease liabilities are remeasured, corresponding adjustments are made to the carrying amount of the right-of-use assets.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

Lease modifications

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

When a modification is made to a lease that is not accounted for as a separate lease, the Group remeasures the lease liability less any lease incentives receivable based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than freehold lands and construction in progress) and are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold lands is not depreciated and is measured at cost less subsequent accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for such assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, similarly to other property assets, commences when the assets are ready for their intended use.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

Any increase arising on/from revaluation of leasehold land and owned properties is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an item of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, any attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised to write off the cost or revalued amounts of items of property, plant and equipment (other than construction in progress and freehold land) less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is recognised as an expense in the period in which it is incurred when it results in no internally-generated intangible asset.

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication that they may be impaired.

The recoverable amounts of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

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

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or a portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of groups of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to those groups of CGUs, with the recoverable amount of the groups of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or groups of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or groups of CGUs. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

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

Bank balances and cash

Bank balances and cash presented in the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of presenting the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Provisions

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

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

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation of which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

Taxation

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant taxation authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented in the “other income, gains or losses” line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Employee benefits

Retirement benefit costs

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

For the defined benefit plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, the Group remeasures the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions in valuing plan liabilities and the consequent plan surplus or deficit before and after the plan amendment, curtailment or settlement, no consideration being given to the effect of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. If the Group remeasures the net defined benefit liability or asset before the plan amendment, curtailment or settlement, the Group determines the net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement. In doing so, the Group uses the plan liabilities and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

The retirement benefit obligation or asset recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plan. Any such surplus is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Employee benefits (Continued)

Termination benefits

Termination benefits result from either the Group's decision to terminate an employee's employment or an employee's decision to accept the Group's offer of benefits in exchange for termination of employment. The Group recognises a liability for benefits at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

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

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

Financial instruments

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Interest income recognised on financial assets at amortised cost and FVTOCI

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Receivables classified as at FVTOCI

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

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets and a financial guarantee contract

The Group performs impairment assessment under the expected credit loss ("**ECL**") model on financial assets (including trade, bills and other receivables, loan advanced to an associate, trade receivables at FVTOCI, loan receivables, amounts due from related companies, bank balances) and a financial guarantee contract which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and a financial guarantee contract (Continued)

The Group always recognises lifetime ECL for trade receivables without any significant financing component. The ECL on these assets is assessed individually for debtors with significant balances.

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

(i) Significant increase in credit risk

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and a financial guarantee contract (Continued)

(i) Significant increase in credit risk (Continued)

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

Despite the foregoing, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the end of the reporting period. A financial asset is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" in accordance with globally understood definitions.

For the financial guarantee contract, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of corporate guarantee, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

(ii) Definition of default

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and a financial guarantee contract (Continued)

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and a financial guarantee contract (Continued)

(v) Measurement and recognition of ECL (Continued)

For the financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of receivables classified as at FVTOCI, the cumulative gain or loss previously accumulated in the financial instruments revaluation reserve is reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities other than derivatives (including trade and other payables, amount due to an associate and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires 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. Corporate guarantee liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group adopts the practical expedient of accounting for these changes by updating the effective interest rate. Such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flow is required by interest rate benchmark reform if, and only if, both these conditions are met:

- the change is necessary as a direct consequence of the interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is credited or charged to profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Determination of lease terms of contracts with extension or termination options

The Group applies judgment to determine the lease terms for lease contracts in which it is a lessee that include extension or termination options. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. A lease is considered no longer enforceable when the Group, as the lessee, and lessor both have the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

The assessment of whether the Group is reasonably certain to exercise extension or termination options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed when a significant event or a significant change in circumstances occurs affecting the assessment and that is within the control of the lessee.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below market rates);
- the extent of leasehold improvements undertaken by the Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

During the year ended 31 December 2022, no (2021: no) additional/reduction of right-of-use assets and lease liabilities have been recognised in relation to the exercise of the extension or termination options.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Impairment assessment of goodwill and intangible assets allocated to the SLH CGU of Vista Corp Holdings Limited ("Vista")

Customer relationship with finite useful life is reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable at the end of the reporting period. In the opinion of the directors of the Company, there are no indicators of impairment (including adverse changes to financial performance such as profit margin, adverse changes to continuing customer portfolios etc.) identified for customer relationship at 31 December 2022.

Goodwill and brand name with an indefinite useful life are reviewed for impairment annually, irrespective of whether there is any indication that they may be impaired. Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable amount of the CGU to which the goodwill and intangible assets have been allocated. The recoverable amount of the CGU at the end of the reporting period is based on the higher of the fair value less costs of disposal and value in use. The value in use calculation requires the management of the Group to estimate the future cash flows expected to arise from the CGU, which includes key assumptions for cash flow projections including yearly growth rates of revenue, gross margin and discount rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. The estimated cash flows and discount rate are subject to a higher degree of estimation variability in the current year due to uncertainty about how both the COVID-19 pandemic may evolve and volatility in financial markets, either of which could potentially disrupt the Group's operation.

The Group has not recognised an impairment loss during the year since the recoverable amount of the SLH CGU of Vista, which includes goodwill and intangible assets, exceeds its carrying amount.

At 31 December 2022, the carrying amounts of goodwill and intangible assets allocated to the SLH CGU of Vista are US$74,941,000 and US$76,025,000 (2021: US$74,941,000 and US$80,942,000), respectively (see notes 15 and 16).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Assessment of the net realisable value of inventories

Inventories are stated at the lower of cost and net realisable values. The management of the Group is required to exercise judgment in identifying slow-moving and obsolete inventories and to determine the write-down of inventories based on the latest selling prices and market conditions at the end of the year. The identification of slow-moving and obsolete inventories is based on the aged analysis of inventory and recent or subsequent usages/sales. Actual net realisable values being lower than expectation will impact the carrying amounts of inventories.

At 31 December 2022, the carrying amount of inventories is US$280,202,000 (2021: US$308,344,000) (see note 19). During the year ended 31 December 2022, an expense of US$14,846,000 (2021: US$10,232,000) was recognised in profit or loss to write down the cost of inventories to their net realisable values.

Fair value measurement of land and owned properties

Certain of the Group's land and owned properties are measured at fair value for financial reporting purposes. The directors of the Company are responsible for determining the appropriate valuation techniques and inputs for fair value measurement.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Whilst the Group considers these valuations are the best estimates, any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment may cause further disruptions to the Group's business. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs not based on observable market data to estimate the fair value of properties. Note 12 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the properties. Changes in inputs and assumptions could result in material adjustments to the fair value of the properties.

At 31 December 2022, the carrying amounts of land and owned properties at valuation are US$369,211,000 (2021: US$387,067,000) (see note 12).

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. The directors of the Company review their carrying amounts whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable at the end of the reporting period. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

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

In determining whether an asset is impaired, the directors of the Company have to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred, or there is any indicator that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount that, in the case of value in use, is the net present value of future cash flows from the continuous use of the asset, which are estimated using an appropriate discount rate and other key assumptions in the cash flow projection. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the directors of the Company estimate the recoverable amount of the CGU to which the asset belongs. Changing the assumptions and estimates, including the discount rate or the growth rate in the cash flow projection, could materially affect the recoverable amount.

After considering the events and circumstances mentioned in notes 6 and 12 which indicate the carrying amounts of certain property, plant and equipment may not be recovered, an impairment loss of US$16,539,000 (2021: nil) was recognised in profit or loss during the year ended 31 December 2022. In the opinion of the directors of the Company, there was no other indicator of impairment (including obsolescence or physical damage and low utilisation rates of property, plant and equipment) identified for the property, plant and equipment and right-of-use assets at the end of the reporting period.

At 31 December 2022, the carrying amounts of property, plant and equipment and right-of-use assets are US$582,342,000 (2021: US$623,811,000) and US$99,811,000 (2021: US$88,375,000), respectively (see notes 12 and 13).

Provision of ECL for trade receivables

Trade receivables are assessed for ECL individually. The provision rates are based on the Group's historical default rates and forward-looking information that is reasonable, supportable and available without undue cost or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has reassessed the expected loss rates in the current year as there may be a higher risk that a prolonged pandemic could led to increased credit default rates. The information about the ECL and the Group's trade receivables is disclosed in note 33.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Assessment of the useful lives of intangible assets

Intangible asset with a finite useful life

The intangible asset of the Group with a finite useful life represents the customer relationship arising from the acquisition of SLH CGU of Vista, which is amortised on a straight line basis over the estimated useful life of the asset. The useful life of the customer relationship was determined with reference to a number of factors, including the useful lives of similar intangible assets, historical customer data and management's experience and industry knowledge. The estimated useful life will be revised if there are significant changes from previous estimates. The carrying amount of the customer relationship is US$44,248,000 (2021: US$49,165,000) at 31 December 2022 (see note 16).

Intangible asset with an indefinite useful life

The intangible asset with an indefinite useful life of the Group represents the brand name arising from the acquisition of SLH CGU of Vista. The brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows to the Group indefinitely taking into account the long history of Vista's operation.

The useful life of the brand name could change significantly as a result of developments in the regulatory and commercial environment. When the useful life of the brand name becomes finite due to change in the regulatory and commercial environment, the brand name may be impaired and will be amortised based on its estimated useful life. The carrying amount of the brand name is US$31,777,000 (2021: US$31,777,000) at 31 December 2022 (see note 16).

5. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The Group is principally engaged in the manufacturing and trading of garments. All revenue generated by the Group is recognised at the point when control of the goods has transferred to the customers, being when the goods have arrived at the specific location (delivery).

The Group sells garments directly to its customers and revenue is recognised when control of the goods has transferred, being when the goods have arrived at the specific location (delivery). Transportation and other related activities that occur before the customers obtain control of the related goods are considered as fulfilment activities. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on-selling the goods and bears the risks of obsolescence and loss in relation to the goods. The Group allows credit periods ranging from 14 to 120 days to its trade customers. The Group allows certain of its trade customers an early settlement discount when the trade customers settle the consideration before the credit period granted. The sales to these trade customers are recognised as revenue when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The Group considers the early settlement discount is a form of cash discount and, accordingly the amount of consideration is adjusted for the effect of the expected early settlement discount for each sales transaction based on the settlement pattern of the trade customers.

The contracts for sales of garments are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

(b) Segment information

Information reported to the chief executive officer of the Group, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performances, focuses on types of products.

(i) Lifestyle wear

(ii) Denim

(iii) Sportswear and outdoor apparel

(iv) Intimate

(v) Sweater

These operating segments also represent the Group's reportable segments. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

Year ended 31 December 2022

	Lifestyle wear US$'000	Denim US$'000	Sportswear and outdoor apparel US$'000	Intimate US$'000	Sweater US$'000	Total US$'000
SEGMENT REVENUE						
External sales	697,450	567,723	556,548	470,912	198,333	2,490,966
Segment profit	139,633	92,256	101,753	87,261	42,447	463,350
Other income, gains or losses						21,563
Impairment losses under expected credit loss model, net of reversal						1,856
Selling and distribution expenses						(26,920)
Administrative expenses						(202,342)
Research and development expenses						(34,358)
Finance costs						(10,977)
Share of results of an associate						524
Profit before tax						212,696

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment revenue and results (Continued)

Year ended 31 December 2021

	Lifestyle wear US$'000	Denim US$'000	Sportswear and outdoor apparel US$'000	Intimate US$'000	Sweater US$'000	Total US$'000
SEGMENT REVENUE						
External sales	734,963	570,962	426,550	427,915	181,042	2,341,432
Segment profit	146,743	104,413	76,593	83,895	35,966	447,610
Other income, gains or losses						15,702
Impairment losses under expected credit loss model, net of reversal						(669)
Selling and distribution expenses						(24,047)
Administrative expenses						(208,804)
Research and development expenses						(31,057)
Finance costs						(7,416)
Share of results of an associate						530
Profit before tax						191,849

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of other income, gains or losses, impairment losses under expected credit loss model, selling and distribution expenses, administrative expenses, research and development expenses, finance costs and share of results of an associate. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Certain amounts of depreciation of property, plant and equipment and right-of-use assets are included in the measure of segment results in each segment. No further analysis is presented for certain items included or excluded in the measure of segment results as such information is not regularly provided to the CODM.

Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Revenue from major customers

Revenue from a customer individually contributing over 10% of the Group's revenue is as follows:

	Segment	2022 US$'000	2021 US$'000
Customer A	Lifestyle wear, Denim, Sportswear and outdoor apparel, Intimate and Sweater	748,592	787,652

Geographical information

Information about the Group's revenue is presented below by geographical location based on port of discharge:

	2022 US$'000	2021 US$'000
United States	959,853	908,180
Asia Pacific (note i)	940,759	949,656
Europe (note ii)	449,119	386,834
Other countries/regions	141,235	96,762
	2,490,966	2,341,432

Notes:

(i) Asia Pacific primarily includes Japan, the People's Republic of China (the "**PRC**") and South Korea.

(ii) Europe primarily includes France, Germany, the Netherlands and the United Kingdom (the "**U.K.**").

Information about the Group's non-current assets other than defined benefit assets, deferred taxation and financial instruments is presented below by geographical location of the assets:

	2022 US$'000	2021 US$'000
Asia Pacific (note i)	856,667	878,731
Europe (note ii)	200	290
	856,867	879,021

Notes:

(i) Asia Pacific primarily includes Bangladesh, Cambodia, Hong Kong, the PRC, Singapore, Sri Lanka and Vietnam.

(ii) Europe primarily includes the U.K..

6. PROFIT BEFORE TAX

	2022 US$'000	2021 US$'000
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments (note 7)	6,979	6,862
Other staff costs	522,224	521,648
Redundancy costs (note a)	10,000	–
Retirement benefit schemes contributions for other staff	53,940	51,995
Total staff costs (note d)	593,143	580,505
Auditors' remuneration:		
– audit services	1,110	1,097
– non-audit services	378	486
Cost of inventories recognised as expenses (including write-down of inventories amounting to US$14,846,000 (2021: US$10,232,000)) (note d)	2,013,351	1,893,822
Depreciation of property, plant and equipment (note d)	72,671	72,865
Depreciation of right-of-use assets (note d)	14,930	15,164
Amortisation of intangible asset (included in selling and distribution expenses)	4,917	4,917
Impairment loss recognised in respect of property, plant and equipment (note b)	16,539	–
Impairment loss recognised in respect of goodwill (note e)	4,780	813
Loss (gain) on disposals of property, plant and equipment	1,378	(855)
Gain on termination of leases	(703)	(21)
Write-down of deposit paid for acquisition of property, plant and equipment	596	–
Net loss (gain) arising from changes in fair value of derivative financial instruments	979	(619)
Interest income	(4,407)	(1,228)
Net foreign exchange (gain) loss	(10,182)	6,751
Government grants (note c)	(4,532)	(2,504)
Loss on settlement in relation to defined benefit plan (note 27)	–	11,202
Finance costs:		
– interest expense on lease liabilities	1,477	1,548
– interest on bank borrowings	3,152	2,899
– interest on factoring arrangement	6,348	2,969

6. PROFIT BEFORE TAX (Continued)

Notes:

(a) During the year ended 31 December 2022, the Group has performed a review of all production sites in PRC and had decided a rightsizing plan to improve business performance and profitability. As a result, redundancy cost amounting to US$10,000,000 was charged to profit or loss.

(b) During the year ended 31 December 2022, due to the economic crisis and the uncertainty in the political environment in Sri Lanka, the Group has performed the impairment assessment on the Group's subsidiary in Sri Lanka. Consequently, the Group recognised an impairment loss amounting to approximately US$2,295,000 in respect of property, plant and equipment and charged to profit or loss, in which US$1,937,000 and US$358,000 were included in the "cost of sales" and "administrative expenses" line items respectively. In addition, as a result of the rightsizing of production sites in the PRC, an impairment loss amounting to approximately US$14,244,000 in respect of property, plant and equipment was recognised and charged to profit or loss, in which US$12,328,000 and US$1,916,000 were included in the "cost of sales" and "administrative expenses" line items respectively.

(c) During the year ended 31 December 2022, the Group recognised government grants of US$3,599,000 (2021: US$2,504,000) from government authorities in different countries to support the operations of subsidiaries of the Company. The remaining amount of US$933,000 recognised during the year ended 31 December 2022 comprised government grants related to the Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region.

(d) Cost of inventories recognised as expenses include staff costs, depreciation of property, plant and equipment and depreciation of right-of-use assets used for production, which amounts are also included in the respective total amounts disclosed separately above.

(e) During the year ended 31 December 2022, the Group recognised an impairment loss of US$4,162,000 and US$618,000 in respect of goodwill arising from the acquisition of HAY (as defined in note 31(a)) and Successor (as defined in note 31(b)) respectively. Details of the impairment assessment are set out in note 15.

During the year ended 31 December 2021, the Group recognised an impairment loss of US$813,000 in respect of goodwill arising from the acquisition of Pine Wood (as defined in note 31(d)). Details of the impairment assessment are set out in note 15.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

Details of the emoluments paid or payable to the directors of the Company during the current year are as follows:

	Fees US$'000	Salaries and allowances US$'000	Performance-based bonuses US$'000 (note iii)	Retirement benefit schemes contributions US$'000	Total US$'000
For the year ended 31 December 2022					
Executive directors (note i):					
Mr. LO Lok Fung Kenneth	–	704	–	–	704
Mrs. LO CHOY Yuk Ching Yvonne	–	366	–	–	366
Mr. LO Ching Leung Andrew (note iv)	–	797	1,146	16	1,959
Mr. WONG Chi Fai	–	301	596	17	914
Mr. WONG Sing Wah	–	753	1,014	40	1,807
Mr. LO Howard Ching Ho	–	416	493	23	932
Non-executive director (note ii):					
Mr. LEE Kean Phi Mark (appointed on 1 February 2022) (note v)	37	–	–	–	37
Independent non-executive directors (note ii):					
Mr. CHANG George Ka Ki	65	–	–	–	65
Mr. MAK Wing Sum Alvin	77	–	–	–	77
Mr. WONG Siu Kee	61	–	–	–	61
Mrs. MAK TANG Pik Yee, Agnes (appointed on 15 June 2022)	29	–	–	–	29
Mr. GRIFFITHS Anthony Nigel Clifton (retired on 15 June 2022)	28	–	–	–	28
	297	3,337	3,249	96	6,979

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

	Fees US$'000	Salaries and allowances US$'000	Performance-based bonuses US$'000 (note iii)	Retirement benefit schemes contributions US$'000	Total US$'000
For the year ended 31 December 2021					
Executive directors (note i):					
Mr. LO Lok Fung Kenneth	–	710	–	–	710
Mrs. LO CHOY Yuk Ching Yvonne	–	369	–	–	369
Mr. LO Ching Leung Andrew (note iv)	–	783	1,140	14	1,937
Mr. WONG Chi Fai	–	296	593	16	905
Mr. WONG Sing Wah	–	739	1,009	39	1,787
Mr. LO Howard Ching Ho (appointed on 1 January 2021)	–	408	503	23	934
Independent non-executive directors (note ii):					
Mr. GRIFFITHS Anthony Nigel Clifton (retired on 15 June 2022)	55	–	–	–	55
Mr. TSE Man Bun Benny (retired on 2 June 2021)	21	–	–	–	21
Mr. CHANG George Ka Ki	53	–	–	–	53
Mr. MAK Wing Sum Alvin	63	–	–	–	63
Mr. WONG Siu Kee (appointed on 4 June 2021)	28	–	–	–	28
	220	3,305	3,245	92	6,862

Notes:

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

(ii) The non-executive director's and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(iii) The amounts represent performance-based bonuses paid to the directors to reward their contributions to the Group, based on the performance of the Group.

(iv) Mr. LO Ching Leung Andrew is also the Chief Executive Officer of the Company during the years ended 31 December 2022 and 2021.

(v) Mr. LEE Kean Phi Mark entered into an agreement with a wholly owned subsidiary of the Company as a consultant of the Group with an annual fee of Singapore dollars ("**SGD**") 390,000 (equivalent to approximately US$283,000). During the year ended 31 December 2022, Mr. LEE Kean Phi Mark received consultation fee of SGD351,000 (equivalent to approximately US$254,000) from the Group.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2022 and 2021.

The Group has been providing accommodation, which is leased from companies controlled by certain directors of the Company, for directors and their family members at no charge. The estimated money value of the benefit in kind is approximately US$1,250,000 (2021: US$1,260,000).

Five highest paid individuals' emoluments

The five individuals with the highest emoluments in the Group include 4 (2021: 4) directors of the Company. The emoluments of the five highest paid individuals are as follows:

	2022 US$'000	2021 US$'000
Salaries and allowances	2,690	2,621
Performance-based bonuses (note)	3,815	3,798
Retirement benefit schemes contributions	106	103
	6,611	6,522

Note: The amounts represent performance-based bonuses paid to the five highest paid individuals to reward their contributions to the Group.

Their emoluments were within the following bands (presented in Hong Kong dollars ("**HK$**")):

	Number of directors		Number of employees	
	2022	2021	2022	2021
HK$7,000,001 to HK$7,500,000	2	2	–	1
HK$7,500,001 to HK$8,000,000	–	–	1	–
HK$13,500,001 to HK$14,000,000	–	1	–	–
HK$14,000,001 to HK$14,500,000	1	–	–	–
HK$15,000,001 to HK$15,500,000	1	1	–	–
	4	4	1	1

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to any of the directors of the Company 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 of the Company has waived any emoluments during the years ended 31 December 2022 and 2021.

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2022 US$'000	2021 US$'000
Impairment losses (reversed) recognised in respect of		
– trade receivables at amortised cost	(1,856)	669

Details of the impairment assessment are set out in note 33.

9. INCOME TAX EXPENSE

	2022 US$'000	2021 US$'000
The income tax expense comprises:		
Hong Kong Profits Tax		
– current year	16,667	11,487
– under(over)provision in prior years	151	(17)
Overseas taxation		
– current year	22,409	20,780
– overprovision in prior years	(3,669)	(3,451)
	35,558	28,799
Deferred taxation (note 26)	3,909	(241)
	39,467	28,558

In March 2018, the Hong Kong Government introduced the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

The directors of the Company consider the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

According to the Macau Complementary Tax Law, the complementary tax rate of the Macau subsidiaries is 12% of the estimated assessable profit over Macau Pataca ("**MOP**") 600,000 for both years.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

9. INCOME TAX EXPENSE (Continued)

Certain subsidiaries incorporated in Cambodia are exempted from tax on profit in both years while they fulfil certain requirements pursuant to the relevant laws and regulations in Cambodia.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2022 US$'000	2021 US$'000
Profit before tax	212,696	191,849
Tax at the Hong Kong Profits Tax rate of 16.5%	35,095	31,655
Tax effect of expenses not deductible for tax purpose	8,154	7,478
Tax effect of income not taxable for tax purpose	(3,337)	(1,109)
Tax effect of deductible temporary differences not recognised	2,381	110
Utilisation of tax losses previously not recognised	(1,277)	(1,797)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(4,006)	(4,143)
Effect of tax exemptions granted to subsidiaries operating in other jurisdictions	–	(168)
Effect of withholding tax on dividend declared and undistributed earnings of the PRC subsidiaries	5,975	–
Overprovision in prior years	(3,518)	(3,468)
Income tax expense for the year	39,467	28,558

Details of deferred taxation are set out in note 26.

10. EARNINGS PER SHARE

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

	2022 US$'000	2021 US$'000
Earnings:		
Profit for the year attributable to the owners of the Company for the purpose of calculating basic earnings per share	172,726	163,106
	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	2,852,822	2,852,822

No diluted earnings per share was presented for the years ended 31 December 2022 and 2021 as there were no potential dilutive ordinary shares in issue during both years.

11. DIVIDENDS

	2022 US$'000	2021 US$'000
Final, paid – HK9.8 cents per ordinary share for 2021 (2021: HK5.8 cents per ordinary share for 2020)	35,789	21,317
Interim, paid – HK5.0 cents per ordinary share for 2022 (2021: HK4.0 cents per ordinary share for 2021)	18,171	14,656
Special, paid – nil for 2021 (2021: HK5.0 cents per ordinary share for 2020)	–	18,377
	53,960	54,350

A final dividend of HK11.8 cents (2021: HK9.8 cents) per ordinary share in total of approximately HK$336,633,000 (equivalent to approximately US$43,120,000) (2021: HK$279,577,000 (equivalent to approximately US$35,789,000)), in respect of the year ended 31 December 2022 has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and owned properties US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and office equipment US$'000	Motor vehicles US$'000	Computer equipment and software US$'000	Construction in progress US$'000	Total US$'000
COST OR VALUATION								
At 1 January 2021	344,848	63,239	421,187	96,412	7,519	46,227	68,914	1,048,346
Exchange realignment	2,533	906	5,365	1,566	72	487	90	11,019
Additions	1,205	3,090	27,709	5,123	72	3,368	20,998	61,565
Acquisition of subsidiaries (note 31)	4,001	–	5,535	313	6	7	–	9,862
Transfers	56,711	186	4,813	1,627	41	28	(63,406)	–
Disposals	(4,310)	(6,031)	(10,105)	(5,831)	(949)	(3,043)	–	(30,269)
Deficit on revaluation	(12,226)	–	–	–	–	–	–	(12,226)
At 31 December 2021	392,762	61,390	454,504	99,210	6,761	47,074	26,596	1,088,297
Exchange realignment	(30,098)	(3,718)	(23,507)	(3,816)	(207)	(1,970)	(2,935)	(66,251)
Additions	2,685	2,115	24,703	4,675	951	3,062	34,730	72,921
Acquisition of subsidiaries (note 31)	17,200	–	1,446	1,149	40	–	–	19,835
Transfers	6,954	2,792	2,292	3,317	–	4	(15,359)	–
Disposals	(726)	(2,125)	(11,985)	(2,857)	(427)	(3,200)	–	(21,320)
Deficit on revaluation	(12,436)	–	–	–	–	–	–	(12,436)
At 31 December 2022	376,341	60,454	447,453	101,678	7,118	44,970	43,032	1,081,046
Comprising:								
At cost	7,130	60,454	447,453	101,678	7,118	44,970	43,032	711,835
At valuation	369,211	–	–	–	–	–	–	369,211
At 31 December 2022	376,341	60,454	447,453	101,678	7,118	44,970	43,032	1,081,046
Comprising:								
At cost	5,695	61,390	454,504	99,210	6,761	47,074	26,596	701,230
At valuation	387,067	–	–	–	–	–	–	387,067
At 31 December 2021	392,762	61,390	454,504	99,210	6,761	47,074	26,596	1,088,297
DEPRECIATION AND IMPAIRMENT								
At 1 January 2021	5,750	50,904	246,643	79,866	6,328	40,805	–	430,296
Exchange realignment	(637)	655	3,105	1,344	62	415	–	4,944
Provided for the year	14,722	5,218	42,227	7,036	455	3,207	–	72,865
Eliminated on disposals	(4,222)	(5,922)	(9,413)	(5,813)	(919)	(3,020)	–	(29,309)
Eliminated on revaluation	(14,310)	–	–	–	–	–	–	(14,310)
At 31 December 2021	1,303	50,855	282,562	82,433	5,926	41,407	–	464,486
Exchange realignment	(2)	(3,473)	(12,594)	(2,194)	(176)	(1,717)	–	(20,156)
Provided for the year	15,808	4,711	42,398	6,775	358	2,621	–	72,671
Impairment loss recognised in profit or loss (note i)	–	–	14,498	1,604	23	414	–	16,539
Eliminated on disposals	(6)	(1,834)	(11,114)	(2,833)	(416)	(3,176)	–	(19,379)
Eliminated on revaluation	(15,457)	–	–	–	–	–	–	(15,457)
At 31 December 2022	1,646	50,259	315,750	85,785	5,715	39,549	–	498,704
CARRYING VALUES								
At 31 December 2022	374,695	10,195	131,703	15,893	1,403	5,421	43,032	582,342
At 31 December 2021	391,459	10,535	171,942	16,777	835	5,667	26,596	623,811

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(i) For the year ended 31 December 2022, as a result of the economic crisis and the uncertainty in the political environment in Sri Lanka, the Group carried out a review of the recoverable amount of the related property, plant and equipment based on a value in use calculation. As a result, an impairment loss in respect of property, plant and equipment amounting to approximately US$2,295,000 has been charged to profit or loss. In addition, as a result of the rightsizing of production site in the PRC, the Group carried out a review of the recoverable amount of the related property, plant and equipment based on a value in use calculation and an impairment loss of approximately US$14,244,000 was recognised in profit or loss.

(ii) At 31 December 2022, for buildings with carrying values of US$3,598,000 (2021: US$4,078,000), no real estate title certificate has been issued. The Group is in the process of applying for the building ownership certificates.

The above items of property, plant and equipment, except for freehold land and construction in progress, are depreciated on a straight line basis at the following rates per annum:

Owned properties	1 – 5%
Leasehold improvements	5 – 20% or over the term of the relevant lease, if shorter
Plant and machinery	10 – 50%
Furniture, fixtures and office equipment	$12^1/_2$ – 50%
Motor vehicles	20 – 25%
Computer equipment and software	20 – $33^1/_3$%

Fair value measurement of the Group's owned properties

Certain of the Group's owned properties were valued on 31 December 2022 and 2021 by independent firms of professional property valuers not related to the Group. The fair values of certain owned properties in Bangladesh, Cambodia and Singapore were determined based on the market comparable approach reflecting recent transaction prices for similar properties, adjusted for differences in the nature, location and condition of certain owned properties under review. The fair values of certain owned properties in the PRC, Cambodia, Sri Lanka and Vietnam were determined based on the depreciated replacement cost approach by estimating the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. The fair values of certain owned properties in Sri Lanka were determined based on the income capitalisation approach by converting expected income for owned properties to current value in accordance with relevant discount rates. There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

For the market comparable approach, the key unobservable input used in valuing the owned properties was the price per square metre, which ranged from US$23 to US$1,319 (2021: US$31 to US$1,312). A slight increase in the price per square metre used would result in a significant increase in the fair value measurement of the owned properties, and vice versa.

For the depreciated replacement cost approach, the key unobservable input used in valuing the owned properties was the replacement cost per square metre, which ranged from US$55 to US$292 (2021: US$98 to US$323). A slight increase in the replacement cost per square metre used would result in a significant increase in the fair value measurement of the owned properties, and vice versa.

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of the Group's owned properties (Continued)

For the income capitalisation approach, the two key unobservable inputs used are the capitalisation rates and monthly market rent, which ranged from 8.5% to 9.0% (2021: 8.5% to 9.0%) and US$4,000 to US$19,000 (2021: US$5,000 to US$31,000), respectively. A slight increase in the capitalisation rate or decrease in monthly market rent would result in a significant decrease in the fair value measurement, and vice versa.

Details of the Group's owned properties and information about the fair value hierarchy at 31 December 2022 and 2021 are as follows:

	Level 3 US$'000	Fair value at 31.12.2022 US$'000	Level 3 US$'000	Fair value at 31.12.2021 US$'000
Owned properties outside Hong Kong	**369,211**	**369,211**	387,067	387,067

The reconciliation of the fair value changes of the Group's owned properties:

	US$'000
At 1 January 2021	335,315
Addition	1,205
Acquisition of subsidiaries	4,001
Transfer from construction in progress	56,711
Disposal	(88)
Depreciation provided for the year	(14,102)
Increase in fair value recognised in other comprehensive income	2,084
Exchange realignment	1,941
At 31 December 2021	**387,067**
Addition	**2,685**
Acquisition of subsidiaries	**17,200**
Transfer from construction in progress	**5,505**
Disposal	**(720)**
Depreciation provided for the year	**(15,464)**
Increase in fair value recognised in other comprehensive income	**3,021**
Exchange realignment	**(30,083)**
At 31 December 2022	**369,211**

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of the Group's owned properties (Continued)

There were no transfers into or out of Level 3 during both years.

Had owned properties at valuation been carried at cost less accumulated depreciation, the aggregate carrying values of owned properties would have been approximately US$292,673,000 (2021: US$307,826,000).

At 31 December 2022, property, plant and equipment with carrying values of approximately US$2,247,000 (2021: US$2,499,000) have been pledged to banks to secure general banking facilities granted to the Group.

13. RIGHT-OF-USE ASSETS

	Leasehold land US$'000	Leasehold buildings US$'000	Plant and machinery US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
At 31 December 2022						
Carrying amount	75,074	24,291	24	204	218	99,811
At 31 December 2021						
Carrying amount	64,216	23,569	7	327	256	88,375
For the year ended 31 December 2022						
Depreciation charge	2,055	12,164	14	208	489	14,930
For the year ended 31 December 2021						
Depreciation charge	1,524	12,890	257	202	291	15,164

	2022 US$'000	2021 US$'000
Analysed for reporting purposes as:		
Non-current assets	98,316	86,775
Current assets	1,495	1,600
	99,811	88,375

During the year ended 31 December 2022, the total cash outflows for leases (representing payments of principal and interest), additions to right-of-use assets and additions resulting from acquisition of subsidiaries (note 31) were US$14,427,000, US$19,291,000 and US$14,800,000 (2021: US$18,877,000, US$26,038,000 and US$17,500,000), respectively.

13. RIGHT-OF-USE ASSETS (Continued)

For both years, the Group has leased various offices, factories, warehouses, equipment, staff quarters and vehicles for its operations. Lease contracts are entered into for fixed terms of 1 month to 60 years (2021: 1 month to 60 years), but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group has extension and/or termination options for several leases of factories and staff quarters. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

At the lease commencement date, the Group assesses whether it is reasonably certain to exercise the extension options or not to exercise the termination options. The potential exposures to these future lease payments for (i) extension options which the Group is not reasonably certain to exercise and (ii) termination options which the Group is not reasonably certain not to exercise is summarised below:

	2022		2021	
	Lease liabilities recognised US$'000	Potential future lease payments not included in lease liabilities (undiscounted) US$'000	Lease liabilities recognised US$'000	Potential future lease payments not included in lease liabilities (undiscounted) US$'000
Leasehold buildings	8,519	8,138	10,392	8,339

The Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the years ended 31 December 2022 and 2021, there was no such triggering event.

Restrictions on leases

In addition, lease liabilities of US$30,825,000 (2021: US$30,828,000) were recognised with related right-of-use assets of US$30,126,000 (2021: US$29,457,000) at 31 December 2022. 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.

Details of the lease maturity analysis of lease liabilities are set out in note 25.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

14. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The deposits were paid by the Group in connection with the acquisition of property, plant and equipment and the related capital commitments are disclosed in note 34.

15. GOODWILL

	US$'000
COST	
At 1 January 2021	74,941
Arising on acquisition of Pine Wood (as defined in note 31(d))	813
Impairment loss recognised during the year (note (b))	(813)
At 31 December 2021	74,941
Arising on acquisition of HAY (as defined in note 31(a))	4,162
Arising on acquisition of Successor (as defined in note 31(b))	618
Impairment loss recognised during the year (note (a))	(4,780)
At 31 December 2022	74,941

Notes:

(a) During the year ended 31 December 2022, the management of the Group has reassessed the recoverability of HAY and Successor which the carrying amount exceeds the recoverable amount. The management of the Group has determined that an impairment loss amounting to US$4,780,000 be recognised.

(b) During the year ended 31 December 2021, the management of the Group has reassessed the recoverability of Pine Wood based on the recent development of the COVID-19 pandemic and the latest business plan of Pine Wood, and has determined that an impairment loss amounting to US$813,000 be recognised.

For the purpose of impairment testing, goodwill and brand name (note 16) of approximately US$74,941,000 (2021: US$74,941,000) and US$31,777,000 (2021: US$31,777,000), respectively, have been allocated to the SLH CGU representing Vista.

The recoverable amount of the SLH CGU of Vista at 31 December 2022 has been determined based on its value in use calculation. That calculation uses cash flow projections based on financial projections approved by management of the Group covering a five-year period with a pre-tax discount rate of 15.7% (2021: 13.4%), yearly growth rate of revenue of 4% (2021: 5%) and gross margins of 15.5% (2021: 15.5%). Cash flows beyond the five-year period are extrapolated using a steady 3% (2021: 3%) growth rate. Management believes that the growth rate does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculation relate to the estimation of cash flows, which includes projected sales. The estimation of the key assumptions is based on the past performance of Vista and management's expectations of market conditions. The Group has not recognised an impairment loss during the year ended 31 December 2022 (2021: nil) based on the impairment assessment performed.

15. GOODWILL (Continued)

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the SLH CGU of Vista to exceed the recoverable amount of the SLH CGU of Vista. The recoverable amount of the SLH CGU of Vista exceeds its carrying amount by US$166,929,000 (2021: US$178,327,000) at 31 December 2022.

16. INTANGIBLE ASSETS

	Customer relationship US$'000	Brand name US$'000	Total US$'000
COST			
At 1 January 2021, 31 December 2021 and 31 December 2022	73,750	31,777	105,527
AMORTISATION			
At 1 January 2021	19,668	–	19,668
Provided for the year	4,917	–	4,917
At 31 December 2021	24,585	–	24,585
Provided for the year	4,917	–	4,917
At 31 December 2022	29,502	–	29,502
CARRYING VALUES			
At 31 December 2022	44,248	31,777	76,025
At 31 December 2021	49,165	31,777	80,942

For the purpose of impairment testing, brand name has been allocated to the SLH CGU representing Vista (note 15).

Customer relationship and brand name acquired in the business combination are identified and recognised as intangible assets.

Customer relationship is amortised over the estimated useful life of 15 years on a straight line basis. Brand name is treated as having an indefinite useful life because it is expected to contribute to net cash inflows to the Group indefinitely. Therefore, it is not amortised until its useful life is determined to be finite.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

17. INTEREST IN AN ASSOCIATE

	2022 US$'000	2021 US$'000
Cost of unlisted investment in an associate	125	125
Share of post-acquisition profit and other comprehensive income, net of dividend received	126	88
	251	213
Deemed contribution to an associate (note)	16,125	16,125
	16,376	16,338

Note: Deemed contribution to an associate represents a loan advanced to an associate which is unsecured, interest-free and without fixed repayment terms. In the opinion of the directors of the Company, the loan in substance forms part of the investment in the associate.

At 31 December 2022 and 2021, the Group has an interest in the following associate:

Name of entity	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activity
PCGT Limited	Hong Kong	Ordinary	25%	25%	Trading of textile products

The above associate is accounted for using the equity method in these consolidated financial statements.

Information of an associate that is not material

	2022 US$'000	2021 US$'000
The Group's share of profit for the year	524	530
The Group's share of other comprehensive (expense) income for the year	(486)	253
The Group's share of total comprehensive income for the year	38	783
Dividend received from the associate during the year	–	(1,603)
The Group's share of the net assets of the associate	251	213

18. LOAN RECEIVABLES

Except for the amounts of approximately US$1,238,000 (2021: US$736,000) which carry interest rate at 3.8% (2021: 3.8%) per annum, the amounts are unsecured, interest-free and repayable by instalments until 2023 and 2025 (2021: 2025). Details of the impairment assessment are set out in note 33.

19. INVENTORIES

	2022 US$'000	2021 US$'000
Raw materials	88,551	104,801
Work in progress	174,789	192,635
Finished goods	16,862	10,908
	280,202	308,344

At 31 December 2022, approximately US$3,988,000 (2021: US$5,009,000) of the Group's inventories have been pledged to banks to secure general banking facilities granted to the Group.

20. TRADE, BILLS AND OTHER RECEIVABLES

	2022 US$'000	2021 US$'000
Trade receivables – contracts with customers	118,922	206,726
Less: allowance for expected credit losses	(7,879)	(9,830)
	111,043	196,896
Bills receivable	1,517	15
Temporary payments to suppliers	9,486	11,032
Other receivables, deposits and prepayments	32,421	43,362
	154,467	251,305

At 1 January 2021, trade receivables from contracts with customers amounted to US$174,655,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

20. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

The Group allows credit periods ranging from 14 to 120 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, based on invoice dates.

	2022 US$'000	2021 US$'000
Within 60 days	97,330	179,886
61 to 90 days	10,057	14,501
91 to 120 days	2,057	2,278
Over 120 days	1,599	231
	111,043	196,896

At 31 December 2022, total bills received amounting to US$1,517,000 (2021: US$15,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed in note 33. All bills received by the Group have a maturity period of less than one year.

Before accepting any new customer, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly.

At 31 December 2022, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately US$2,764,000 (2021: US$1,239,000) which is past due at the end of the reporting period. Of the past due balances, US$263,000 (2021: US$8,000) has been past due over 90 days and is not considered as in default because the trade receivables are of good credit quality and those debtors do not have any default payment history. The Group holds no collateral over these balances.

Details of the impairment assessment of trade, bills and other receivables are set out in note 33.

21. TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As part of the Group's cash flow management, the Group factors certain trade receivables to financial institutions before the receivables are due for payment. The factored trade receivables are derecognised on the basis that the Group has transferred substantially all the risks and rewards to the relevant counterparties. Such trade receivables that are held for the collection of contractual cash flows and sale of financial assets, have been classified as trade receivables at FVTOCI.

The following is an aged analysis of trade receivables at FVTOCI based on invoice dates.

	2022 US$'000	2021 US$'000
Within 60 days	82,389	77,223
61 to 90 days	37,795	14,962
91 to 120 days	4,179	6,291
Over 120 days	2,338	1,019
	126,701	99,495

At 31 December 2022, included in the Group's trade receivables at FVTOCI balance are debtors with an aggregate carrying amount of approximately US$3,061,000 (2021: US$2,410,000), which is past due at the end of the reporting period. Of the past due balances, US$30,000 (2021: US$54,000) has been past due over 90 days and is not considered as in default because the trade receivables are of good credit quality and those debtors do not have any default payment history. The Group holds no collateral over these balances.

Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 33c.

Details of the impairment assessment of trade receivables at FVTOCI are set out in note 33.

22. BANK BALANCES AND CASH

Bank balances and cash include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates ranging from 0% to 4.90% (2021: 0% to 2.75%) per annum.

For the years ended 31 December 2022 and 2021, the Group has assessed the impairment of bank balances and has concluded that the probability of defaults of the counterparty banks is insignificant and accordingly, no allowance for credit losses is provided. Details of the impairment assessment of bank balances are set out in note 33.

23. SHARE CAPITAL

	Number of shares '000	Share capital US$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 31 December 2022	3,500,000	4,482
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 31 December 2022	2,852,822	3,654

24. TRADE AND OTHER PAYABLES

	2022 US$'000	2021 US$'000
Trade payables	112,742	187,257
Bills payable (Note)	5,470	13,410
	118,212	200,667
Accrued staff cost	105,201	92,303
Other payables	56,019	50,597
Other accruals	61,171	54,225
Total trade and other payables	340,603	397,792

Note: These relate to trade payables in which the Group has issued bills to the relevant suppliers for future settlement trade payables. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension.

The total is analysed for reporting purposes as:

	2022 US$'000	2021 US$'000
Current	340,285	396,967
Non-current	318	825
	340,603	397,792

At 31 December 2022, the non-current amounts are related to the purchase of property, plant and equipment and are unsecured, interest-free and repayable from 2024 to 2025 (2021: repayable from 2023 to 2025).

The credit period of trade payables is from 14 to 90 days.

24. TRADE AND OTHER PAYABLES (Continued)

The following is an aged analysis of trade payables based on invoice dates.

	2022 US$'000	2021 US$'000
Within 60 days	107,480	181,448
61 to 90 days	8,542	14,667
91 to 120 days	332	2,705
Over 120 days	1,858	1,847
	118,212	200,667

25. LEASE LIABILITIES

	2022 US$'000	2021 US$'000
Lease liabilities payable:		
Within one year	10,310	11,367
Within a period of more than one year but not more than two years	6,571	5,316
Within a period of more than two years but not more than five years	9,760	9,157
Within a period of more than five years	4,184	4,988
	30,825	30,828
Less: Amounts due for settlement within 12 months shown under current liabilities	(10,310)	(11,367)
Amounts due for settlement after 12 months shown under non-current liabilities	20,515	19,461

The weighted average incremental borrowing rate applied to lease liabilities was 4.90% (2021: 4.59%) per annum.

At 31 December 2022, lease liabilities of approximately US$1,263,000 (2021: US$1,292,000) were due to companies controlled by certain directors of the Company. During the current year, interest expense of US$15,000 (2021: US$23,000) has been charged to profit or loss and repayment of principal and interest of US$1,294,000 (2021: US$2,555,000) has been made in relation to the lease liabilities with the related companies. Certain directors of the Company, namely Mr. LO Lok Fung Kenneth, Mrs. LO CHOY Yuk Ching Yvonne and Mr. LO Ching Leung Andrew, have significant influence in these companies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and their movements during the current and prior years:

	Fair value adjustment on business combination US$'000	Accelerated tax depreciation US$'000	ECL provision US$'000	Revaluation of properties US$'000	Undistributed earnings of the PRC subsidiaries US$'000	Defined benefit assets US$'000	Tax losses US$'000	Total US$'000
At 1 January 2021	9,193	397	–	20,625	–	161	–	30,376
Exchange realignment	–	–	–	356	–	2	–	358
Charge (credit) to other comprehensive income	–	–	–	509	–	(163)	–	346
Acquisition of a subsidiary	3,876	(1)	–	–	–	–	–	3,875
(Credit) charge to profit or loss	(836)	572	–	535	–	–	(512)	(241)
At 31 December 2021	12,233	968	–	22,025	–	–	(512)	34,714
Exchange realignment	–	–	(4)	(1,441)	–	–	–	(1,445)
Charge to other comprehensive income	–	–	–	1,336	–	–	–	1,336
Acquisition of a subsidiary	(722)	–	–	–	–	–	–	(722)
(Credit) charge to profit or loss	(1,090)	830	(1,181)	(303)	5,141	–	512	3,909
At 31 December 2022	10,421	1,798	(1,185)	21,617	5,141	–	–	37,792

For the presentation purposes on the consolidated statement of financial position, certain deferred taxation liabilities (assets) have been offset. The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2022 US$'000	2021 US$'000
Deferred taxation assets	1,185	–
Deferred taxation liabilities	38,977	34,714

At 31 December 2022, the Group had unused tax losses of approximately US$14,006,000 (2021: US$9,432,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams (2021: a deferred tax asset had been recognised in respect of US$3,656,000. No deferred tax asset has been recognised in respect of the remaining US$5,776,000). Except for unrecognised tax losses of approximately US$12,582,000 (2021: US$385,000) that can be used to offset against taxable profits up to 5 years from the year in which the loss is incurred, other losses may be carried forward indefinitely.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. At 31 December 2022, the aggregate amount of temporary differences associated with undistributed profits of the PRC subsidiaries was approximately US$102,979,000 (2021: US$110,910,000). A deferred tax liabilities has been recognised in respect of approximately US$5,141,000 (2021: nil) of such temporary differences. No deferred tax liabilities had been recognised in respect of the remaining temporary differences of approximately US$5,546,000 in 2021 as the Company controlled the dividend policy of the PRC subsidiaries and it was probable that such temporary differences would not reverse in the foreseeable future.

27. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The Group also participates in defined contribution retirement schemes organised by the relevant local government authorities in the PRC and other jurisdictions where the Group operates. Certain employees of the Group eligible for participating in the retirement schemes are entitled to retirement benefits from the schemes. The Group is required to make contributions to the retirement schemes up to the time of retirement of the eligible employees, excluding those employees who resign before their retirement, at percentages that are specified by the local government authorities.

The total expense recognised in profit or loss of approximately US$54,036,000 (2021: US$52,087,000) represents contributions paid/payable to these plans by the Group at rates specified in the rules of the plans. All contributions due in respect of the years ended 31 December 2022 and 2021 have been paid/are payable to the plans.

Defined benefit plan

The Group operates a funded defined benefit scheme for qualifying employees of its subsidiaries in the U.K. that has been closed to new members since 1999. Under the scheme, the employees are entitled to retirement benefits as a percentage of final salary on attainment of the retirement age. No other post-retirement benefits are provided.

The plan in the U.K. exposes the Group to actuarially calculated risks, such as investment risk, interest rate risk, inflation risk and longevity risk.

Investment risk

The present value of the defined benefit plan liability is measured by discounting the best estimate of future cash flows to be paid out by the plan using the projected unit credit method; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced portfolio in equity investments, diversified growth funds, debt investments and liability driven investment funds. Due to the long-term nature of the plan liabilities, the trustees of the pension fund consider it appropriate that the plan assets should be invested in the portfolio to obtain the return generated by the funds.

Interest rate risk

A decrease in the interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's corporate bonds and liability driven investment funds.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

27. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plan (Continued)

Inflation risk

The plan allows for rates of inflation experienced in the U.K. to apply to prospective benefits. The amounts of inflation adjustments are calculated in accordance with indices set out in the plan deed.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants. An increase in the life expectancy of the plan participants will increase the plan's liability.

The most recent actuarial valuation of plan assets and the assessment of the present value of the defined benefit obligations was carried out at 31 December 2022 by an actuary who is a fellow of the Institute and Faculty of Actuaries employed by Mercer Limited, located at 1 Tower Place West, Tower Place, London EC3R 5BU. The present value of plan liabilities is measured by discounting the best estimate of future cash flows to be paid out by the plan using the projected unit credit method.

The trustees of the defined benefit scheme entered an agreement with an insurance company towards the end of 31 December 2021 to assume full responsibility for the scheme. The agreement comprises principally two parts: the buy-in and the buy-out. In December 2021, a buy-in transaction was completed whereby the assets of the plan were invested in a bulk purchase annuity policy with an insurance company under which the benefit payable to defined benefit members became fully insured. The insurance policy was purchased using the existing assets of the plan and further contribution from the Group. The legally binding agreement is for the plan to move to a full buy-out as soon as practical, following which the insurance company will become directly responsible for pension payments. Various details need to be fully checked and confirmed before buy-out can occur. That is expected to take place during the coming year. Following buy-out and the subsequent winding up of the scheme, the Group will cease to have any responsibility to fund the scheme.

The principal assumptions used for the purposes of the actuarial valuations are as follows:

	2022	2021
Discount rate	5.0%	1.8%
Future pension increases	3.2%	3.6%
Inflation rate	3.5%	3.7%
Revaluation rate for deferred pensioners	3.0%	3.2%

The actuarial valuation showed that the market value of plan assets was US$30,160,000 (2021: US$52,211,000) and that the actuarial value of these assets represented 100% (2021: 100%) of the benefits that had accrued to members.

27. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plan (Continued)

Amounts recognised in profit or loss and other comprehensive income in respect of this defined benefit plan are as follows:

	2022 US$'000	2021 US$'000
Service cost		
Loss on settlement	–	(11,202)
Net interest income recognised in profit or loss	–	8
Components of defined benefit costs recognised in profit or loss	–	(11,194)
Remeasurement of the net defined benefit assets:		
Return on plan assets (excluding amounts included in net interest expense/income)	(15,739)	523
Actuarial gains arising from changes in financial assumptions	15,869	1,339
Actuarial (losses) gains arising from experience adjustments	(163)	72
Actuarial gains (losses) arising from changes in demographic assumptions	33	(2,151)
Components of defined benefit costs recognised in other comprehensive income	–	(217)
Total	–	(11,411)

The adjustment arising from the remeasurement of the net defined benefit assets is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plan is as follows:

	2022 US$'000	2021 US$'000
Present value of funded defined benefit obligations	30,160	52,211
Fair value of plan assets	(30,160)	(52,211)
Net asset arising from defined benefit obligations	–	–

27. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plan (Continued)

Movements in the present value of the defined benefit obligations in both years were as follows:

	2022 US$'000	2021 US$'000
At beginning of the year	52,211	53,279
Exchange realignment	(5,152)	(438)
Interest cost	844	687
Benefits paid	(2,004)	(2,057)
Actuarial (gains) losses	(15,739)	740
At end of the year	30,160	52,211

Movements in the fair value of the plan assets in both years were as follows:

	2022 US$'000	2021 US$'000
At beginning of the year	52,211	54,224
Exchange realignment	(5,152)	(427)
Interest income	844	695
Return on plan assets	(15,739)	523
Benefits paid	(2,004)	(2,057)
Settlement costs	–	(11,202)
Contributions from employer	–	10,455
At end of the year	30,160	52,211

The settlement costs result from the buy-in transaction. The policy has been structured to a buy-out that the Group intends to have achieve and for which there is a legal commitment. The buy-in transaction has been accounted for as a settlement cost with the loss arising recorded in profit or loss equal to the excess of the cost of the bulk purchase annuity policy over the related defined benefit obligations.

27. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plan (Continued)

The fair values of the plan assets at the end of the reporting period for each category are as follows:

	2022 US$'000	2021 US$'000
Cash and cash equivalents	169	290
Asset held by an insurance company	29,991	51,921
Total	30,160	52,211

The fair values of the above equity and debt investments are determined based on quoted market prices in active markets.

The actual return on plan assets was an approximate loss of US$14,895,000 (2021: gain of US$1,218,000).

Significant actuarial assumptions for the determination of the defined obligation are discount rate, inflation and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate decreases by 0.25%, the defined benefit obligation would increase by 2.7% (2021: 3.9%).
- If the discount rate increases by 0.25%, the defined benefit obligation would decrease by 2.6% (2021: 3.7%).
- If the inflation rate increases by 0.25%, the defined benefit obligation would increase by 1.2% (2021: 2.0%).
- If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by 3.2% (2021: 4.5%).

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation from one another as some of the assumptions may be correlated.

In presenting the above sensitivity analyses, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is also applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

The average duration of the defined benefit obligation at 31 December 2022 is 11 years (2021: 15 years).

The contributions expected to be made by the Group to the defined benefit plan during the following 12 months at 31 December 2022 will be US$1,870,000 (2021: US$2,000,000).

28. BANK BORROWINGS

	2022 US$'000	2021 US$'000
Unsecured bank borrowings comprise:		
Bank loans	–	55,886
Bank import loans	101,697	111,711
	101,697	167,597
The carrying amounts of loans that contain a repayment on demand clause are repayable:		
Within one year	101,697	167,597
Amounts due within one year shown under current liabilities	101,697	167,597

The effective interest rates (which are also equal to contracted interest rates) of the Group's variable-rate (based on Secured Overnight Financing Rate ("**SOFR**")/Hong Kong Interbank Offered Rate ("**HIBOR**")) (2021: London Interbank Offered Rate ("**LIBOR**")/HIBOR) borrowings range from 1.25% to 6.23% (2021: 1.21% to 5.00%) per annum.

29. AMOUNT DUE TO AN ASSOCIATE

The amount due to an associate is trade in nature, unsecured, interest-free and repayable according to the credit period of 90 days. The amount is aged within 90 days.

30. AMOUNTS DUE FROM RELATED COMPANIES

At 31 December 2022 and 2021, the Group had balances with the following related companies:

	2022 US$'000	2021 US$'000
Amounts due from related companies (note i)		
Companies controlled by certain directors of the Company (note ii)	216	217

Notes:

(i) At 31 December 2022 and 2021, amounts due from related companies are non-trade in nature, unsecured, interest-free and repayable on demand. The maximum balances during the current year were US$217,000 (2021: US$538,000). The amount was aged within 30 days (2021: aged within 30 days).

(ii) Certain directors of the Company, namely Mr. LO Lok Fung Kenneth, Mrs. LO CHOY Yuk Ching Yvonne and Mr. LO Ching Leung Andrew, have significant influence in these companies.

31. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2022

(a) Acquisition of How Are You Textile Industry Limited

On 7 September 2022, two wholly-owned subsidiaries of the Company entered into a sale and purchase agreement (the "**HAY Agreement**") with Mr. LIU, Shuang-Chuan ("**Mr. LIU**"), Mrs. LIU WU, Tzu-Hsuan ("**Mrs. LIU WU**") and Mr. HUANG, Chun-Chih ("**Mr. HUANG**"), all are independent third parties.

Pursuant to the HAY Agreement, the Group conditionally agreed to acquire and Mr. LIU, Mrs. LIU WU and Mr. HUANG conditionally agreed to sell 50%, 30% and 20%, respectively, of the equity interest in How Are You Textile Industry Limited ("**HAY**"), a company incorporated in Bangladesh with limited liability. HAY is principally engaged in manufacture of garment fabrics and was acquired with the objective supporting the long-term fabric needs of the Group's garment factories in Bangladesh. The cash consideration of the acquisition was US$37,003,000. The acquisition was completed on 30 September 2022 and accounted for as an acquisition of business using the acquisition method.

Acquisition-related costs amounting to approximately US$326,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "other income, gains or losses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

	US$'000
Property, plant and equipment	16,054
Deferred tax assets	568
Inventories	6,438
Trade and other receivables	6,234
Bank balances and cash	6,052
Trade and other payables	(2,330)
Tax payables	(175)
	32,841

The fair value of trade and other receivables at the date of acquisition amounted to US$6,234,000. The gross contractual amounts of those trade and other receivables acquired amounted to US$6,234,000 at the date of acquisition.

31. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2022 (Continued)

(a) Acquisition of How Are You Textile Industry Limited (Continued)

Goodwill arising on acquisition of HAY

	US$'000
Consideration paid and payable	37,003
Less: fair value of identifiable net assets acquired	(32,841)
Goodwill arising on acquisition	4,162

Goodwill arose on the acquisition of HAY because the acquisition included the assembled workforce of HAY. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflows arising on acquisition of HAY

	US$'000
Consideration paid in cash	35,903
Less: bank balances and cash acquired	(6,052)
	29,851

Impact of acquisition on the results of the Group

Included in the profit for the year is loss of US$1,647,000 attributed to the additional business generated by HAY. Revenue for the year includes US$1,995,000 generated from HAY.

Had the acquisition been completed on 1 January 2022, the Group's total revenue for the year ended 31 December 2022 would have been approximately US$2,504,476,000 and profit for the year ended 31 December 2022 would have been approximately US$173,999,000. This proforma information is provided for illustrative purposes only and is not necessarily an indication of the revenue and profits the Group would actually have achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the "proforma" revenue and profit of the Group had HAY been acquired on 1 January 2022, the directors of the Company have calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

31. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2022 (Continued)

(b) Acquisition of Successor Limited

On 31 October 2022, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "**Successor Agreement**") with Tien Pou International Ltd. ("**Tien Pou**"), a company incorporated in Cayman Islands with limited liability and it is an independent third party.

Pursuant to the Successor Agreement, the Group conditionally agreed to acquire and Tien Pou conditionally agreed to sell all of the equity interest in Successor Limited ("**Successor**"), a company incorporated in Samoa with limited liability. Successor is an investment holding company and owned a factory in Vietnam next to a fabric mill the Group acquired in 2021 and was acquired to serve as a pilot project for the Group's future vertically integrated business model on a single site. The cash consideration of the acquisition was US$20,699,000. The acquisition was completed on 30 November 2022 and accounted for as an acquisition of business using the acquisition method.

Acquisition-related costs amounting to approximately US$283,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "other income, gains or losses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

	US$'000
Property, plant and equipment	3,781
Deferred tax assets	154
Right-of-use assets	14,800
Inventories	28
Trade and other receivables	1,930
Bank balances and cash	653
Trade and other payables	(1,265)
	20,081

The fair value of trade and other receivables at the date of acquisition amounted to US$1,930,000. The gross contractual amounts of those trade and other receivables acquired amounted to US$1,930,000 at the date of acquisition.

31. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2022 (Continued)

(b) Acquisition of Successor Limited (Continued)

Goodwill arising on acquisition of Successor

	US$'000
Consideration paid and payable	20,699
Less: fair value of identifiable net assets acquired	(20,081)
Goodwill arising on acquisition	618

Goodwill arose on the acquisition of Successor because the acquisition included the assembled workforce of Successor. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflows arising on acquisition of Successor

	US$'000
Consideration paid in cash	18,459
Less: bank balances and cash acquired	(653)
	17,806

Impact of acquisition on the results of the Group

Included in the profit for the year is loss of US$1,406,000 attributed to the additional business generated by Successor. Revenue for the year includes US$349,000 generated from Successor.

Had the acquisition been completed on 1 January 2022, the Group's total revenue for the year ended 31 December 2022 would have been approximately US$2,500,930,000 and profit for the year ended 31 December 2022 would have been approximately US$172,999,000. This proforma information is provided for illustrative purposes only and is not necessarily an indication of the revenue and profits the Group would actually have achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the "proforma" revenue and profit of the Group had Successor been acquired on 1 January 2022, the directors of the Company have calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

31. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2021

(c) Acquisition of Masterknit Limited

On 4 June 2021, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "**Masterknit Agreement**") with Fashion Fit Limited ("**Fashion Fit**"), a company incorporated in Hong Kong with limited liability that is a wholly-owned subsidiary of Crystal Group Limited, which is controlled by Mr. LO Lok Fung Kenneth and Mrs. LO CHOY Yuk Ching Yvonne who are executive directors of the Company.

Pursuant to the Masterknit Agreement, the Group conditionally agreed to acquire and Fashion Fit conditionally agreed to sell approximately 71.9% of the equity interest in Masterknit Limited ("**Masterknit**"), a company incorporated in Hong Kong with limited liability. Masterknit is principally engaged in the development and production of flat knitted shoe upper products. The cash consideration of the acquisition was HK$83,800,000 (equivalent to approximately US$10,796,000). The acquisition was completed on 30 June 2021 and accounted for as an acquisition of business using the acquisition method.

Acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2021, within the "other income, gains or losses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

	US$'000
Property, plant and equipment	2,309
Deferred tax assets	1
Inventories	563
Trade and other receivables	1,782
Bank balances and cash	11,400
Trade and other payables	(665)
Amounts due to related parties	(247)
Tax payables	(127)
	15,016

The fair value of trade and other receivables at the date of acquisition amounted to US$1,782,000. The gross contractual amounts of those trade and other receivables acquired amounted to US$1,827,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flow not expected to be collected is approximately US$45,000.

Non-controlling interests

The non-controlling interest (approximately 28.1%) in Masterknit recognised at the acquisition date was measured by reference to the proportionate share of the recognised amounts of net assets of Masterknit and amounted to US$4,220,000.

There are neither goodwill nor bargain purchase arising on the acquisition of Masterknit.

31. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2021 (Continued)

(c) Acquisition of Masterknit Limited (Continued)

Net cash inflows arising on acquisition of Masterknit

	US$'000
Consideration paid in cash	10,796
Less: bank balances and cash acquired	(11,400)
	(604)

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2021 was approximately US$654,000 attributed to the additional business generated by Masterknit. Revenue for the year ended 31 December 2021 included US$3,282,000 generated from Masterknit.

Had the acquisition been completed on 1 January 2021, the Group's total revenue for the year ended 31 December 2021 would have been approximately US$2,343,782,000 and profit for the year ended 31 December 2021 would have been approximately US$164,131,000. This proforma information is provided for illustrative purposes only and is not necessarily an indication of the revenue and profits the Group would actually have achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

In determining the "proforma" revenue and profit of the Group had Masterknit been acquired on 1 January 2021, the directors of the Company have calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

(d) Acquisition of Pine Wood Industries Limited

On 23 August 2021, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "**Pine Wood Agreement**") with Green Sustainability International Limited ("**Green Sustainability**"), a company incorporated in Samoa with limited liability and Full Impact Limited ("**Full Impact**"), a company incorporated in the British Virgin Islands with limited liability, both are independent third parties.

Pursuant to the Pine Wood Agreement, the Group conditionally agreed to acquire and Green Sustainability and Full Impact conditionally agreed to sell 63% and 37%, respectively, of the equity interest in Pine Wood Industries Limited ("**Pine Wood**"), a company incorporated in the British Virgin Islands with limited liability. Pine Wood is an investment holding company and owned a fabric mill in Vietnam. The cash consideration of the acquisition is US$30,776,000. The acquisition has been completed on 30 September 2021 and accounted for as an acquisition of business using the acquisition method.

Acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2021, within the "other income, gains or losses" line item in the consolidated statement of profit or loss and other comprehensive income.

31. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2021 (Continued)

(d) Acquisition of Pine Wood Industries Limited (Continued)

Assets and liabilities recognised at the date of acquisition

	US$'000
Property, plant and equipment	7,553
Right-of-use assets	17,500
Inventories	7,536
Trade and other receivables	3,170
Bank balances and cash	4,437
Trade and other payables	(1,519)
Bank borrowings	(4,835)
Tax payables	(3)
Deferred tax liabilities	(3,876)
	29,963

The fair value of trade and other receivables at the date of acquisition amounted to US$3,170,000. The gross contractual amounts of those trade and other receivables acquired amounted to US$3,337,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flow not expected to be collected is approximately US$167,000.

Goodwill arising on acquisition of Pine Wood

	US$'000
Consideration paid in cash	30,776
Less: fair value of identifiable net assets acquired	(29,963)
Goodwill arising on acquisition	813

Goodwill arose on the acquisition of Pine Wood because the cost of the acquisition included the assembled workforce of Pine Wood and some potential contracts which are still under negotiation with prospective new customers at the date of acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

31. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2021 (Continued)

(d) Acquisition of Pine Wood Industries Limited (Continued)

Net cash outflows arising on acquisition of Pine Wood

	US$'000
Consideration paid in cash	30,776
Less: bank balances and cash acquired	(4,437)
	26,339

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2021 was US$550,000 attributed to the additional business generated by Pine Wood. Revenue for the year ended 31 December 2021 included US$5,499,000 generated from Pine Wood.

Had the acquisition been completed on 1 January 2021, the Group's total revenue for the year ended 31 December 2021 would have been approximately US$2,358,199,000 and profit for the year ended 31 December 2021 would have been approximately US$163,606,000. This proforma information is provided for illustrative purposes only and is not necessarily an indication of the revenue and profits the Group would actually have achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

In determining the "proforma" revenue and profit of the Group had Pine Wood been acquired on 1 January 2021, the directors of the Company have calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to the shareholders through the careful management of the debt to equity ratio. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net cash (2021: net cash), which includes lease liabilities and the borrowings disclosed in notes 25 and 28, respectively, less bank balances and cash and equity attributable to the owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis.

33. FINANCIAL INSTRUMENTS

33a. Categories of financial instruments

	2022 US$'000	2021 US$'000
Financial assets		
Financial assets at amortised cost	595,298	627,826
Trade receivables at FVTOCI	126,701	99,495
Financial liabilities		
Financial liabilities at amortised cost	286,253	426,959

33b. Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, trade receivables at FVTOCI, loan advanced to an associate, amounts due from related companies, loan receivables, bank balances and cash, trade and other payables, amount due to an associate, lease liabilities, bank borrowings and a financial guarantee contract. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

Several entities in the Group have foreign currency sales and purchases, which expose the Group to significant foreign currency risk.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2022 US$'000	2021 US$'000	2022 US$'000	2021 US$'000
HK$	183	8,868	128,178	8,791
Renminbi ("**RMB**")	96	498	1,287	2,863

The management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuations in the HK$ and the RMB. The foreign currency risk of the HK$ is not significant as the HK$ is pegged to the US$.

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against the US$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The sensitivity analysis includes bank balances, trade, bills and other receivables and trade and other payables in the RMB which is not the functional currency of the relevant group entities. A positive number below indicates an increase in profit where the US$ weakens 5% against the RMB. For a 5% strengthening of the US$ against the RMB, there would be a comparable impact on the Group's post-tax profit and the balances below would be negative.

	2022 US$'000	2021 US$'000
Post-tax profit	50	99

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see note 25 for details). The Group's cash flow interest rate risks relate primarily to variable-rate bank balances and bank borrowings (see notes 22 and 28 for details of these balances and borrowings). It is the Group's policy to keep its bank balances and borrowings at floating rates of interest to minimise the interest rate risk.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the HIBOR and SOFR arising from the Group's bank borrowings.

A fundamental reform of major interest rate benchmarks has been undertaken globally to replace some interbank offered rates with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Total interest income from financial assets that are measured at amortised cost is as follows:

	2022 US$'000	2021 US$'000
Other income, gains or losses		
Financial assets at amortised cost	4,407	1,228

Interest expense on financial liabilities not measured at FVTPL:

	2022 US$'000	2021 US$'000
Financial liabilities at amortised cost	10,977	7,416

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming these financial instruments outstanding at the end of the respective reporting period were outstanding for the whole year. A 0.5% (2021: 0.5%) increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The exposure to the interest rate risk for variable-rate bank balances is insignificant and therefore the sensitivity analysis is not presented.

If interest rates had been 0.5% (2021: 0.5%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022 would decrease/increase by approximately US$425,000 (2021: US$838,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk, which could cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the financial guarantee contract. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and the financial guarantee contract.

The Group assessed impairment to financial assets and the financial guarantee contract under the ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised below:

Trade receivables at amortised cost and FVTOCI

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In order to minimise the credit risk, the management of the Group has delegated a team to be responsible for credit approvals and to ensure other monitoring procedures are in place to initiate follow-up action to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group assesses impairment under the ECL model on trade balances individually. Reversal of impairment losses of US$1,856,000 (2021: impairment losses of US$669,000) have been recognised during the year ended 31 December 2022. Details of the quantitative disclosures are set out below in this note.

At 31 December 2022, trade receivables from the five largest customers represent approximately 69.3% (2021: 71.4%) of the Group's total trade receivables at amortised cost and FVTOCI.

Loan receivables

The management estimates the loss rates of loan receivables due from a few debtors based on historical credit loss experience of the debtors individually. Based on its assessment, the management considers the ECL for loan receivables is insignificant and thus no loss allowance is recognised.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. For the years ended 31 December 2022 and 2021, the Group has assessed the impairment of bank balances and has concluded that the probability of default of the counterparty banks is insignificant and, accordingly, no allowance for credit losses is provided.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Amounts due from related companies

The management of the Group considers that the credit risk on amounts due from related companies is limited because they can closely monitor repayments by the related companies. For the years ended 31 December 2022 and 2021, the Group has assessed the impairment of amounts due from related companies and has concluded that the probability of default of the related companies is insignificant. Accordingly, no allowance for credit losses is provided.

Loan advanced to an associate

The management of the Group considers that the credit risk on the loan advanced to an associate is limited because of the strong financial background of the associate. For the years ended 31 December 2022 and 2021, the Group has assessed the impairment of the loan advanced to an associate and has concluded that the probability of default is insignificant. Accordingly, no allowance for credit losses is provided.

Bills and other receivables

For bills and other receivables, the management makes periodic individual assessment of the recoverability of bills and other receivables based on historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportable forward-looking information. The management believes that there are no significant increases in the credit risk of these amounts since initial recognition and the Group has provided impairment based on 12m ECL. For the years ended 31 December 2022 and 2021, the Group has assessed the ECL for bills and other receivables individually. No impairment loss has been recognised during the year ended 31 December 2022 and 2021. Details of the quantitative disclosures are set out below in this note.

Financial guarantee contract

The maximum amount that the Group has guaranteed under the financial guarantee contract is US$6,500,000 at 31 December 2022 (2021: US$6,500,000). At the end of the reporting period, the management has assessed impairment and considers that the probability of default by the associate is remote given its strong financial background. Accordingly, the loss allowance for the financial guarantee contract issued by the Group is measured at an amount equal to 12m ECL. For the years ended 31 December 2022 and 2021, the Group has assessed that the ECL for the financial guarantee contract is insignificant and thus no loss allowance is recognised. Details of the financial guarantee contract are set out in note 36(a).

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Category	Description	Trade receivables	Other financial assets and other item
Performing	The counterparty has a low risk of default and has no default record	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
In default	There is evidence indicating that the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The estimated loss rates are determined based on historically observed default rates over the expected lives of the debtors and are adjusted for forward-looking information, including but not limited to the general economic conditions, that is available without undue cost or effort.

For trade receivables at amortised cost and FVTOCI, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Trade receivables at amortised cost and FVTOCI are assessed individually for impairment allowance based on the historical credit losses experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including the time value of money where appropriate.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

In determining the ECL for the loan advanced to an associate, bills and other receivables, amounts due from related companies and loan receivables, the management of the Group has taken into account the historical default experience, for example, the Group has considered the consistently low historical default rate in connection with settlement records and forward-looking information, including but not limited to general economic conditions. Management has concluded that credit risk inherent in the Group's loan advanced to an associate, bills and other receivables, amounts due from related companies and loan receivables is insignificant.

	Notes	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount 2022 US$'000	Gross carrying amount 2021 US$'000
Trade receivables – contracts with customers	20	Performing	Lifetime ECL – not credit-impaired	73,493	163,340
		In default	Lifetime ECL – credit-impaired	45,429	43,386
Trade receivables at FVTOCI	21	Performing	Lifetime ECL – not credit-impaired	126,701	99,495
Bills and other receivables	20	Performing	12m ECL	11,571	12,042
		In default	Lifetime ECL – credit-impaired	643	643
Loan advanced to an associate	17	Performing	12m ECL	16,125	16,125
Loan receivables	18	Performing	12m ECL	1,287	1,276
Amounts due from related companies	30	Performing	12m ECL	216	217
Bank balances	22	Performing	12m ECL	454,664	400,747
Financial guarantee contract*	36(a)	Performing	12m ECL	6,500	6,500

* The gross carrying amount represents the maximum amount the Group has guaranteed under the respective contract.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL – not credit-impaired US$'000	Lifetime ECL – credit-impaired US$'000	Total US$'000
At 1 January 2021	685	8,533	9,218
Impairment losses recognised#	–	1,154	1,154
Reversal of impairment losses recognised	(396)	(89)	(485)
Exchange realignment	–	(57)	(57)
At 31 December 2021	289	9,541	9,830
Impairment losses recognised#	–	4,540	4,540
Reversal of impairment losses recognised	(193)	(6,203)	(6,396)
Exchange realignment	6	(101)	(95)
At 31 December 2022	102	7,777	7,879

\# The amount arises from the new trade receivables recognised during the years ended 31 December 2021 and 2022.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, or when the trade receivables are over two years past due, whichever occurs earlier.

The following table shows the movement in lifetime ECL that has been recognised for other receivables.

	Lifetime ECL – credit-impaired US$'000
At 1 January 2021	803
Write-offs	(160)
At 31 December 2021 and 31 December 2022	643

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as significant sources of liquidity, details of which are set out in note 28.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks not choosing to exercise their rights within one year after the end of the reporting period. The maturity analysis for other non-derivative financial liabilities is based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived based on the management's best estimates at the end of the reporting period, taking into consideration the interest rate curve, if available.

2022

	Weighted average effective interest rate %	On demand or less than 1 month US$'000	2–3 months US$'000	4 months to 1 year US$'000	Over 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2022 US$'000
Non-derivative financial liabilities							
Trade and other payables	–	126,470	16,117	27,934	318	170,839	170,839
Lease liabilities	4.90	1,757	1,380	7,295	30,481	40,913	30,825
Amount due to an associate	–	13,717	–	–	–	13,717	13,717
Bank borrowings – variable rate	3.74	101,697	–	–	–	101,697	101,697
Financial guarantee contract (note)	–	6,500	–	–	–	6,500	–
		250,141	17,497	35,229	30,799	333,666	317,078

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

2021

	Weighted average effective interest rate %	On demand or less than 1 month US$'000	2–3 months US$'000	4 months to 1 year US$'000	Over 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2021 US$'000
Non-derivative financial liabilities							
Trade and other payables	–	151,013	69,187	25,766	677	246,643	246,643
Lease liabilities	4.59	1,450	2,394	7,731	29,728	41,303	30,828
Amount due to an associate	–	12,719	–	–	–	12,719	12,719
Bank borrowings – variable rate	1.30	167,597	–	–	–	167,597	167,597
Financial guarantee contract (note)	–	6,500	–	–	–	6,500	–
		339,279	71,581	33,497	30,405	474,762	457,787

Note: The amount included above for the financial guarantee contract is the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty, which are guaranteed, suffer credit losses.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. The aggregate undiscounted principal amount of these bank loans amounted to approximately US$101,697,000 at 31 December 2022 (2021: US$167,597,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid after the end of the reporting period in accordance with the scheduled repayment dates contained in the loan agreements, details of which are set out in the table below.

	Maturity Analysis-Bank borrowings with a repayment on demand clause based on scheduled repayments				
	On demand or less than 1 month	1–3 months	3 months to 1 year	Total undiscounted cash outflow	Carrying amount
	US$'000	US$'000	US$'000	US$'000	US$'000
2022	**59,843**	**25,778**	**16,882**	**102,503**	**101,697**
2021	25,201	69,359	73,947	168,507	167,597

The amounts included above for variable interest rate instruments within the non-derivative financial liabilities are subject to change if variable interest rates change differently from the estimates of interest rates determined at the end of the reporting period.

Interest rate benchmark reform

As listed in note 28, the Group's LIBOR/HIBOR bank borrowings have been or will be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant Interbank offered rate ("**IBOR**") regulators.

LIBOR

At 31 December 2022, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("**HONIA**") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank loans linked to HIBOR will continue till maturity and hence, not subject to transition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Interest rate benchmark reform (Continued)

HIBOR (Continued)

(i) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates, which are not subject to reform to the extent feasible. Otherwise, the Group ensures the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

At 31 December 2022, for all floating rate bank borrowings that are linked to 3-month HIBOR, the Group has confirmed with the relevant counterparty that 3-month HIBOR will continue till maturity.

33c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of financial assets and financial liabilities.

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

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and key inputs used).

	Fair value hierarchy at				
	31 December 2022		31 December 2021		Valuation
	Level 2	Total	Level 2	Total	techniques
	US$'000	US$'000	US$'000	US$'000	and key inputs
Financial assets					
Trade receivables at FVTOCI	126,701	126,701	99,495	99,495	Note

Note: A discounted cash flow method is used to assess the present value of the cash flows to be derived from the receivables using the discount rates from the factoring arrangements.

There were no transfers into or out of Level 2 during both years.

(ii) For the fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of these financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

34. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had capital commitments as follows:

	2022 US$'000	2021 US$'000
Contracted for but not provided for in the consolidated financial statements in relation to the acquisition of property, plant and equipment	49,416	54,568

35. PLEDGE OF ASSETS

At the end of the reporting period, the Group had the following assets pledged to banks as security for general banking facilities granted to the Group:

	2022 US$'000	2021 US$'000
Property, plant and equipment (note 12)	2,247	2,499
Inventories (note 19)	3,988	5,009
	6,235	7,508

36. RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the year, the Group entered into transactions with the following related parties:

Relationship	Nature of transaction	2022 US$'000	2021 US$'000
An associate	Purchase of materials	(43,537)	(23,875)
	Claims received	9	14
Companies controlled by certain directors of the Company (note i)	Management service income	–	393
	Subcontracting income	–	2,254
	Interest expense on lease liabilities	(15)	(23)
	Handling fee received	63	54
	Lease liabilities (note ii)	(1,263)	(1,292)

At 31 December 2022 and 2021, the Group has provided a corporate guarantee to an associate of the Group to secure the bank facilities granted to an associate to the extent of US$6,500,000. The Group is required to pay immediately if the associate is unable to meet its obligation. Such corporate guarantee falls within the definition of a financial guarantee contract under IFRS 9. Details of impairment assessment are set out in note 33.

36. RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

At 31 December 2022 and 2021, the Company has provided a corporate guarantee to its subsidiaries to fully secure the bank facilities granted to its subsidiaries. The Company is required to pay immediately if its subsidiaries are unable to meet their obligation.

At 31 December 2022, the Company has provided a corporate guarantee to its subsidiary incorporated in the U.K. to secure its obligation and liabilities in relation to the defined benefits scheme set out in note 27 to the extent of approximately US$9,640,000 (2021: US$10,800,000). The Company is required to pay immediately if its subsidiary incorporated in the U.K. is unable to meet its obligation.

Notes:

(i) Certain directors of the Company, namely Mr. LO Lok Fung Kenneth, Mrs. LO CHOY Yuk Ching Yvonne and Mr. LO Ching Leung Andrew, have significant influence in these companies.

(ii) During the year ended 31 December 2022, the Group renewed several lease agreements for the use of warehouse and living quarters (2021: office, warehouse, living quarters and production equipment) with companies controlled by certain directors of the Company. The lease terms were 1 year (2021: 1 year). The Group accounted for the renewal of lease agreements as lease modification under IFRS 16 and remeasured the right-of-use assets and the corresponding lease liabilities. As a result, US$1,263,000 (2021: US$1,292,000) of right-of-use assets and lease liabilities were recognised.

(b) Emoluments of key management personnel

Emoluments of executive directors, who are also the key management personnel, during the year are set out in note 7.

The emoluments of directors are recommended to the Board by the Remuneration Committee of the Company having regard to the performance of each individual and comparable market statistics.

(c) Balances with related companies

The Group's outstanding balances with related companies at 31 December 2022 and 2021 are set out in the consolidated statement of financial position and the corresponding notes thereto.

(d) Licence agreement entered into with a related company

The Group entered into a licence agreement on 20 March 2017 with a related company controlled by Mr. LO Lok Fung Kenneth and Mrs. LO CHOY Yuk Ching Yvonne who are executive directors of the Company, pursuant to which the related company agreed to grant to the Group a licence to use certain trademarks and domain names in connection with its business and operations in various territories for three years commencing 1 January 2017 ("**Initial Term**") and automatically renewed for successive three years upon expiration of the Initial Term ("**Renewed Term**"). The consideration is HK$1.00 for the Renewed Term.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	At 1 January 2022 US$'000	Financing cash flows US$'000	Other changes US$'000	At 31 December 2022 US$'000
Bank borrowings (notes i and ii)	167,597	(68,696)	2,796	101,697
Lease liabilities (notes iii and iv)	30,828	(14,427)	14,424	30,825
Interest on factoring arrangement	–	(6,348)	6,348	–
	198,425	(89,471)	23,568	132,522

	At 1 January 2021 US$'000	Financing cash flows US$'000	Other changes US$'000	At 31 December 2021 US$'000
Bank borrowings (notes i and ii)	178,408	(17,568)	6,757	167,597
Lease liabilities (notes iii and iv)	24,085	(18,877)	25,620	30,828
Interest on factoring arrangement	–	(2,969)	2,969	–
	202,493	(39,414)	35,346	198,425

Notes:

(i) Other changes of bank borrowings include the effect of foreign exchange rate changes, interest on bank borrowings and borrowings acquired during acquisition of subsidiaries.

(ii) Bank borrowings include bank loans and bank import loans. The cash flows from bank borrowings comprise the net amount of new bank borrowings raised and repayment of bank borrowings and interest paid.

(iii) Other changes of lease liabilities include the effect of foreign exchange rate changes, interest expense on lease liabilities and the addition/termination of lease liabilities.

(iv) The cash flows from lease liabilities comprise the amount of repayment of lease liabilities and interest paid.

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

The following table lists the principal subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ operation	Issued and paid capital	Proportion of nominal value of issued share/registered capital held by the Company				Principal activities
			2022		2021		
			Directly	Indirectly	Directly	Indirectly	
			%	%	%	%	
Amigo Bangladesh Ltd.	Bangladesh	Bangladesh Taka 4,196,561,000	–	100	–	100	Manufacture of garments
Crystal Apparel Limited	Hong Kong	HK$2,000,000	–	100	–	100	Trading of garments
Crystal Martin Apparel Bangladesh Limited	Bangladesh	Bangladesh Taka 87,503,800	–	100	–	100	Manufacture of garments
Crystal Knitters Limited	Hong Kong	HK$7,502,000	100	–	100	–	Provision of corporate services
Crystal Martin Ceylon (Private) Limited	Sri Lanka	Sri Lanka Rupee 1,792,466,900	–	100	–	100	Manufacture of garments
Crystal Martin (Hong Kong) Limited	Hong Kong	HK$1,970,497	–	100	–	100	Trading of garments
Crystal Martin International Limited	The U.K.	Great British Pound 100	–	100	–	100	Trading of garments
Crystal Martin (Vietnam) Company Limited	Vietnam	US$2,000,000	–	100	–	100	Manufacture of garments
Crystal Sweater Limited	Hong Kong	HK$5,000,000	–	100	–	100	Trading of garments
Crystal Elegance Industrial Limited	Hong Kong	HK$1,500,020	–	100	–	100	Trading of garments
Crystal Elegance (Macao) Limited	Macau	MOP100,000	–	100	–	100	Trading of garments
Regent Garment Factory Limited	Vietnam	US$26,000,000	–	100	–	100	Manufacture of garments
Seiko (Macao) Limited	Macau	MOP100,000	–	100	–	100	Trading of garments

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and paid capital	Proportion of nominal value of issued share/registered capital held by the Company				Principal activities
			2022		2021		
			Directly %	Indirectly %	Directly %	Indirectly %	
Crystal SL Global Pte. Ltd.	Singapore	Singapore dollars 6,052,605	–	100	–	100	Trading of garments
Yi Da Manufacturer Co., Ltd.	Cambodia	US$1,000,000	–	100	–	100	Manufacture of garments
中山益達服裝有限公司*	The PRC	HK$247,400,000	–	100	–	100	Manufacture of garments
東莞晶苑毛織製衣有限公司*	The PRC	HK$436,320,000	–	100	–	100	Manufacture of garments
英商馬田紡織品(中國–中山)有限公司*	The PRC	US$22,960,000	–	100	–	100	Manufacture of garments

* The company is registered in the form of wholly foreign owned enterprise.

None of the subsidiaries has issued any debt security at the end of the year or at any time during the year.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 US$'000	2021 US$'000
ASSETS		
Non-current asset		
Investments in subsidiaries	116,258	116,246
Current assets		
Other receivables	1,147	230
Amounts due from subsidiaries	396,461	485,970
Bank balances and cash	121,077	927
	518,685	487,127
Total assets	634,943	603,373
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	3,654	3,654
Reserves (note 40)	623,452	598,169
Total equity	627,106	601,823
Current liabilities		
Other payables	2,641	1,550
Amount due to a subsidiary	5,196	–
	7,837	1,550
Total equity and liabilities	634,943	603,373

40. RESERVES OF THE COMPANY

	Share premium US$'000	Capital reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2021	505,677	9,903	88,935	604,515
Profit and total comprehensive income for the year	–	–	48,004	48,004
Dividend paid (note 11)	–	–	(54,350)	(54,350)
At 31 December 2021	505,677	9,903	82,589	598,169
Profit and total comprehensive income for the year	–	–	79,243	79,243
Dividend paid (note 11)	–	–	(53,960)	(53,960)
At 31 December 2022	505,677	9,903	107,872	623,452

41. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of office, factories, warehouses, equipment, staff quarters and vehicles ranging from 1 month to 5 years (2021: 1 month to 48 years). During the year ended 31 December 2022, the Group recognised US$19,291,000 (2021: US$26,038,000) of right-of-use assets and US$19,291,000 (2021: US$26,038,000) of lease liabilities.

Financial Summary

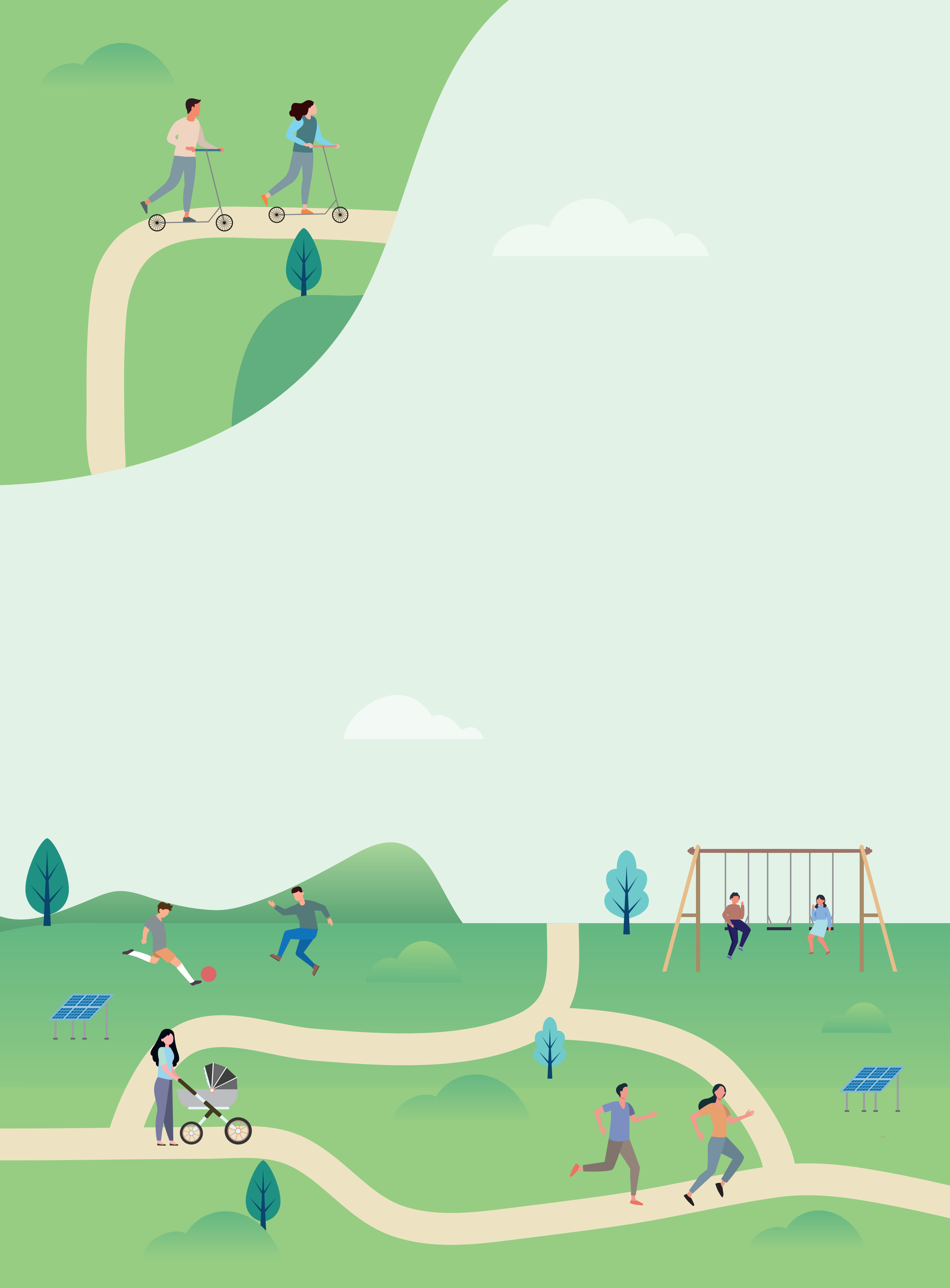
A summary of the results and the assets and liabilities of the Group for the last five financial years is set out below:

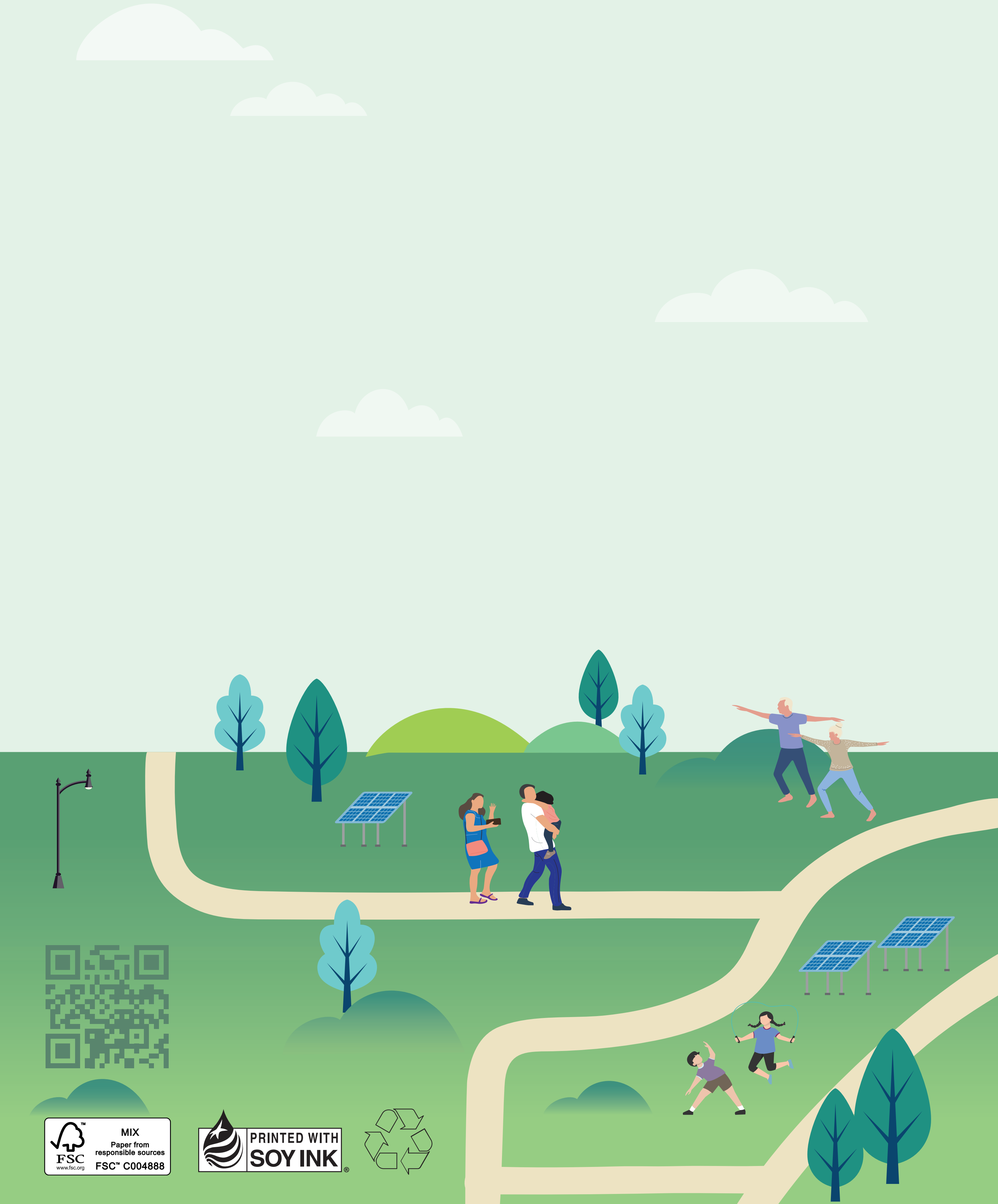
RESULTS

	Year ended 31 December				
	2018	2019	2020	2021	2022
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	2,495,966	2,427,723	1,985,332	2,341,432	2,490,966
Profit before tax	170,000	174,322	123,117	191,849	212,696
Income tax expense	(20,808)	(22,418)	(15,032)	(28,558)	(39,467)
Profit for the year	149,192	151,904	108,085	163,291	173,229
Attributable to:					
Owners of the Company	149,192	151,904	108,085	163,106	172,726
Non-controlling interests	–	–	–	185	503
	149,192	151,904	108,085	163,291	173,229

ASSETS AND LIABILITIES

	At 31 December				
	2018	2019	2020	2021	2022
	US$'000	US$'000	US$'000	US$'000	US$'000
Total assets	1,839,952	1,816,168	1,782,512	1,959,495	1,894,965
Total liabilities	(853,513)	(728,150)	(618,131)	(666,176)	(549,666)
Total equity	986,439	1,088,018	1,164,381	1,293,319	1,345,299
Attributable to:					
Owners of the Company	986,439	1,088,018	1,164,381	1,288,856	1,341,482
Non-controlling interests	–	–	–	4,463	3,817
	986,439	1,088,018	1,164,381	1,293,319	1,345,299





MIX
Paper from responsible sources
FSC™ C004888
FSC
www.fsc.org

PRINTED WITH SOY INK ®