TRISTATE

Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Annual Report 2022

Stock code: 458

Contents

Corporate Information

WANG KOO Yik Chun
Honorary Chairlady

Board of Directors

Executive Director:

WANG Kin Chung, Peter,
Chairman and Chief Executive Officer

Non-Executive Directors:

WANG KOO Yik Chun, *Honorary Chairlady*
MAK WANG Wing Yee, Winnie
WANG Shui Chung, Patrick

Independent Non-Executive Directors:

LO Kai Yiu, Anthony
James Christopher KRALIK
Peter TAN
Chen LIN

Audit Committee

LO Kai Yiu, Anthony,
Chairman of the Audit Committee
MAK WANG Wing Yee, Winnie
James Christopher KRALIK

Nomination Committee

WANG Kin Chung, Peter,
Chairman of the Nomination Committee
LO Kai Yiu, Anthony
James Christopher KRALIK

Remuneration Committee

James Christopher KRALIK,
Chairman of the Remuneration Committee
MAK WANG Wing Yee, Winnie
LO Kai Yiu, Anthony
Peter TAN

Share Option Committee

WANG Kin Chung, Peter,
Chairman of the Share Option Committee
MAK WANG Wing Yee, Winnie

Chief Financial Officer

CHAN Man Ying, Vivian

Company Secretary

CHAN Man Ying, Vivian

Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

Legal Advisors

On Hong Kong Law	:	Reed Smith Richards Butler
On Bermuda Law	:	Appleby

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Citibank, N.A.
The Bank of East Asia, Limited

Registered Office

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Head Office and Principal Place of Business in Hong Kong

5th Floor, 66-72 Lei Muk Road
Kwai Chung, New Territories
Hong Kong

Tel	:	(852) 2279-3888
Fax	:	(852) 2480-4676
Website	:	http://www.tristateww.com

Corporate Communications

The Company Secretary
Tristate Holdings Limited
5th Floor, 66-72 Lei Muk Road
Kwai Chung, New Territories
Hong Kong

Tel	:	(852) 2279-3888
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Listing Information

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1988.

Stock short name	:	Tristate Hold
Stock code	:	458
Board lot	:	1,000 shares

Principal Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Branch Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Five-Year Financial Summary

	2022 *HK$'000*	2021 *HK$'000*	2020 *HK$'000*	2019 *HK$'000*	2018 *HK$'000*
Consolidated Statement of Profit or Loss					
Revenue	**3,731,194**	3,037,662	2,277,114	3,001,253	2,578,322
Profit/(loss) for the year attributable to:					
Equity shareholders of the Company	**30,772**	21,134	(169,437)	(38,829)	(80,455)
Non-controlling interests	**9,052**	8,063	2,646	1,892	622
Profit/(loss) for the year	**39,824**	29,197	(166,791)	(36,937)	(79,833)
Basic earnings/(loss) per share attributable to equity shareholders of the Company	**HK$0.11**	HK$0.08	HK$(0.62)	HK$(0.14)	HK$(0.30)

	As at 31 December 2022 *HK$'000*	As at 31 December 2021 *HK$'000*	As at 31 December 2020 *HK$'000*	As at 31 December 2019 *HK$'000*	As at 31 December 2018 *HK$'000*
Consolidated Statement of Financial Position					
Non-current assets	**1,321,384**	983,859	1,112,347	1,147,448	954,308
Current assets	**1,754,825**	1,430,878	1,128,693	1,129,211	1,097,484
Current liabilities	**1,225,123**	890,961	697,620	624,904	507,088
Net current assets	**529,702**	539,917	431,073	504,307	590,396
Total assets less current liabilities	**1,851,086**	1,523,776	1,543,420	1,651,755	1,544,704
Non-current liabilities	**811,608**	487,559	505,218	515,151	367,360
Net assets	**1,039,478**	1,036,217	1,038,202	1,136,604	1,177,344
Total equity attributable to equity shareholders of the Company	**1,020,151**	1,025,942	1,035,990	1,137,038	1,179,670
Non-controlling interests	**19,327**	10,275	2,212	(434)	(2,326)
Total equity	**1,039,478**	1,036,217	1,038,202	1,136,604	1,177,344

Notes:

1. As a result of the adoption of HKFRS 16, *Leases*, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

2. As a result of the adoption of HKFRS 15, *Revenue from contracts with customers*, with effect from 1 January 2018, the Group changed its accounting policies in respect of revenue recognition. The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue.

3. The Group adopted HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation*, from 1 January 2018. As a result, the Group changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group did not restate information relating to prior years. Differences in the classification and carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised at 1 January 2018. There was no difference in the classification and carrying amounts of the financial liabilities.

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Our Business

I am pleased to present Tristate Group's annual results for the year ended 31 December 2022. In this reporting year, the Group recorded profit attributable to equity shareholders of HK$31 million compared to the profit of HK$21 million a year earlier.

In 2022, our garment manufacturing business has posted substantial growth in profit which was mainly driven by increased revenue from certain key premium business customers, control of factory costs and the weakening of currencies of Asian countries where our factories operated.

Our brands business has reported increased losses. Among our brands, our own brand C.P. Company continued to record impressive revenue and profit growth, while the performance of our licensed brands in China were hit by the resurgence of COVID-19 and the lockdowns and restriction measures in China throughout 2022. Added to this, the Group incurred the transitional and initial investment costs for Reebok.

C.P. Company continued to deliver robust results in 2022 with continued growth in revenue and profitability driven by strong performance in wholesale and e-commerce channel. Wholesale business in Europe, in particular the UK, Italy and France remained the largest contributors of C.P. Company's revenue. Sales to other European countries and South Korea have also seen encouraging growth. E-commerce also recorded substantial growth. The continued successful implementation of brand, product and sales initiatives have led to robust consumer demand. To complement the wholesale business in Europe, the brand has six directly managed retail stores and outlets in the upmarket streets in the continent.

2022 has been a challenging year for retail in China. The rolling lockdowns and restrictions in many cities across the country throughout the year have been a drag on sales and consumer sentiment. In 2022, sales revenue and expansion plans for our licensed brands in China were impacted by temporary store closures and severe consumer restrictions. The pandemic control policies that restricted consumption have led to excess inventory. Despite this backdrop, revenue of Nautica only decreased by low single-digit in 2022 as compared with 2021. Net losses for the brand have increased due to lower revenue, an increase in inventory provision, and the rise of license-rights related expenses. The Group launched the Nautica "White Sail" concept in December 2021 which targets a younger consumer group and features over-sized, preppy streetwear styling originating from Japan. White Sail has received a very positive response from consumers and industry stakeholders alike. Since the China market is bouncing back from the aforementioned restrictions, we have seen a return to same store sales growth for the brand.

Spyder as a newly launched brand in late 2019 was immediately hit by the COVID-19 outbreak in early 2020 and was further affected by the rounds of lockdowns in China's major cities in 2022. Despite the challenges, in 2022, Spyder's revenue has increased by single-digit compared with 2021. Spyder also achieved growth in the e-commerce channel as well as in northern markets. In 2022, the brand continued to report a loss. The current year loss is less than last year as a result of reduced operating expenses as well as a lower annual minimum royalty as agreed with the licensor in late 2021. In view of the continued losses for this business, impairment provision of HK$31 million was made for the Spyder business in 2022 (2021: HK$40 million).

In December 2021, the Group entered into a long-term agreement with Authentic Brands Group to become the core licensee and operator for the Reebok brand in Mainland China, Hong Kong, Macau, and Taiwan. The Group commenced operations for the Reebok business on 1 May 2022 after a two-month transitional operation by the previous operator. The Group directly operates the Mainland China, Hong Kong and Macau markets, and sublicensed the Taiwan business to a renowned local operator. At the outset, the Reebok China and Hong Kong business will be primarily direct-to-consumer through mono-brand stores and e-commerce. In the first year of operation, the Reebok business reported a loss which is caused by the lockdowns in China throughout 2022 as well as the transitional and investment costs incurred for the business.

Chairman's Statement

Our Performance

Brands business

Revenue from brands business was HK$1,792 million in 2022, which was 20% higher than 2021. C.P. Company revenue rose 15% due to continuing strong growth of wholesale in key European countries and e-commerce. Reebok started to contribute revenue from the second quarter of this year. The performance of our licensed brands in China was impacted by the lockdown and restriction measures in China throughout 2022 as well as the transitional and initial investment costs incurred for Reebok in this year. These have led to increase in losses for our brands business in 2022.

Garment manufacturing

Revenue from garment manufacturing business was HK$1,939 million, grew 25% compared with 2021. The rise is mainly due to increased revenue from certain key premium business customers. In 2022, the substantial growth in profit of our garment manufacturing business was mainly due to increased revenue, control of factory costs and the weakening of currencies of Asian countries where our factories operated.

Outlook

The Group is dedicated to strengthening and investing in the long-term success of our business.

Our own global brand C.P. Company has a sound business foundation and reported year-on-year revenue growth. The impressive performance reinforces our confidence in the brand's ability to post strong revenue and profitability in the years to come. The brand will expand product range to drive revenue and upgrade our market positioning. We will continue to focus on existing key and growing wholesale markets and will expand into other countries by partnering with key wholesale accounts. The brand will continue to grow the e-commerce channel. We also plan to accelerate the opening of more direct retail stores in key European and Asian markets.

Leveraging on our strong design and supply chain teams, combined with Nautica's aspirational position, we have a clear path and strategy for the brand across channels. Build on the momentum in White Sail, we plan to open more full-price image stores and increase wholesale transactions for this collection. As the outlet and e-commerce channels continue to be profit drivers, we plan to enlarge the size of key outlet stores and increase our presence in top outlet centers in various cities together with retail partners. In the e-commerce channel, we will grow existing and new online platforms.

Spyder's positioning is on-trend in the growing snow sports market and the huge premium sports apparel segment in China. With the agreed reduction of annual minimum royalty, we will grasp all growth opportunities in this market. We will focus investment into quality outlet stores and e-commerce channels.

Reebok has a celebrated heritage and has created aspirational products for athletes and consumers across the world. The brand is deeply rooted in professional sports, sneaker culture, and performance apparel. We are excited to bring Reebok to Greater China's consumers in an authentic way. The Group will drive a unified brand vision together with Reebok Design Group based in Boston for footwear and apparel design, development and innovation. The Group will leverage Reebok's heritage and unique DNA and deploy strategy to fuse street and fitness styles that provides consumers with Reebok in the fast-growing sports, activewear, and outerwear segments. Key initiatives for the coming year are to elevate brand heat and icons, design successful apparel collections, open exciting full price stores and drive e-commerce sales. We are committed to driving innovation and growth of the brand.

Our garment manufacturing business has delivered encouraging profitability growth in 2022. In the year ahead, even with post-pandemic demand recovery, macro-economic challenges and rising factory costs remain challenging to the business. To stay resilient, we will continue to streamline our operations and control costs in order to remain competitive and flexible. Our diversified production base, unique production system together with flexible supply chain will enable us to work closely with our premium brands customers and respond to their needs.

The Group is dedicated to strengthening and investing in the long-term success of our business. In the coming year, we expect our own brand C.P. Company and garment manufacturing business will continue to post profits and generate strong cash flow. Since COVID-19 restrictions were eased in China, we expect a normalization of market conditions in China. Nautica is on track heading for a significantly improved financial performance. The Reebok licence marks an exciting new phase of development of the Group, and we are committed to making Reebok successful. The Group will have adequate cash and available bank credit facilities to finance working capital and operational requirements. We are confident that we are on the right path to achieving long-term profitable growth for the Group.

In view of the coming investment needs for our brands business, the Board of the Company does not recommend the payment of a final dividend.

Appreciation

I would like to take this opportunity to extend my gratitude to my fellow Directors, the management team and our staff for their continuing dedication, professionalism and enthusiasm. I would also like to thank all our customers, business partners and shareholders for their ongoing trust and support for the Group.

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 27 March 2023

Management Discussion and Analysis

In this Management Discussion and Analysis, we present the business review and a discussion on the financial performance of the Group for the year ended 31 December 2022.

Overview

For the year ended 31 December 2022, the Group recorded profit attributable to equity shareholders of HK$31 million compared to the profit of HK$21 million in 2021. Our garment manufacturing business has posted substantial growth in revenue and profit, while our brands business has reported increase in losses. Among our brands, our own brand C.P. Company continued to record impressive revenue and profit growth, while the performance of our licensed brands in China were hit by the resurgence of COVID-19 and the sporadic lockdowns and restriction measures in China and the transitional and initial investment costs for Reebok during its first-year operation.

Own Brands

C.P. Company continued to deliver robust results in 2022 with substantial year-on-year growth in revenue and profitability. The brand recorded 15% increase in revenue in 2022, driven by strong performance in wholesale and e-commerce channel. Wholesale business in Europe, in particular the United Kingdom ("UK"), Italy and France remained the largest contributors of C.P. Company revenue. Sales to other European countries and South Korea have also seen encouraging growth. E-commerce also recorded substantial growth with further growth opportunities. The continued successful implementation of brand, product and sales initiatives have led to robust consumer demand. To complement the wholesale business in Europe, the brand has six directly managed retail stores and outlets in the upmarket streets of London, Milan, Riccione, Mendrisio, Noventa di Piave and Amsterdam.

Our unique French concept premium ladies wear Cissonne continued to gradually expand through e-commerce and direct retailing in China major cities. The brand has now nine stores located in Beijing China World Mall, Beijing Galeries Lafayette, Shanghai Grand Gateway 66, Shanghai Jing An Kerry Centre, Qingdao MIXC, Qingdao Hisense Plaza, Hangzhou MIXC, Wuhan International Plaza and Shanghai Zhenning Road respectively.

Licensed Brands

2022 has been a challenging year for retail in China. Over two months lockdown in the second quarter plus rolling lockdowns and restrictions in many cities across the country throughout the year have been a drag on sales and consumer sentiment. Sales revenue and expansion plans for our licensed brands were hit by the COVID-19 related restrictions in China. The pandemic control policies that restricted consumption back in third quarter of 2021 and throughout 2022 have also led to excess inventory in the market. Despite this backdrop, revenue of Nautica only decreased by 4% in 2022 compared with 2021. However, net losses for the brand have increased due to lower revenue, an increase in inventory provision and the rise of licence rights related expenses after extending the term of the Nautica licence in late 2021. Management has decided to increase inventory provision for excess inventory in 2022 and to avoid rash clearance sales activities in 2022 that would hurt the brand as well as diminish future profitability of key online sales channels. On a constructive note, the Group launched the Nautica "White Sail" concept in December 2021 which targets a younger consumer group and features over-sized, preppy streetwear styling originating from Japan. White Sail has received a very positive response from consumers and industry stakeholders alike. White Sail has not fully displayed its potential in 2022 due to the China lockdown policy. As COVID-19 restrictions ceased in early December 2022, we have seen a return to same store sales growth. As of 31 December 2022, Nautica had 78 directly managed retail stores and another 89 stores operated by partners (2021: 151 stores in total).

Spyder was officially launched in China in November 2019. As a newly launched brand, Spyder was immediately hit by the COVID-19 outbreak in China in early 2020 and was further affected by the rounds of elongated lockdowns in China's major cities in 2022. Despite the challenging environment, Spyder revenue posted a 7% increase in 2022 compared with 2021. Spyder also achieved year-on-year growth in the e-commerce channel as well as in key northern markets such as Xian, Changchun, Harbin, Taiyuan, etc. Same store sales in 2022 also saw increases, reflecting the effectiveness of our merchandise strategies and increased brand awareness. On the bottom line, the brand continued to report a loss. The current year loss is less than last year as a result of reduced operating expenses as well as a lower annual minimum royalty as agreed with the licensor in late 2021. In view of the continued losses for this business, impairment provision of HK$31 million was made in 2022 (2021: HK$40 million) which included impairment for Spyder licence rights, right-of-use assets and leasehold improvements of certain loss-making stores based on value in use calculations. As of 31 December 2022, Spyder had 58 stores across China (2021: 50 stores).

In December 2021, the Group entered into a long-term agreement with Authentic Brands Group to become the core licensee and operator for the Reebok brand in Mainland China, Hong Kong, Macau, and Taiwan. The Group commenced operations for the Reebok business on 1 May 2022 after a two-month transition with the previous operator. The Group directly operates the Mainland China, Hong Kong and Macau markets, and sublicensed the Taiwan business to a renowned local operator. At the outset, the Reebok China and Hong Kong business will be primarily direct-to-consumer through mono-brand stores and e-commerce. The Reebok business reported a loss in its first year of operation in 2022. The business was impacted by the lockdowns in China throughout 2022, and the Group also incurred transitional and investment costs and licence-rights related amortization and interest expenses during the year. As of 31 December 2022, Reebok had 15 stores across China.

Garment Manufacturing

In the year under review, despite resurgence of COVID-19 in China and global inflation, our garment manufacturing business has posted substantial growth in both revenue and net profit compared with the last year. Revenue for 2022 has increased 25% over the last year though still below pre-COVID-19 level. The strong profit increase was mainly attributed to rise in revenue from certain key premium business customers, control of factory costs and the weakening of currencies of Asian countries where our factories operated.

Our China and Thailand factories are serving our "premium business" for fashion and complicated outerwear products. In the year under review, our China factories saw increased orders from certain key customers. Our Vietnam and Myanmar factories allow us to stay competitive in cost to support our "better business" for better tailoring products. In the second half of 2021, our Vietnam factory was disrupted by compulsory COVID-19 lockdown. The factory's production and efficiency returned to normal and achieved turnaround results in 2022.

Management Discussion and Analysis

Financial Highlights

	Note	2022	2021	Change
Operating results (HK$ million)				
Revenue		**3,731**	3,038	+23%
Gross profit		**1,449**	1,225	+18%
EBITDA		**424**	368	+15%
Depreciation on right-of-use assets	1	**(88)**	(95)	+7%
Interest on lease liabilities	1	**(7)**	(8)	+13%
Amortisation of licence rights	2	**(52)**	(32)	-63%
Interest on licence fees payable	2	**(47)**	(21)	-124%
Depreciation on owned property, plant and equipment		**(65)**	(76)	+14%
Impairment losses of intangible assets		**(16)**	(30)	+47%
Impairment losses of right-of-use assets and property, plant and equipment		**(20)**	(20)	–
Income tax charge		**(81)**	(55)	-47%
Profit attributable to equity shareholders		**31**	21	+48%
Segment results (HK$ million)				
Garment manufacturing EBITDA		**273**	136	+101%
Depreciation on right-of-use assets	1	**(8)**	(8)	–
Interest on lease liabilities	1	**(2)**	(2)	–
Depreciation on owned property, plant and equipment		**(19)**	(20)	+5%
Garment manufacturing results after tax		**196**	86	+128%
Brands business EBITDA		**129**	202	-36%
Depreciation on right-of-use assets	1	**(70)**	(76)	+8%
Interest on lease liabilities	1	**(6)**	(6)	–
Amortisation of licence rights	2	**(52)**	(32)	-63%
Interest on licence fees payable	2	**(47)**	(21)	-124%
Depreciation on owned property, plant and equipment		**(37)**	(44)	+16%
Impairment losses of intangible assets		**(16)**	(30)	+47%
Impairment losses of right-of-use assets and property, plant and equipment		**(20)**	(17)	-18%
Brands business results after tax		**(160)**	(59)	-171%
Cash flow (HK$ million)				
Cash generated from operations		**107**	217	-51%
Income tax paid		**(46)**	(18)	-156%
Payment for the purchase of property, plant and equipment		**(90)**	(50)	-80%
Rental payments under capitalised leases	1	**(97)**	(109)	+11%
Financial position (HK$ million)				
Cash and bank balances		**301**	379	-21%
Bank borrowings		**107**	42	-155%
Intangible assets	2	**720**	401	+80%
Licence fees payable				
Non-current portion	2	**625**	310	-102%
Current portion included in accruals and other payables	2	**83**	34	-144%
Total equity		**1,039**	1,036	–
Key ratios				
Gross profit margin		**38.8%**	40.3%	-1.5pp
Net profit margin attributable to equity shareholders		**0.8%**	0.7%	+0.1pp
Return on average equity (ROE)	3	**3.0%**	2.0%	+1.0pp

Notes:

1. Under HKFRS 16, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability and the depreciation on the right-of-use assets, instead of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. In the cash flow statement, the Group as a lessee is required to classified rentals paid under the capitalised leases as financing cash outflows.

2. Licence related amortisation and imputed interest on licence fees payable being non-cash items recognised in accordance with accounting policy for our long-term licences – Nautica, Spyder and Reebok. The increase in intangible assets, licence fees payable, licence related amortisation and imputed interest in 2022 mainly due to the Reebok licence recognised during the year.

3. ROE is calculated as profit attributable to equity shareholders over average total equity for the current and prior year.

Management Discussion and Analysis

Financial Review

Revenue

Total revenue of the Group for the year 2022 was HK$3,731 million (2021: HK$3,038 million), representing an increase of 23% compared with the last year.

Revenue from brands business was HK$1,792 million in 2022, rose from HK$1,489 million in 2021. C.P. Company continued to report strong revenue growth against the last year. Reebok started to contribute revenue from the second quarter of this year. The revenue of other licensed brands Nautica and Spyder fell short of expectations due to the lockdown restrictions in China.

Revenue from garment manufacturing business in the current year increased to HK$1,939 million from HK$1,548 million in 2021, though has yet to return to pre-COVID-19 level. Revenue from premium business, which accounted for 76% (2021: 74%) of the segment revenue, grew 29% as compared with last year. During the year under review, we saw increased orders from certain premium business customers. Revenue from better business also rose 14%.

Geographically, major markets of the Group are the People's Republic of China (the "PRC"), the UK, Canada and Italy, and which accounted for 27% (2021: 31%), 20% (2021: 25%), 12% (2021: 8%) and 11% (2021: 11%) of the Group's total revenue respectively. The change was mainly due to the increase in revenue from Canada within our garment manufacturing business and from other European countries within our brands business.

The Group's business continues skewed towards the second half year mainly due to the seasonality effect in terms of higher quantity and unit selling price for Fall/Winter and holiday seasons shipment for both our garment manufacturing (in particular premium outerwear products) and brands business. The Group expects that the pattern of a larger proportion of sales record in the second half year will continue.

Gross Profit

During the year, the Group's overall gross profit recorded at HK$1,449 million (2021: HK$1,225 million), representing a gross profit margin of 38.8% (2021: 40.3%). The increase in gross profit was mainly attributable to the increased turnover. Gross profit margin of garment manufacturing business increased by low-single-digit attributed to rise in revenue, control of factory costs and the weakening of currencies of Asian countries where our factories operated.

Gross profit margin of brands business dropped in low-single-digit comparing to last year. Gross profit margin of C.P. Company increased due to improvement in supply chain management. This has been offset by the decrease in gross margins of licensed brands in China as more inventory provision was made. The Group's overall gross profit margin decreased in 2022 was due to the rise in revenue proportion of garment manufacturing business which has a lower gross profit margin than brands business.

Other Net Losses

In 2022, other net losses included impairment losses on intangible assets and property, plant and equipment totaling HK$36 million (2021: HK$50 million), of which HK$31 million (2021: HK$40 million) are relating to impairment for Spyder licence rights, right-of-use assets and other property, plant and equipment based on value in use calculations.

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly retail shop expenses, advertising and promotion, commissions to retail partners and sales agents, logistic costs and brand licence rights amortisation. Selling and distribution expenses increased as compared to 2021 mainly due to the additional promotion expenses, shop expenses and licence right amortisation for Reebok; more commissions for C.P. Company and partially reduced by selling costs control for Spyder.

General and Administrative Expenses

General and administrative expenses increased as compared with 2021 mainly due to initial set up and transitional costs for Reebok and increase in foreign exchange losses in 2022.

Income Tax Charge

Income tax charges increased as compared with 2021 because both garment manufacturing business and C.P. Company have reported substantial growth in profit as compared with the last year.

Segment Results

The substantial increase in segment profit of garment manufacturing business was mainly attributed to increased revenue from key premium business customers, control of factory costs and the weakening of currencies of Asian countries where our factories operated. Segment loss of brands business in 2022 has increased over last year. Despite C.P. Company has recorded profit growth in 2022, the performance of our licensed brands was affected by lockdown restrictions in China and transitional and initial investment costs incurred for Reebok during its first-year operation.

Financial Resources and Liquidity

At 31 December 2022, cash and bank balances amounted to HK$301 million (31 December 2021: HK$379 million) which mainly represented United States dollars ("US dollars"), Renminbi and Euro bank deposits and balances.

The Group maintained sufficient banking facilities to support its business. At 31 December 2022, the Group had short-term bank borrowings of HK$107 million (31 December 2021: HK$42 million). At the close of 2022, short term bank borrowings were denominated in US dollars, Euro and Renminbi (31 December 2021: US dollars) and bearing interest at fixed rates. As of 31 December 2022, bank deposits of HK$11 million (31 December 2021: HK$11 million) were pledged to secure bank facilities granted to the Group. Gearing ratio of the Group is calculated as net borrowings divided by total capital. Net borrowings are calculated as total bank borrowings less cash and bank balances, while total capital comprised total equity plus net borrowings. The Group did not have net borrowings as at 31 December 2022 and 31 December 2021, and accordingly, no information on gearing ratio as at that dates is provided.

For cash flow and working capital, the Group used more cash for its operation in 2022 as compared with 2021, mainly for inventory purchase for the Reebok business. Working capital at 31 December 2022 increased as compared with 2021, mainly due to purchase of initial and current season inventories for the Reebok business and the rise of raw material and work in progress for garment manufacturing business in line with business growth.

Management Discussion and Analysis

Shareholders' equity at 31 December 2022 was fairly stable as compared with 2021 mainly due to profit attributable to equity shareholders for the year, and offset by the negative exchange difference on translating financial statements of overseas subsidiaries, mainly from the depreciation of Renminbi, Euro and Thai Baht during the year.

Most of the Group's receipts and payments are denominated in US dollars, Hong Kong dollars, Renminbi, Pound Sterling and Euro. The Group manages the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the year ended 31 December 2022, the Group had forward foreign exchange contracts to hedge against the foreign exchange exposures arising from US dollars denominated processing income for factories in the PRC and Pound Sterling sales receipts of a European subsidiary.

Contingent Liabilities and Capital Commitments

Apart from the capital commitments as disclosed in Note 34 to the consolidated financial statements, there was no other material capital commitments or contingent liabilities as at 31 December 2022.

Human Resources

The Group had about 6,360 employees as at 31 December 2022 (2021: 6,140). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance are also awarded with discretionary bonuses and share options.

Outlook

Our own global brand C.P. Company has a sound business foundation and reported year-on-year revenue growth since acquisition. The impressive performance reinforces our confidence in the brand's ability to post strong revenue and profitability in the years to come. The brand will expand product range to drive revenue and upgrade our market positioning. We will continue to focus on existing key and growing wholesale markets (UK, Italy, France, Benelux, South Korea and Germany), and will expand into other countries in Europe, the Middle East, South American and Asian markets by partnering with key wholesale accounts. The brand will continue to grow existing e-commerce channel and invest in localised digital channels in Asian countries. We also plan to accelerate the opening of more direct retail stores in key European and Asian markets and enhance store experience and services for our customers. In order to build a strong customer community and increase their loyalty and lifetime value, C.P. Company will further promote the culture of customer centricity.

Leveraging on our strong design and supply chain teams, combined with Nautica's aspirational position, we have a clear path for the brand in terms of distribution channel mix, key retail metrics, and business model. We have identified a clear product concept and merchandise mix; pricing strategies and strategic promotion plans across channels. Building on the momentum in White Sail, we plan to open more full-price image stores and increase wholesale transactions for this collection. As the outlet and e-commerce channels continue to be profit drivers, we plan to enlarge the size of key outlet stores and increase our presence together with select retail partners in top outlet centers where Nautica has yet to penetrate. In the e-commerce channel, we will grow existing and new online platforms. We will also continue to invest into our CRM systems with the goal of enhancing membership services and promoting engagement with our loyal customers.

Spyder's positioning is on-trend with the backdrop of a growing snow sports market and the huge premium sports apparel segment in China. With the agreed reduction of annual minimum royalty, we will grasp all growth opportunities. We will focus investment into quality outlet stores and e-commerce channels. We will continue to control operating expenses.

Reebok has a celebrated heritage and has inspired, connected, and created aspirational products for athletes and consumers across the world for decades. The brand is deeply rooted in professional sports, sneaker culture, and performance apparel. We are excited to bring Reebok to Greater China's consumers in an authentic way. The Group will partner with Reebok Design Group based in Boston for footwear and apparel design, development, innovation and to drive a unified brand vision. The Group will leverage Reebok's heritage and unique DNA and deploy strategy to fuse street and fitness styles that provides consumers with Reebok in the fast-growing sports, activewear, and outerwear segments. Key initiatives for the coming year are to elevate brand heat and icons, design successful apparel collections, open exciting full price stores, drive e-commerce sales and strengthen our Reebok community.

Our garment manufacturing business has delivered encouraging profitability growth in 2022. In the year ahead, even with post-pandemic demand recovery, macro-economic uncertainties and rising factory costs remain challenging to the business. To stay resilient, we will continue to streamline our operations and control costs in order to remain competitive and flexible. Our diversified production base, unique production system together with flexible supply chain will enable us to work closely with our premium brands customers and respond to their needs.

The Group is dedicated to strengthening and investing in the long-term success of our business. In the coming year, even faced with certain macro-economic challenges, we expect our own brand C.P. Company and garment manufacturing business will continue to post profits and generate strong cash flow. Since the easing of COVID-19 restrictions, we expect a normalisation of market conditions in China. Nautica is on track for a return to same store sales growth and heading for a significantly improved financial performance. We will strive to improve the performance of Spyder. The Reebok licence marks an exciting new phase of development of the Group, and we are committed to making Reebok successful. The Group will have adequate cash and available bank credit facilities to finance working capital and operational requirements. We are confident that we will achieve long-term profitable growth for the Group.

Principal Risks and Uncertainties

The Group has an enterprise risk management mechanism in place to identify, evaluate and manage its exposure to risks (including Environment, Social and Governance risks). Management oversees the risks and implement robust business processes to mitigate the risks. Existing and emerging risks are identified, evaluated and tracked regularly by top management and reported to the Audit Committee.

Principal risks and uncertainties affecting the Group are outlined below:

External Risks	Operational Risks	Financial Risks
Macroeconomic Environment	Increased Cost	Liquidity and Interest Rate
Business Partner's Change in Business Strategy	Environment and Social Responsibility	Foreign Exchange
Regulatory Risks	IT Risks	
	Business Interruption	

The responses of the Group to the principal risks and uncertainties are set out below:

Nature of Risk	Responses
External Risks	
Macroeconomic Environment	
• The principal business activities of the Group are garment manufacturing and brands business with worldwide customers located in Europe, North America and Asia. The industries in which the Group operates are affected by the economic conditions and consumer spending behaviour in these countries. Change in economic condition and consumer spending behaviour may reduce the demand of our products.	• Geographic spread of customers and multiple sales channels will mitigate localised economic risks. • Annual budget is approved by the Board. • Quarterly financial performance and forecast are reported to the Board. • Internal review between business unit heads and corporate finance team on the monthly financial performance. • Monthly rolling forecast review where annual budget will be compared with actual and forecast figures. Variance analysis to account for the difference between budget and actual figures. • Monthly meeting to review business, sales and marketing performance.
Business Partner's Change in Business Strategy	
• Garment manufacturing customer's strategy change in sourcing locations and competitive pricing may cause the Group to lose orders and revenue. • Change in market entry and licensing strategy by brand owners of our licensed brands may cause the Group to lose distribution rights in licensing branded products.	• Our factories are located in different countries and serve a wide range of products with different price levels. • The Group's ongoing strategy in developing our own brands and long term licensed brands business will help to sustain the revenue of brands business.
Regulatory Risks	
• The Group is increasingly subject to a broad and changing legal, tax, and regulatory requirements in the various jurisdictions the Group operates. New and changing policies or applications by governments may pose a risk to the Group's returns and/or subject the Group to legal challenge.	• The Group continually monitors changes in local government policies and legislation. • Ongoing long-term strategic reviews with assessment of market and country concentration.

Nature of Risk	Responses
Operational Risks	
Increased Cost	
• Increased cost will impact the profitability of our business.	• For our brands business, we have our own sourcing team with diversified supply network to handle product sourcing. • For garment manufacturing business, our Group effectively earns cut and make profit. Increased cost in fabric material has little impact to the Group. • Diversification of factories and supply chain in various countries in Asia and production process improvements will help to offset the rise in wages and staff costs.
Environment and Social Responsibility	
• Failure to comply with applicable laws, regulations or standards related to environment and social responsibility may adversely impact our employees, lose production time and attract negative media attention and regulators' interest.	• Manage internal controls over our significant environmental aspects with aim to enhance the efficiency of resource use and reduce environmental emissions in our business operation. • Apply equal opportunities principles in all employment policies.
IT Risks	
• When there is IT system outage or cyberattack, all the IT systems may come to a halt causing not only business interruption but also loss of confidential information such as personal data of employees or consumers of the e-shop.	• Appropriate controls and technology have been deployed to mitigate the risk of system outages and cyberattack. They include preventive system maintenance, regular security checks, installation of fire-wall and anti-virus software, multi-level security, uninterrupted power supply, daily off-site backup of key application systems and data, regular disaster recovery drill, assignment of job-related access rights, well-defined access controls system. • Although certain e-shops are run on third-party platform, the e-Commerce service agreement specifies that the operator should maintain and update all the technological elements necessary to guarantee the proper functioning of the e-shop, the safety of the systems underlying the e-shop and the protection of the personal data according to applicable laws and market practices.
Business Interruption	
• The Group's operations may be interrupted by the occurrence of unexpected events like natural disasters, strikes, epidemics and occupational hazards that may or may not be under the Group's control. • The widespread community transmission of COVID-19 may cause disruption in supply chain, and interruption of business operations.	• Proactive sourcing of suppliers in different countries and regional production facilities help to reduce the reliance on any single site. • Constant communication with customers for keeping them abreast of any potential disruption of services and endeavour to seek their support and understanding. • Work from home with the use of conference call, video conferencing and remote access to the Group's IT systems.

Nature of Risk	Responses
Financial Risks	
Liquidity and Interest Rate	
• Cash and treasury management may not be operating effectively leading to liquidity risk. • Cash flows and profitability will be negatively impacted by the movement of interest rates on bank balances and bank borrowings.	• Closely monitor to ensure that the combination of cash on hand, available credit lines and expected future operating cash flows is sufficient to satisfy current and planned cash needs. • Closely monitor the movement of market interest rate and consider interest rate hedging when necessary.
Foreign Exchange	
• The Group has operations in the PRC, Europe, North America and various Asian countries. It earns revenues, incurs costs and makes investments in various foreign currencies and is thus exposed to foreign exchange risk arising from various currency exposures. • The conversion of Renminbi receipts into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange in the PRC.	• The Group manages significant foreign exchange risk against the respective subsidiaries' functional currencies arising from future commercial transactions, recognised assets, liabilities and net investment in foreign operations principally by means of forward foreign exchange contracts. • The Group endeavours to maintain adequate and reasonable amount of Renminbi deposits in the PRC and remit surplus Renminbi out of the PRC.

Relationship with Business Partners and Stakeholders

Relationship with Customers

The Group maintains long-term relationships with customers of our garment manufacturing and branded products distribution business. The Group has developed multi-products strategy and also strengthened our scope of services to our global brands customers. The Group has no concentration or a high level of dependency on individual customer.

Relationship with Suppliers

The Group maintains long-term relationships with suppliers and subcontractors. The Group has no concentration or a high level of dependency on a small group of suppliers. The suppliers of our garment manufacturing business are generally nominated by customers. For suppliers of our brands business, we communicate with them all the way through for them to understand our policies and requirements.

Relationship with Employees

The Group recognises and supports the culture of attracting, motivating and retaining talents. The Group provides competitive compensation and benefits for its employees. Remuneration packages are generally structured by reference to market and individual merits. Salaries are normally reviewed on an annual basis based on individual performance and financial performance of the Group. Those employees with outstanding performance are also awarded discretionary bonuses and share options. The Group promotes open communications, encourages continuous learning and support different kind of training on leadership development programme.

Compliance with Relevant Laws and Regulations

We uphold high standards and meet relevant requirements under applicable laws or ordinances when conducting our business. We were not aware of any material non-compliance of relevant standards, rules and regulations during the year.

Environmental and Social Policies

The Group is committed to creating a sustainable and greener environment and continues to explore ways to reduce carbon emission, conserve energy and reduce wastage. We have implemented various environmental and sustainability initiatives in our factories. Being a responsible social citizen, the Group has been committed to supporting various charitable events, including making donations in relation to education, disaster reliefs and for the less-privileged, in particular supporting local society needs where our group companies locate for the long term. Since 2015, the Company has been participating in the Caring Company Scheme and we collaborated with The Salvation Army on various charitable activities, such as fund raising and volunteer works. Please refer to the "Environmental, Social and Governance Report" set out in this Annual Report, which discusses in detail our initiatives on environmental and social aspects and their performance.

Corporate Governance Practices

The board of directors (the "Board") of the Company is committed to maintaining good corporate governance standard and effective internal control and risk management systems for the Company and its subsidiaries (the "Group"). Corporate governance provides the framework within which the Board makes its decisions and build the Group's businesses. The Company believes that good corporate governance is essential to enhancing accountability and transparency when formulating business strategies, managing sustainable operation and upholding the corporate value of the Company.

Throughout the year ended 31 December 2022, the Company had complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from code provision C.2.1 of the CG Code. Details of the corporate governance practices adopted by the Company are set out in this report.

Corporate Culture

The core values of the Company are courage to overcome challenges, integrity, persistence, respect and accountability. The Board embraces a culture built on these core values, with a view to achieving the objectives of our investors, satisfying the requirements of our customers, accomplishing the goals of our vendors and realising the advancement of our employees.

The Board

Board Composition

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting the Company's success by directing and supervising its affairs. The directors of the Company (the "Directors") take decisions objectively in the best interest of the Company and its shareholders as a whole.

The Board is mainly responsible for setting and approving the Company's strategic direction and planning all important matters, including the approval of interim and annual results, reports and financial statements, annual financial budget, as well as business and operation plans.

As at the date of this report, the Board comprises eight Directors, including one Executive Director, Mr. WANG Kin Chung, Peter, who is also the Chairman and the Chief Executive Officer ("CEO") of the Company; three Non-Executive Directors, namely Ms. WANG KOO Yik Chun (Honorary Chairlady), Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick; and four Independent Non-Executive Directors, namely Mr. LO Kai Yiu, Anthony, Mr. James Christopher KRALIK, Mr. Peter TAN and Professor Chen LIN. Biographical details of the Directors are set out in the "Directors' and Senior Management's Profiles" section of this annual report.

Ms. WANG KOO Yik Chun is the mother of Mr. WANG Kin Chung, Peter, Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick.

The Nomination Committee has reviewed the structure, size and composition of the Board and considers that the Board maintains an appropriate balance of skills, experience and diversity of perspectives to ensure the Board's effectiveness.

Chairman and Chief Executive Officer

During the year ended 31 December 2022 and up to the date of this report, Mr. WANG Kin Chung, Peter is the Chairman of the Board and the CEO. This constitutes a deviation from code provision C.2.1 of the CG Code which stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

Mr. WANG Kin Chung, Peter has been with the Group since 1999 and has considerable experience in the garment industry. He leads the Board in considering and setting the overall strategic planning and business development of the Group. Given the current size of the Group and its present stage of development, the Board considers that it is in the interest of the Group that Mr. WANG Kin Chung, Peter holds both the offices of the Chairman and the CEO so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is capable of guiding discussions and briefing the Board in a timely manner on key issues and developments.

Non-Executive and Independent Non-Executive Directors

The Non-Executive Directors and Independent Non-Executive Directors provide the Group with diversified expertise and experience. Their views and participation in meetings of the Board and Board committees can bring independent judgement and advice and provide adequate checks and balance on issues relating to the Group's strategies, performance and management process, and hence ensure that the interests of all shareholders are taken into account and safeguarded.

Independence of Independent Non-Executive Directors

Three Independent Non-Executive Directors, namely Mr. LO Kai Yiu, Anthony, Mr. James Christopher KRALIK and Mr. Peter TAN have served on the Board for more than nine years. To comply with code provision B.2.4 of the CG Code, the Company had appointed an additional Independent Non-Executive Director, namely Professor Chen LIN, on 13 February 2023.

The Company has received from each of Mr. LO Kai Yiu, Anthony, Mr. James Christopher KRALIK and Mr. Peter TAN a written annual confirmation of independence and also from Professor Chen LIN, a written confirmation of independence on her appointment, each pursuant to Rule 3.13 of the Listing Rules. These written confirmations also covered the immediate family members of each of the Independent Non-Executive Directors. Among the Independent Non-Executive Directors, none of them hold cross-directorships with other Directors. The Nomination Committee had reviewed and considered that each of the Independent Non-Executive Directors continued to be independent based on the independence guidelines set out in Rule 3.13 of the Listing Rules.

Mechanism regarding Independent Views to the Board

The Board has implemented different ways to ensure independent views are available to the Board. With the appointment of Professor Chen LIN, Independent Non-Executive Directors now account for 50% (4 out of 8) of the Board members. Such high proportion of independent members has helped ensure that their views and opinions carry weight inside the Board room.

Through active participation in the meetings of the Board and Board committees, the Independent Non-Executive Directors can provide their views and act objectively for the benefit of the Company and the shareholders as a whole. The Board Chairman holds meetings with the Independent Non-Executive Directors annually to listen to their views. The Nomination Committee carries out annual review of independence to ensure that the Independent Non-Executive Directors continue to meet the independence guidelines under the Listing Rules. The remuneration payable to the Independent Non-Executive Directors is not performance-linked to avoid any temptation towards bias decision-making or compromising of objectivity and independence. A Director (including any Independent Non-Executive Director) who has a material conflict of interest in a matter shall abstain from voting on the relevant resolution. In addition, all Directors (including Independent Non-Executive Directors) may take independent professional advice as appropriate at the expense of the Company in order to facilitate proper discharge of their duties. Meeting attendance is reviewed annually to monitor time devotion by Independent Non-Executive Directors to the Company's affairs. The Independent Non-Executive Directors can also approach the Board Chairman and CEO and other management members for providing their comments.

The implementation and effectiveness of the above-mentioned mechanism will be reviewed annually. Currently, the Board considers such mechanism has been implemented properly and effectively.

Appointment and Election of Directors

Except Professor Chen LIN whose current term of appointment is for a period from 13 February 2023 to 31 December 2025 which is less than three years, all other Non-Executive Directors and Independent Non-Executive Directors are appointed for a specific term of three years (subject to early determination or renewal upon expiry). The Non-Executive Directors and the Independent Non-Executive Directors are subject to retirement by rotation and re-election at annual general meetings at least once every three years in accordance with the Company's bye-laws (the "Bye-Laws") while the Executive Director will also retire voluntarily once every three years to uphold good corporate governance practice. In addition, any person appointed by the Directors to fill a casual vacancy on or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment, and shall then retire and stand for re-election. Re-election of Director (including Independent Non-Executive Director who has served on the Board for more than nine years) is subject to a separate resolution to be approved by the shareholders.

At the forthcoming annual general meeting of the Company to be held on 19 June 2023 (the "2023 AGM"), Ms. WANG KOO Yik Chun and Mr. Peter TAN will retire by rotation and, being eligible, offer themselves for re-election, while Professor Chen LIN (who was appointed by the Board on 13 February 2023) shall retire and, being eligible, offer herself for re-election. Since Mr. Peter TAN has served on the Board for more than nine years, his re-election will be subject to a separate resolution to be proposed at the 2023 AGM.

The Nomination Committee had reviewed and the Board had endorsed the recommendations to shareholders to re-elect each of Ms. WANG KOO Yik Chun, Mr. Peter TAN and Professor Chen LIN at the 2023 AGM.

Nomination Policy

The Board adopted a nomination policy with an aim to setting out the criteria and procedures when considering candidates to be appointed or elected/re-elected as Directors.

When considering a candidate nominated for directorship or a proposed election/re-election of Director, the Nomination Committee and the Board will have regard to the following factors:

(i) including, but not limited to, gender, age, ethnicity, cultural and educational background, professional experience, skills, knowledge and other qualities which are listed in the Company's adopted board diversity policy (the "Board Diversity Policy");

(ii) how he/she can contribute to the diversity of the Board;

(iii) commitment of the candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices currently held by the candidate in public companies or organisations, and other significant commitments will be considered;

(iv) potential/actual conflicts of interest that may arise if the candidate is selected;

(v) in the case of a proposed appointment and election/re-election of an Independent Non-Executive Director, independence of the candidate pursuant to the criteria set out in the Listing Rules;

(vi) in the case of a proposed election/re-election of an Independent Non-Executive Director, the number of years he/she has already served; and

(vii) other factors considered by the Board to be relevant on a case by case basis.

Subject to the provisions of the Bye-Laws, if the Board recognises the need to appoint an additional Director, it will identify or select candidates recommended, with or without assistance from external agencies, pursuant to the factors set out above. The Board deliberates and decides on the appointment. An appointment of Director will be confirmed by letter of appointment setting out the terms and conditions of such appointment, which shall be approved by the Board. Where the shareholders are required to vote on the proposed appointment or election/re-election of a Director, the Company will disclose in the circular accompanying the notice of the relevant general meeting all the information of the individual required under the Listing Rules as appropriate.

Diversity

Board Diversity

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of the Board's performance. The Board has adopted the Board Diversity Policy which will be reviewed annually to ensure its proper implementation and effectiveness.

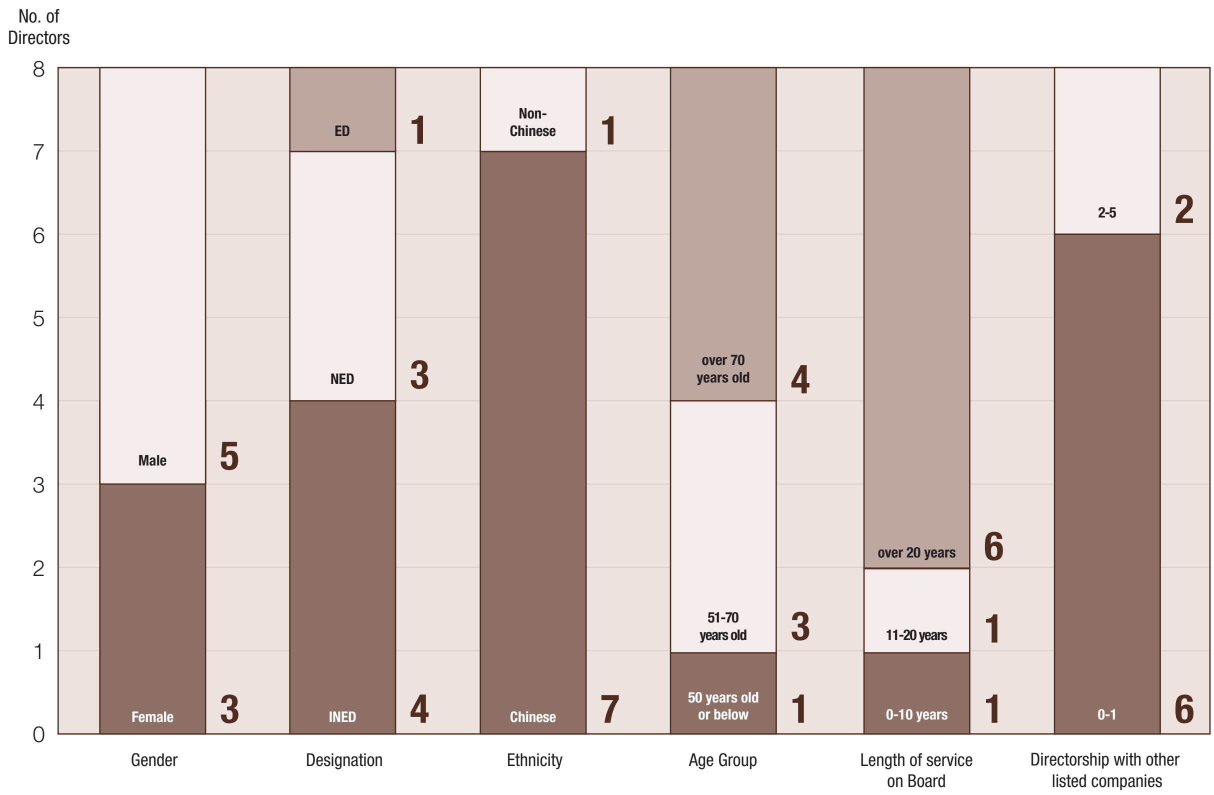
In reviewing Board diversity, the Nomination Committee has considered a number of factors including, but not limited to, gender, age, ethnicity, cultural and educational background, professional experience, skills and knowledge and other qualities. The Company endeavours to ensure the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to implement the business strategy of the Company and for the Board to be effective.

Currently, our Board members are from different cultural and educational backgrounds and comprising business executives as well as corporate finance and accounting professionals. Their skills, knowledge and experience are appropriate and desirable for the businesses and operations of the Group.

Professor Chen LIN joined the Board in February 2023 who bought to the Group her intensive experience in consumer digital marketing, particularly in the apparel and fashion industry. The addition of Professor Chen LIN has further enhanced Board diversity in terms of, among others, gender, age, experience and expertise.

On gender, female representation of Board members has now increased to around 38% (3 out of 8). The Board considers that gender diversity of the Board has been achieved, and the female proportion is sufficient to ensure views of the female Directors are being heard and such percentage is aligned with the Board's objective to achieve gender diversity.

An analysis of the current Board composition is set out in the following chart:



ED : Executive Director
NED : Non-Executive Director
INED : Independent Non-Executive Director

Diversity across Workforce

As at 31 December 2022, the Group had about 6,360 employees (including senior management), out of which approximately 21% were male and approximately 79% were female. As at 31 December 2022, there were six senior management (whose names are shown in the "Directors' and Senior Management's Profiles" section of this annual report) and male-to-female ratio of senior management was maintained at 2:4. The Group has relatively larger female workforce as compared to male as the Group is in the garment/fashion industry. Nevertheless, the Group pursues equal job opportunities for male and female in recruitment, staff development and promotion. In reviewing our succession planning, the Group will also put appropriate consideration and emphasis in enhancing general diversity across the workforce.

Induction and Development

Every newly appointed Director would receive a comprehensive and tailored induction on appointment. Subsequently he/she would receive any briefing necessary to ensure that he/she has a proper understanding of the Group's operations and business and is fully aware of his/her responsibilities under the Listing Rules and other applicable laws, rules and regulations.

The Group continuously updates Directors on the latest developments of the Listing Rules and other applicable legal and regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2022, the Directors (except Professor Chen LIN who joined the Board in February 2023) participated in the following continuous professional development:

Directors	Types of training
Executive Director	
Mr. WANG Kin Chung, Peter	A, C
Non-Executive Directors	
Ms. WANG KOO Yik Chun	A, C
Ms. MAK WANG Wing Yee, Winnie	A, C
Dr. WANG Shui Chung, Patrick	A, B, C
Independent Non-Executive Directors	
Mr. LO Kai Yiu, Anthony	A, C
Mr. James Christopher KRALIK	A, C
Mr. Peter TAN	A, C

Notes:

A: attending seminars, conferences and/or briefings on directors' duties and corporate governance, regulatory updates, and financial and economic development

B: giving speech at seminars and/or conferences

C: reading regulatory updates, newspapers, journals, and other business, financial and economic publications

Board Process

The Board requires Directors to devote sufficient time and attention to their duties and the Company's affairs. The Directors are also required to disclose to the Company annually the number and nature of offices held in public companies or organisations and other significant commitments with an indication of the time involved.

The Board meets regularly and Board meetings are held at least four times a year roughly at quarterly intervals. Dates of regular Board meetings are scheduled in the prior year to facilitate Directors to plan for their attendance. In addition, notice of at least 14 days is given for each regular Board meeting and reasonable notice is given for ad hoc Board meeting. The Directors are given opportunity to include matters for discussion in the agenda. Participation through video-conferencing or telephone conferencing systems is arranged for those Directors who cannot attend the meeting physically.

For regular Board meetings, and as far as practicable for other ad hoc meetings of the Board and Board committees, an agenda and accompanying meeting papers are sent to all Directors/Board committee members at least three days before the meeting date.

Minutes of the meetings of the Board and Board committees are kept by the Company Secretary. Draft and final versions of minutes are sent to all Directors for their comments and records respectively, within a reasonable time after the meeting is held.

Directors' Meeting Attendance

During the year ended 31 December 2022, four meetings of the Board and five meetings of the Board committees were held. Annual general meeting was held on 6 June 2022 (the "2022 AGM"). The attendance of each Director (except Professor Chen LIN who joined the Board in February 2023) at meetings of the Board and Board committees in 2022 as well as the 2022 AGM is set out below:

	Number of meetings attended/eligible to attend				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	2022 AGM
Executive Director:					
Mr. WANG Kin Chung, Peter	4/4	N/A	1/1	N/A	1/1
Non-Executive Directors:					
Ms. WANG KOO Yik Chun	0/4	N/A	N/A	N/A	0/1
Ms. MAK WANG Wing Yee, Winnie	4/4	3/3	N/A	1/1	1/1
Dr. WANG Shui Chung, Patrick	3/4	N/A	N/A	N/A	0/1
Independent Non-Executive Directors:					
Mr. LO Kai Yiu, Anthony	4/4	3/3	1/1	1/1	1/1
Mr. James Christopher KRALIK	4/4	3/3	1/1	1/1	0/1
Mr. Peter TAN	4/4	N/A	N/A	1/1	0/1

N/A: Not applicable

Delegation by the Board

Board Committees

The Board has established four Board committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Share Option Committee, with each assisting the Board in discharging certain aspects of its duties. Each of these Board committees is governed by its own terms of reference.

The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee, which set out their duties, can be viewed from the website of the Company and the HKEXnews website of Hong Kong Exchanges and Clearing Limited.

The Share Option Committee, comprising the Executive Director and a Non-Executive Director as members, was established to deal with the administration of share options after the relevant share option grant proposal was reviewed by the Remuneration Committee and approved by the Board.

Audit Committee

The Audit Committee is responsible for reviewing the Company's financial information and overseeing the Company's financial reporting system as well as risk management and internal control systems.

A majority of members of the Audit Committee are Independent Non-Executive Directors. During the year ended 31 December 2022 and up to the date of this report, the members of the Audit Committee are:

Non-Executive Director:

Ms. MAK WANG Wing Yee, Winnie

Independent Non-Executive Directors:

Mr. LO Kai Yiu, Anthony *(Chairman)*
Mr. James Christopher KRALIK

Mr. LO Kai Yiu, Anthony, an Independent Non-Executive Director, is the chairman of the Audit Committee. He has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

None of the three Audit Committee members is a former partner of the Company's external auditor.

The Board agrees with the Audit Committee's proposal for the re-appointment of KPMG as the Company's external auditor for 2023. The recommendation will be presented for the approval of the shareholders at the 2023 AGM.

The Audit Committee is provided with sufficient resources to perform its duties and has access to professional advice if necessary.

During the year ended 31 December 2022, the Audit Committee held three meetings and a summary of work performed is set out below:

(i) reviewed the 2022 annual budget and 2022 internal audit plan;

(ii) reviewed the draft annual report and audited consolidated financial statements of the Group for the year ended 31 December 2021 and recommended the same to the Board for approval;

(iii) made recommendation to the Board on the re-appointment of the external auditor at the 2022 AGM and considered the proposed external auditor's remuneration;

(iv) reviewed the draft interim report and unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 and recommended the same to the Board for approval;

(v) reviewed the audit service plan from the external auditor, reviewed its independence and discussed with the external auditor the nature and scope of audit for the year ended 31 December 2022 and its reporting obligations, considered and approved its terms of engagement;

(vi) reviewed the report on the annual review of internal controls and risk assessment, and periodic internal audit progress reports;

(vii) reviewed the risk management framework and risk management update;

(viii) monitored the implementation of the whistleblowing policy;

(ix) reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit, financial reporting functions, as well as those relating to the Group's environmental, social and governance ("ESG") performance and reporting; and

(x) reviewed compliance and regulatory issues.

The attendance of each member at Audit Committee meetings held during the year ended 31 December 2022 is set out in the "Directors' Meeting Attendance" section above.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the Company's remuneration policy and the remuneration of the Non-Executive Directors and Independent Non-Executive Directors. It also has the delegated responsibility to determine the remuneration packages of the Executive Director and the senior management. No Director is involved in deciding his/her own remuneration.

A majority of the members of the Remuneration Committee are Independent Non-Executive Directors. During the year ended 31 December 2022 and up to the date of this report, the members of the Remuneration Committee are:

Non-Executive Director:

Ms. MAK WANG Wing Yee, Winnie

Independent Non-Executive Directors:

Mr. LO Kai Yiu, Anthony
Mr. James Christopher KRALIK *(Chairman)*
Mr. Peter TAN

Mr. James Christopher KRALIK, an Independent Non-Executive Director, is the chairman of the Remuneration Committee.

The Remuneration Committee is provided with sufficient resources to perform its duties and has access to professional advice if necessary.

During the year ended 31 December 2022, the Remuneration Committee held one meeting and a summary of work performed is set out below:

(i) reviewed and approved the remuneration packages of the Directors and the senior management; and

(ii) reviewed and approved the recommendation to the Board on the grant of share options.

The attendance of each member at the Remuneration Committee meeting held during the year ended 31 December 2022 is set out in the "Directors' Meeting Attendance" section above.

Nomination Committee

The Nomination Committee was established by the Board with effect from 1 January 2022 in compliance with code provision B.3.1 of the CG Code.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, identifying suitable individuals for nomination of Directors and making recommendations to the Board on the appointment of Directors and succession planning for Directors, and assessing the independence of the Independent Non-Executive Directors.

A majority of the Nomination Committee members are Independent Non-Executive Directors. During the year ended 31 December 2022 and up to the date of this report, the members of the Nomination Committee are:

Executive Director:

Mr. WANG Kin Chung, Peter *(Chairman)*

Independent Non-Executive Directors:

Mr. LO Kai Yiu, Anthony
Mr. James Christopher KRALIK

Mr. WANG Kin Chung, Peter, an Executive Director and the Board Chairman, is the chairman of the Nomination Committee.

The Nomination Committee is provided with sufficient resources to perform its duties and has access to professional advice where necessary.

During the year ended 31 December 2022, the Nomination Committee held one meeting and a summary of work performed is set out below:

(i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;

(ii) assessed the independence of the Independent Non-Executive Directors; and

(iii) made recommendations to the Board on the re-election of the retiring Directors at the 2022 AGM.

The attendance of each member at the Nomination Committee meeting held during the year ended 31 December 2022 is set out in the "Directors' Meeting Attendance" section above.

The Board and the Management

An optimal balance of responsibility is maintained between the Board and the management. There is a formal schedule of matters reserved for consideration by the Board. Such matters, having a critical bearing on the Group, are explicitly reserved for the Board's decision which include, among others, the performance of corporate governance duties as set out in code provision A.2.1 of the CG Code. Responsibility for delivering the Company's objectives and running the business on a day-to-day basis is delegated to the management.

The Board has given clear directions to the management on matters that must be reserved for approval by the Board. In this regard, the Board has adopted the terms of reference of the Board and the management to set out the functions reserved to the Board against those delegated to the management. The terms of reference are subject to periodic review to ensure that they remain appropriate to the Group's needs.

The management of the Group is aware that it has an obligation to supply members of the Board and Board committees with adequate, complete and reliable information, in a timely manner, to enable them to make informed decisions. The Board and individual Directors have separate and independent access to the management who would provide timely responses to queries raised by the Directors. The management also provides the Board with monthly updates on the Group's performance and financial highlights.

Remuneration of Directors and Senior Management

The objective of the Group's remuneration policy is to establish a fair and competitive compensation structure that can enable the Group to attract, retain and motivate high calibre talents to work towards achieving the Group's business and financial goals and thereby creating value for the shareholders and other stakeholders in long term.

In determining the fees payable to the Non-Executive Directors and Independent Non-Executive Directors, the Company has taken into consideration its financial position and prevailing market conditions, benchmarking fees payable by other comparable Hong Kong listed companies with similar business nature. The Company has also taken into account of each Director's duties and responsibilities, time involvement and job complexity.

In determining the remuneration packages of the Executive Director and the senior management, the Group has considered factors including, among others, the Group's business and financial performance, individual performance, contributions and achievements, retention considerations and potentials of the individual, market trends, industry practice and competitive conditions, general economic situation as well as long-term value creation.

For the year ended 31 December 2022, the Executive Director was not entitled to any Director's fee but was paid annual remuneration, discretionary bonus and other benefit to compensate his role and duties which had been reviewed by the Remuneration Committee.

For the year ended 31 December 2022, the Non-Executive Directors and Independent Non-Executive Directors were entitled to Director's fees as set out below which had been reviewed by the Remuneration Committee (and such rates have been applied since 1 January 2015):

(i) Annual Director's fee HK$49,500

(ii) Meeting attendance fees

	Column A (As chairman/ chairlady) *(Note 1)*	**Column B (As participating member)** *(Note 2)*
Fee for attending each Board meeting	HK$20,650	HK$20,650
Fee for attending each Audit Committee meeting	HK$41,300	HK$20,650
Fee for attending each Remuneration Committee meeting	HK$12,400	HK$12,400
Fee for attending each Nomination Committee meeting	HK$33,000	HK$16,500
Fee for attending each Share Option Committee meeting	HK$8,250	HK$8,250
Fee for attending each other Board committee meeting (if any)	HK$33,000	HK$16,500
Fee for attending each independent Board committee meeting (if any)	HK$33,000	HK$16,500

Notes:

1. If a Director acts as the chairman/chairlady at the relevant meeting, he/she will be entitled to the fee set out under column A.
2. If a Director participates in the relevant meeting as a participating member (but he/she does not act as the chairman/chairlady), he/she will be entitled to the fee set out in column B.

Non-Executive Director may be paid with extra remuneration in addition to Director's fee to compensate any extra duties undertaken in the Group which is subject to review by the Remuneration Committee.

Details of Directors' emoluments for the year ended 31 December 2022 are set out in Note 12 to the consolidated financial statements.

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

	Number of individuals
Up to HK$3,000,000	**3**
HK$3,000,001 to HK$6,000,000	**3**
	6

Accountability and Audit

Financial Reporting

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects. The Directors acknowledge that they are responsible for the preparation of financial statements for each financial period which give a true and fair view of the financial position of the Group and of the financial performance and cash flow for that period. In preparing the financial statements for the year ended 31 December 2022, the Directors have:

(i) selected appropriate accounting policies and applied them consistently;

(ii) made judgements and estimates that are prudent and reasonable; and

(iii) prepared the financial statements on a going concern basis.

The external auditor's reporting responsibilities are set out in its Independent Auditor's Report on pages 56 to 59.

Auditor's Remuneration

KPMG is the external auditor of the Company. The external auditor will be engaged to provide non-audit services only if it will not impair its independence.

For the year ended 31 December 2022, auditor's remuneration paid to KPMG and its associates in respect of audit and non-audit services provided to the Group is set out below:

	HK$'000	*HK$'000*
Audit		3,554
Non-audit services:		
– Taxation	47	
– Others *(Note)*	386	
		433
Total		3,987

Note:

Other non-audit services included carrying out agreed-upon procedures on the interim financial information of the Group and provision of general advisory services.

Risk Management and Internal Controls

The risk management and internal control systems have been designed to protect the Group's assets against unauthorised use or disposition, maintain proper accounting records and reliable financial information, facilitate the effectiveness and efficiency of operations and ensure compliance with applicable laws, rules and regulations.

The Board, recognising the importance of sound and effective risk management and internal controls, has developed an Enterprise Risk Management framework (the "ERM framework") to help the Group achieve its business objectives.

Under the ERM framework, a set of policy and procedures have been established for the purposes of identifying the enterprise risks (including ESG risks) faced by the Group in the existing operating environment as well as evaluating the impact of such risks identified; developing the necessary measures for managing these risks; and monitoring and reviewing the effectiveness and adequacy of such measures. Assisted by the internal audit department, the Board conducts annual review of the enterprise risks with the aim to ensuring emerging risks are timely identified and adequate risk mitigation measures are properly implemented by the management.

The ERM framework serves to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A discussion including responses of the Group to the principal risks (including risk related to environment and social responsibility) and uncertainties is set out in paragraph "Principal Risks and Uncertainties" under the "Management Discussion and Analysis" section of this annual report.

The Board, through the Audit Committee, had reviewed the adequacy and effectiveness of the risk management and internal control systems for the year ended 31 December 2022. It was not aware of any major issue of concern and considered the risk management and internal control systems adequate and effective. Appropriate measures had been taken to address areas identified for improvement.

Both the Board and the Audit Committee had reviewed and were satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit, financial reporting functions, as well as those relating to the Group's ESG performance and reporting.

Internal Audit Function

The Group's enterprise risk management and internal control systems are evaluated by the internal audit department independently on an ongoing basis. The internal audit department has adopted a risk-based approach in developing the annual audit plan which has been reviewed and approved by the Audit Committee. Audit activities covering business activities with material risks across the Group on a rotational basis are designed and prioritised based on the results of risk assessment.

During the year ended 31 December 2022, the tasks performed by internal audit department are set out below:

(i) conducted independent regular audits of financial, operational and compliance controls and the risk management functions of the Group in accordance with internal audit plan;

(ii) conducted special reviews and investigations of areas of concern identified by the Board and the management; and

(iii) oversaw the implementation of the whistleblowing policy.

To preserve the independence of the internal audit department, the Head of Internal Audit has unrestricted direct access to the Audit Committee and reports directly to the Audit Committee. At every Audit Committee meeting, the Head of Internal Audit reports to the Audit Committee on significant findings on risk management and internal controls, as well as the implementation status of corrective actions committed by the management.

Inside Information Policy

The Group has adopted a policy setting out the practices and procedures for ensuring inside information of the Group is promptly identified, assessed and disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Proper safeguards are in place to prevent the breach of disclosure requirements and access to inside information is restricted to a limited number of employees on a need-to-know basis. Directors, officers and all relevant employees of the Group who have possessed inside information are required to preserve confidentially of inside information until it is publicly disclosed.

Whistleblowing Policy and Code of Conduct

The Group has adopted a whistleblowing policy to provide a channel for the employees of the Group and related third parties who deal with the Group (such as suppliers, customers, contractors etc.), to raise concerns in confidence and anonymity about misconduct, malpractice or irregularities in any matters relating to the Group.

System and procedures regarding prohibition of corruption and bribery that promote and support anti-corruption laws and regulations are set out in the Company's code of conduct.

The whistleblowing policy and the code of conduct can be viewed from the website of the Company.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company on each of them, that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

In addition, the Board has adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company.

Company Secretary

The Company Secretary supports the Board by ensuring good information flow within the Board and Board procedures and all applicable rules and regulations are followed. All Directors have access to the advice and services of the Company Secretary.

Throughout the year ended 31 December 2022 and up to 12 February 2023, the Company Secretary was Mr. TO Hon Fai who was an employee of the Group and had undertaken professional training in compliance with Rule 3.29 of the Listing Rules. As announced by the Company on 13 February 2023, Mr. TO Hon Fai resigned and Ms. CHAN Man Ying was appointed as the Company Secretary with effect from 13 February 2023. Ms. CHAN Man Ying is the Chief Financial Officer of the Company whose biographical details are set out in the "Directors' and Senior Management's Profiles" section of this annual report.

Shareholders' Relation

Shareholders' Communication Policy

The Board has adopted a shareholders' communication policy which is subject to annual review to ensure its proper implementation and effectiveness. Such policy aims at ensuring that the shareholders and other stakeholders (including the investment community) are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the shareholders to exercise their rights in an informed manner, and to allow the shareholders and other stakeholders to engage actively with the Company. The shareholders' communication policy was updated on 27 March 2023 and can be viewed from the website of the Company.

As a channel to further promote effective communication, the Company maintains a website as a communication platform with the shareholders and other stakeholders, where the Company's financial reports (interim and annual), announcements, circulars, notices of general meetings, press releases, financial performance, business developments and operational updates as well as other relevant information are posted. Important dates to shareholders are also highlighted on page 23 of this annual report.

Furthermore, appropriate arrangements are in place to encourage shareholders' participation. For example, shareholders are given sufficient notice of general meeting and detailed procedures for conducting a poll were stated in the circular to shareholders accompanying the notice of general meeting.

In order for the Company to solicit and understand the views of the shareholders and other stakeholders, the shareholders and other stakeholders may make enquiry to the Company through the Company Secretary on telephone number (852) 2279-3888 or by email at cosec@tristateww.com.

The Board had reviewed the implementation and effectiveness of the shareholders' communication policy conducted during the year and considered the policy effective as it is able to facilitate an open and ongoing communication with shareholders and other stakeholders on fair disclosure basis.

Annual General Meetings

The Company regards annual general meeting as an important event which provides an opportunity for the Board members to communicate with the shareholders directly. The Board Chairman, the chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee (in their absence, their duly appointed delegates) and the external auditor will attend annual general meetings to answer questions from the shareholders.

At the 2022 AGM:

(i) separate resolution was proposed and dealt with by poll vote in respect of each separate issue, including the re-election of each of the retiring Directors;

(ii) the Board Chairman (who was also the chairman of the Nomination Committee), the chairman of the Audit Committee, members of the Remuneration Committee and the external auditor of the Company were present to answer questions of the shareholders; and

(iii) Computershare Hong Kong Investor Services Limited, the Company's branch registrar and transfer office (the "Hong Kong branch registrar"), was appointed as scrutineer for vote-taking.

2023 AGM

The 2023 AGM will be held at Room 5A, 5th Floor, 66-72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong on Monday, 19 June 2023 at 10:00 a.m. Notice convening the 2023 AGM will be sent to the shareholders together with this annual report.

Shareholders' Rights and Investor Relations

The Company has laid down written procedures for shareholders to request for convening a general meeting and put forward proposals, which are in line with the requirements of the Bye-Laws, the Listing Rules and other applicable regulations. Such procedures relating to shareholders' rights were updated on 27 March 2023 and can be viewed from the Company's website.

1. Convening a special general meeting ("SGM")

Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meeting shall at all times have the right by written requisition to the Directors or the Company Secretary to require a SGM to be called by the Directors for the transaction of any business or resolution specified in such requisition.

The written requisition must state the purposes of the meeting, signed by the shareholders concerned and deposit at the registered office of the Company, a copy of such written requisition shall also be lodged at the principal place of business of the Company or at the office of the Hong Kong branch registrar and may consist of several documents in like form each signed by one or more of those shareholders.

The requisition will be verified with the Hong Kong branch registrar and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition has been verified as not in order, the shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

Such SGM must be held within two months after the deposit of the requisition. If the Directors do not within twenty-one (21) days from the date of the deposit of the requisition proceed duly to convene a SGM, the shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but the SGM so convened shall not be held after the expiration of three months from the said date.

The notice period to be given to all the registered shareholders for consideration of the proposal raised by the shareholders concerned at a SGM is at least fourteen (14) days*.

* the period of notice shall be exclusive of the day on which it is served or deemed to be served and inclusive of the day on which the meeting is to be held.

2. Putting forward proposals at general meetings

The number of shareholders required to move a resolution at general meetings by written requisition shall be:

(i) either any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having a right to vote at the general meeting; or

(ii) not less than one hundred (100) shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand (1,000) words with respect to the matter referred to in the proposed resolution or the business to be dealt with at that meeting and signed by all the shareholders concerned and may consist of two or more copies which between them contain the signatures of all the shareholders concerned.

The written requisition must be deposited at the registered office of the Company, for the attention of the Company Secretary not less than six weeks before the general meeting in case of a requisition requiring notice of a resolution, and not less than one week before the general meeting in the case of any other requisition.

The requisition will be verified with the Hong Kong branch registrar and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition has been verified as not in order or the shareholders concerned have failed to deposit reasonably sufficient money to meet the Company's expenses for the said purposes, the shareholders concerned will be advised of this outcome and accordingly, the proposed resolution or business will not be included in the agenda for the general meeting.

3. Procedures to propose a person for election of a Director

In accordance with the Bye-Laws, a shareholder may propose a person for election as a Director by lodging at the principal place of business of the Company or the office of the Hong Kong branch registrar, a notice in writing signed by such shareholder (other than the person to be proposed), duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice in writing signed by the person to be proposed of his willingness to be elected, provided that, in each case, the period for lodgement of such notices shall commence on (and include) the day after the date of despatch of the notice convening the relevant general meeting appointed to consider such proposal and end on (and exclude) the date that is seven days before the date of such general meeting.

The aforesaid notice(s) must state the full name of the person proposed for election as a Director and include such person's biographical details as required by the Listing Rules regarding announcement disclosures.

Upon receipt of such notices which have fulfilled the aforesaid requirements, the Board will consider the suitability of the said person as a Director and will make recommendation to the shareholders for their consideration.

4. Sending enquiries to the Board

The Company values views form the shareholders and investors. Enquiries and suggestions to the Board are welcomed by addressing them to the Company Secretary:

(i) by mail to the Company's head office at 5th Floor, 66-72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong;

(ii) by telephone at (852) 2279-3888;

(iii) by fax at (852) 2423-5576; or

(iv) by e-mail to cosec@tristateww.com.

Dividend Policy

The Board has adopted a dividend policy with an aim to setting out the principle and factors that the Board would consider when declaring a dividend so as to allow the shareholders to participate in the Company's earnings whilst preserving the Company's liquidity for business development. The Company pursues a profit-based dividend policy. Pursuant to the policy, the Board has discretion, subject to shareholders' approval, where applicable, on whether to pay a dividend. Factors to be considered by the Board includes financial performance and results of operations, liquidity position and capital requirements, shareholders' interests, current and future operations, as well as dividends received from the Company's subsidiaries and associates, and any other factors that the Board may from time to time deem relevant.

Subject to the Bermuda Companies Act, the Bye-Laws and other applicable laws and regulations, the Company shall consider declaring dividends on a half-yearly basis from the Company's distributable profits for any particular financial year. In addition, the Company could also consider declaring special dividends from time to time.

The Board also has discretion on the form of payment, such as in cash or in scrip, and the payable date of dividends, subject to, inter alia, Bermuda Companies Act, the Bye-Laws, other applicable laws and regulations and, where applicable, the shareholders' approval.

Constitutional Documents

There was no change in the Company's constitutional documents during the year ended 31 December 2022.

Subsequent to the end of the year, as announced by the Company on 27 March 2023, the Board proposed to make certain amendments to the Bye-Laws in order to comply with certain latest amendments to the Listing Rules and applicable laws of Bermuda as well as allowing general meetings of the Company to be held in the form of hybrid meetings or electronic meetings. A resolution approving the proposed amendments to the Bye-Laws and the adoption of new Bye-Laws to incorporate the proposed amendments will be put forward for shareholders' approval at the 2023 AGM. Further details of the proposed amendments to the Bye-Laws will be set out in the circular to be despatched to shareholders together with this annual report.

Changes after Closure of Financial Year

This report has taken into account of the changes that occurred between the end of 2022 and the date of the approval of this report.

Important Dates to Shareholders

The important dates to shareholders in 2023 are as follows:

Event	Date
Book closure for determining eligibility to attend and vote at the 2023 AGM:	Wednesday, 14 June 2023 to Monday, 19 June 2023, (both days inclusive)
2023 AGM:	Monday, 19 June 2023

27 March 2023

Environmental, Social and Governance Report

1 Message from Chairman

Over the years, the Group has incorporated the core value of the Environmental, Social and Governance ("ESG") initiatives into our business practice. We are committed to pursuing the principles of sustainable development into our business operation and to delivering enduring values to our stakeholders.

We aspire to become the leading responsible garment manufacturer and brands business operator. Our goal is to enhance responsible production along the value chain, not only by achieving more than what has been required by the laws and regulations, but also facilitate the creation of a long-term sustainable apparel industry that is favourable for our shareholders, customers, employees, suppliers and the communities where we operate.

In line with our proactive approach in the execution and expansion of our ESG initiatives, the Group continues to improve its sustainability journey and endeavour to grow and develop our business capabilities towards a sustainable future.

2 About this Report

2.1 Overview

This is the ESG report of Tristate Holdings Limited (the "Company") and its subsidiaries (together, "Tristate" or the "Group") for the year ended 31 December 2022 ("ESG Report" or "Report").

2.2 About Our Business

Founded in 1937, Tristate is a globally recognised manufacturer of premium fashion apparels famous for its unrivalled ability to integrate cutting-edge technologies into the production of innovative fashions. As a vertically integrated garment manufacturer, the principal business activities of the Group are branded product distribution and garment manufacturing for global customers, with major markets spanning across Europe, North America and Asia.

2.3 Reporting Period

This Report covers the period from 1 January 2022 to 31 December 2022, aligning with the Group's annual report.

2.4 Scope of this Report

The scope of this Report primarily covers all our garment manufacturing business, including one production facility in Hefei, China, two production facilities in Panyu, China and one production facility in each of Thailand, Vietnam and Myanmar together with our head office in Hong Kong. Our brands business C.P. Company in Europe is also covered in this Report.

2.5 Reporting Reference

This Report has been prepared according to the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("ESG Reporting Guide"). For more information relating to the Group's corporate governance practices, please refer to the Corporate Governance Report contained in this annual report.

In the preparation of this ESG Report, the Group follows the four reporting principles as set out in the ESG Reporting Guide:

Reporting principles	Materiality	Quantitative	Balance	Consistency
Application in this ESG Report	Material environmental and social issues were identified and prioritised with inputs from internal and external stakeholders of the Group, and are disclosed in this ESG Report.	The Group accounts for and discloses KPIs in quantitative terms for proper evaluation of the effectiveness of ESG policies and actions.	This ESG Report aims to disclose data in an objective way, which aims to provide stakeholders with a balanced overview of the Group's overall ESG performances.	The Group adopts consistent measurement methodology to achieve meaningful comparison of ESG performances over time whenever practicable. Any updates in the methods or KPIs used are disclosed.

2.6 Endorsement and Approval

The board of directors of the Company (the "Board") is responsible for overseeing the statutory compliance, stakeholder engagement, ESG performance and risk management. The ESG Report has been approved by the Board for publication.

3 Our Value and Mission

3.1 Our Vision

Our core principle is to deliver the best products and quality services to our customers in an ethical and responsible manner. Tristate is committed to creating a sustainable and green environment through the continuous reduction of carbon emissions and production waste as well as the conscientious use of energy.

Acting as the third-party manufacturer for a number of internationally renowned apparel brands and producing our branded products, we are destined to contribute to sustainability development along the value chain of our production. We, as a listed company, strongly believe that corporations act responsibly to help drive changes in a way to make their business economically, socially and environmentally sustainable.

Our vision, on top of our commitment as a corporate citizen, is to strive for the creation of a truly sustainable apparel industry. We are also strong believers in corporate citizenship. In running our business, we adhere to ethical behaviours by creating a balance between the needs of the shareholders of the Company and the community in unison with the environment in the surrounding area.

3.1.1 Corporate Citizenship

Businesses committed to corporate citizenship to demonstrate a strong mindset and firm action in meeting their legal, ethical and economic responsibilities, as established by stakeholders. The ultimate goal is to create higher standards of living and quality of life for the surrounding communities, which are beneficial to all stakeholders.

We have developed a clear vision and mission for the Group's sustainability journey. We are active in developing policies and activities that exceed basic compliance regarding relevant laws and are active in promoting the involvement of our employees to pursue their professional and personal development.

The Group believes that transparency and accountability are vital foundations for building trust with its stakeholders. To advance progressively going forward, we are committed to continuously extending the scope of engagement of our stakeholders to better understand their needs and expectations. To improve transparency regarding progress of our community involvement, our achievements are being made available via proper channels. Ultimately, we are encouraging senior management to integrate corporate citizenship considerations into their respective business strategies and the Group's daily operation.

3.2 Our Mission

Through extensive engagements with our stakeholders and reflecting on our impact along the value chain, we have summarised three sustainability missions to work with our stakeholders that progressively drive us to fulfil our vision.

Facilitating Responsible Production Along the Value Chain

In order to provide quality products to our customers, resources consumption and emissions are inevitable along the value chain. As a responsible business, it is our objective to reduce such impact of our production facilities on the environment.

Most of our clients are international apparel brands, and stakeholders around the globe have high expectations regarding the sustainability performance of both the brand itself and its supply chain. We, as part of the supply chain, play an important role in helping these largescale international brands achieve their sustainability goals. Tristate – being a key third-party supplier to these entities – is therefore subject to regular client audits and site visits. Working with our customers, we ensure our compliance with relevant local environmental standards and promote improvement in resource efficiency and contribute to the sustainable development of the apparel industry.

Promoting Equality and Fairness

As a garment manufacturer with production facilities in different parts of the world and thousands of employees hired and also an operator of brands business, the impact we have on the community can never be underestimated, particularly in light of our commitment to corporate citizenship and responsible business practices.

In promoting equality and fairness, we strive to provide stable employment with fair compensation that could help lift people from potential poverty, improve living/working conditions in our production facilities and workplaces by providing a safe working environment free of child and forced labour, and conduct our business in an ethical and honest manner.

Promising Quality and Safe Products

Being a trusted third-party manufacturer for some of the world's most famous high-end fashion brands as well as a brands business operator, we take pride in the products we make, and are committed to providing end users safe apparels of the highest quality.

For customers, the lifecycle of an apparel item starts from the day of purchase and eventually ends at the disposal. By improving the quality and craftsmanship of the products we produce, Tristate seeks to extend garment life span and thus, reduce waste at the end of the value chain.

3.3 ESG Governance Structure

We established an ESG Steering Committee in 2016 to review and monitor the Group's ESG policies and practices to ensure compliance with the relevant legal and regulatory requirements, monitor and respond to emerging ESG issues and potential associated risks, make recommendations to the Board where appropriate to improve the Group's ESG performance. With the support of our management team, the Board oversees ESG-related risks to our business and is responsible for formulating and monitoring the appropriateness and effectiveness of our ESG risk management strategy in our business.

A systematic internal governance structure, led by the ESG Steering Committee, effectively executes our ESG strategies and approaches across the Group. The structure comprises the Tristate ESG Steering Committee, Group Sustainability Manager, General Manager of the business units, and the corresponding operational staff. To ensure the Group's strategy keeps up with the latest trend of ESG-related risks, progress meetings are held regularly by the ESG Steering Committee during the year.

Our ESG Governance Structure and its responsibilities are listed below:

Tristate ESG Steering Committee

Group Chairman (Committee Chair)
Group Chief Financial Officer
Head of Human Resources
Company Secretary
Internal Audit Director

Responsibilities:
- Formulate overall ESG strategies
- Steer business development in accordance with the Group's ESG goals and commitment

Business Units

Group Sustainability Manager

Responsibilities:
- Keep track and monitor Group's performance
- Align Group's ESG policies and strategies with corresponding operational approaches

Business Units

General Managers of Business Units

Responsibilities:
- Identify operational-specific ESG risk and opportunities
- Allocate resources from operational staff to support the ESG improvement activities

4 Stakeholder Engagement and Materiality Assessment

4.1 Stakeholder Engagement

In preparing this Report, we continued to adopt our latest materiality assessment and surveys with our internal and external stakeholders conducted in 2021. Through various engagement activities, we gained a better understanding of their insights and concerns for setting the overall direction of our sustainability strategy.

In the coming years, we will continue to review our stakeholders' engagement practice and improve by expanding our stakeholders' engagement practice to further include different stakeholders, so as to gain a more holistic view on topics material to the Group's ESG performance and to strive for continuous improvement.

Stakeholders	Ways of Engagement
Government and regulatory authorities	• Respond to inquiries from government departments
Investors	• Issue timely announcements and circulars
	• Convene regular shareholders' meetings
	• Publish financial and ESG reports
Employees	• Training and employee-caring activities
	• Grievance mechanism
Customers	• Business meetings
	• Feedback surveys
Suppliers and contractors	• Supplier rating system
	• Regular communication
Community	• Cooperation with social enterprises

4.2 Materiality Assessment

Tristate recognises stakeholders' concerns and expectations are crucial for the Group's sustainable development. In the assessment, an online stakeholder survey was distributed to both internal and external stakeholders to understand their opinions on Tristate's material issues. The survey invited stakeholders to rate topics that are of the highest materiality to the Group. Through identifying the key material issues, the Group determined the focus of ESG Report and direction of future development.

The detailed steps of the materiality assessment are as follows:

Identify sustainability topics	With reference to the global sustainability-related topics trend, peer benchmarking and topics presented in previous ESG report, a list of 19 material topics were identified.
Stakeholder engagement	The Group collected and analysed feedback from internal and external stakeholders through an online survey to identify the highest materiality topics.
Analysis of materiality	Based on the survey results, 10 out of 19 material topics were prioritised.
Validation	The list of material topics was reviewed and agreed by the Board and ESG Steering Committee based on the Group's ESG related policies and strategies.

Views and opinions collected during the stakeholder engagement process were assessed and some of the most material ESG issues and their relevance to the business operations are listed below in descending order categorised by environmental and social aspects:

Aspects	Material Issues	Relevance to the Business
Environmental	Energy efficiency	Electricity efficiency is essential to our business operations, from factories to offices and dormitories, from machine running to air-conditioning and lighting, etc.
	Water consumption	Given the nature of our manufacturing process, water used for finished garment laundry and steam boilers account for the main source of water consumption, other uses include domestic use from our production facilities and dormitories.
	Greenhouse gas (GHG) emissions	The use of energy in our business operations, which includes purchased electricity, refrigerant use and fuel, is the main source of GHG emissions.
	Effluent discharge	Given the nature of our manufacturing business, we do not generate significant amount of effluent discharge. All effluent discharge produced complies with relevant discharges regulations.
Social	Child & forced labour	Forced labour and child labour are regarded as key issues and they are completely prohibited by law and in our Group's operation.
	Occupational health and safety	Occupational health and safety are another key issue to our manufacturing business. We have implemented a series of operational reinforcement measures to ensure our employees' health and safety.
	Anti-corruption	Integrity is a core value of the Group. We believe that it is important to take proactive approach to avoid any incidents of bribery and corruption.
	Employee benefits	A competitive remuneration package and staff recognition are vital elements to attract and retain talents.
	Product safety	Product safety is essential for garment manufacturing. We adhere to the stringent requirements of our clients and ensure our products are safe to consumers.
	Supply chain management	Supply chain management is indispensable to the Group's business operation. We work closely with our suppliers to ensure they are strictly complying with the Group's relevant regulations and standards.

5 Facilitating Green Production Along the Value Chain

5.1 Our Commitment

Our earth has been facing many challenges nowadays and there is pressing needs on sustainability. We try to contribute our share of responsibility along the value chain. Not only do we ensure compliance with rules and regulations regarding Resources Efficiency and Emissions Controls as required, we also endeavour to look for possible improvement initiatives that would further incorporate environmental sustainability into our business operation.

The drive to continually improve our environmental performance led us to set reduction targets on key environmental aspects across our factory operations, including energy, water and GHG emissions.

Target Types	Targets for 2025 (using 2021 as baseline)
Energy	Reduce energy intensity by 8%
Water	Reduce water intensity by 5%
GHG emissions	Reduce GHG intensity by 9%

The Group will review and monitor the performance on these reduction targets regularly. The performance of these targets in 2022 are presented in the following section. Also, we will continue to enhance our reporting practice in the future in light of any regulatory changes or industry trends. With the various on-going energy and water efficiency initiatives taken place, we aim at continuous efficiency enhancement in our utility consumptions. Details of measures adopted are described in the following sections.

As a brands business operator, Tristate has made our own brands conscious of the environmental risk and climate impact. What we are seeking is to meet the needs and aspiration of the present without compromising the ability to meet those of the future. This year, C.P. Company, our continuously growing brand, has started to drive its focus on sustainability. Actions have been taken by initiating an assessment on the sustainability performance and analysis on the product lifecycle through an external consultancy. With a full understanding of the position of the brand, a clear roadmap towards sustainable business is going to be shaped.

5.2 Resources Efficiency

While we are subject to the increasingly stringent environmental requirements of our clients, the Group is endeavour to mitigate its environmental impact by implementing various resource conservation measures and initiatives to promote efficient consumption of energy, water and other materials along the production chain. For example, we successfully adopted the Higg Facility Environmental Module ("FEM") to measure and evaluate the environmental performance of our five production factories in China, Vietnam and Myanmar in 2021 on the Higg platform developed by the Sustainable Apparel Coalition. In addition, we fully equipped our technical team with knowledge of environmental management by organising a variety of external trainings. Details of the trainings are described in the following sections.

The Group is committed to reducing our environmental impact through proper management, and below are resources efficiency related commitments emphasised in our Environmental Policy:

- Manage internal controls over our significant environmental aspects with aim to enhance the efficiency of resource use and reduce environmental emissions in our business operation;
- KPIs tracking system for the use of water and electricity as well as disposal of hazardous waste; and
- Encourage the use of energy-efficient equipment across our properties and offices.

5.2.1 Use of Energy

Electricity is the Group's main source of energy consumption, which is used in factory operations, dormitories offices and shops. Other forms of energy use in our business operation include petrol, diesel, steam, natural gas and liquefied petroleum gas (LPG).

Use of Energy		Unit	2022	2021 *(Note 7)*
Electricity	**Head office**	kWh	**461,070**	490,170
	Production facility			
	Hefei China	kWh	**2,443,366**	2,407,552
	Panyu China (Factory No.1 & No.2)	kWh	**3,881,581**	3,769,898
	Thailand	kWh	**2,543,752**	2,537,977
	Vietnam	kWh	**1,247,399**	N/A
	Myanmar	kWh	**1,851,200**	N/A
	Brand office & stores			
	C.P. Company Europe	kWh	**221,139**	N/A
Petrol	**Head office**	kWh	**29,817**	34,409
	Production facility			
	Hefei China	kWh	**135,188**	213,456
	Panyu China (Factory No.1 & No.2)	kWh	**174,470**	227,247
	Thailand	kWh	**1,083**	13,346
	Vietnam	kWh	**436**	N/A
	Myanmar	kWh	**Nil**	N/A
	Brand office & stores			
	C.P. Company Europe	kWh	**42,867**	N/A
Diesel	**Head office**	kWh	**12,989**	15,275
	Production facility			
	Hefei China	kWh	**180,338**	263,547
	Panyu China (Factory No.1 & No.2)	kWh	**80,405**	390,769
	Thailand	kWh	**82,104**	69,860
	Vietnam	kWh	**2,140,649**	N/A
	Myanmar	kWh	**2,156,340**	N/A
	Brand office & stores			
	C.P. Company Europe	kWh	**405,031**	N/A
Steam	**Production facility**			
	Hefei China	kWh	**5,376,516**	5,147,581
Natural Gas	**Production facility**			
	Panyu China (Factory No.1 & No.2)	kWh	**4,980,198**	5,202,040
	Brand office & stores			
	C.P. Company Europe	kWh	**73,194**	N/A
LPG	**Production facility**			
	Thailand	kWh	**2,511,015**	2,234,935
Annual total		kWh	**31,032,147**	23,018,062

Energy Intensity *(Note 1)*	Unit	2022	2021 *(Note 7)*
Head office	kWh/no. of employees	**2,981.51**	3,232.66
Production facility			
Hefei China	kWh/standard piece	**18.8153**	20.1712
Panyu China (Factory No.1 & No.2)	kWh/standard piece	**11.6237**	13.2730
Thailand	kWh/standard piece	**11.1397**	9.4591
Vietnam	kWh/standard piece	**8.8109**	N/A
Myanmar	kWh/standard piece	**5.4992**	N/A
Brand office & shops			
C. P. Company Europe	kWh/no. of employees	**5,890.72**	N/A

Energy Performance (Compared to the 2021 Baseline)	Unit	2022	2021	Rate
Production facility				
Hefei China	kWh/standard piece	**18.8153**	20.1712	**–6.72%**
Panyu China (Factory No.1 & No.2)	kWh/standard piece	**11.6237**	13.2730	**–12.43%**
Thailand	kWh/standard piece	**11.1397**	9.4591	**17.77%**
Total (only includes the factories above since the target baseline was defined from 2021 data collected from these factories)	kWh/standard piece	**13.3438**	13.76	**–3.02%**

In the reporting period, we continued to improve the energy efficiency of our factories through three main directions: (a) on-going maintenance and update of equipment and facilities, (b) environmental data collection and monitoring, and (c) awareness enhancement of employees.

(a) On-going Maintenance and Update of Equipment and Facilities

Improvement/Initiative in 2022

- Solar panels at our Thailand factory kept operating throughout the year of 2022. The total electricity generated by solar panels and consumed by our factory is 789,752 kWh in 2022, which contributes to 30% of onsite electricity usage. During the reporting period, our Thailand factory has reduced CO_2e carbon emission through this program, equivalent to approximately 18,164 trees planted.

- Continued to suspend the use of two electrical transformers (1,600 kVA and 1,000 kVA) at our Hefei factory based on actual electricity demand in order to reduce electricity consumption.

- Considered enhancing the energy efficiency by recycling the waste steam to power the new cooling system planned to be installed for the production floor at Panyu factory.

Highlighted Initiatives Carried Out in Previous Years

- Installed an insulation layer on the rooftop of our factory in Panyu and roof greening at several of our factory buildings with full or partial vegetation cover, which reduced the air-conditioning demand for the upper levels and hence reduced the consumption of energy.

- Replaced part of the step-motor powered equipment with server-motor powered models, reducing the idle energy consumption by step-motors and improving occupational safety of our workers.

- Upgraded to Variable Speed Drive (VSD) chillers to reduce annual energy consumption while maintaining reliable operation.

- Installed solar lighting tubes at the ceiling of our Hefei factory where the flexible tubing harvests natural sunlight from reflective surfaces and transports the light indoor to provide natural daylight for workstations.

- Installed water curtains paired with ventilation fans at our factories in Hefei and Panyu for more energy-efficient temperature control.

- Conducted regular inspection of our boilers to ensure full compliance with the regulations and allow timely repair of the boilers.

- Improved the insulation of steam pipes and steam traps which reduced the energy loss to the surrounding environment at Hefei factory.

- Reduced air pressure of air compressors to most energy efficiency level and set up regular inspection of outlets to ensure minimising air pressure leaking.

- Continued to gradually replace lighting fixtures with LED, aiming at reducing our energy consumption while maintaining sufficient lighting for our workers with our Thailand factory achieving 100% LED lighting.

- Obtained ISO 14001 Environmental Management System Certificate in our Hefei factory.

(b) Environmental Data Collection and Monitoring

We have been collecting and monitoring material environmental data as part of our regular practice in all involved units. As an internal control measure, our internal audit team will perform checking on the data collected to ensure its reliability. This facilitates more effective decision-making regarding potential resource-saving projects, reliable benchmarking of our performance in line with local government requirements to ensure compliance, and meeting clients' ever-increasing expectations on our resources consumption and emissions control.

(c) Awareness Enhancement of Employees

To raise the environmental awareness of our employees, guidance is provided throughout the year regarding energy efficiency. Posters and internal communications are used to promote energy conservation at the workplace and increase our employees' awareness to the Group's latest environmental policies and measures.

To further improve environmental performance of the production facilities, we organise varies workshops and seminars for factories' management to reflect on the existing work done and way forward. To extend our knowledge of energy efficiency, the following external trainings have been held during the reporting year:

- ISO 50001 Energy Management System Internal Auditor Course attended by our factory representatives from China, Vietnam and Myanmar

- Higg FEM training attended by our factories in China and Vietnam

5.2.2 Use of Water

As our garment manufacturing does not include the process of dyeing and bleaching of fabric, the major water consumption in our operation comes from the water used for finished garment laundry and steam boilers. Besides our manufacturing activities, there are also water consumption arising from the dormitories at our production facilities.

In terms of water management, we seek to reduce our consumption through behavioural changes and hardware maintenance. During the year, we have:

Improvements/Initiative in 2022

- Continued maintenance work with repair and replacement of leaking water inlets and fire service pipes in our Hefei factory during the year.

- Continued to increase onsite wastewater data collections and inspections to identify issues in a timely manner, and keep updating and improving the information board of wastewater discharge point to meet the new municipal regulation.

Highlighted Initiatives Carried Out in Previous Years

- Reduced flushing water consumption by retrofitting existing toilets with dual-flush capability and sensor controls.

- Replaced conventional water fixtures with newer models with low flow regulators.

- Installed water-softening filters for boilers to improve flow rate and efficiency.

- Reduced pressure of water pipes in factories to reduce water usage and leakages through the burst of pipes.

- At our Thailand factory, water system was switched from underground to municipal water where water pipe system was replaced which avoided further water leakage from the aged water system of the whole factory.

- Enhanced control of overtime shifts to better utilise the boilers and reduce both water and energy consumption from nightshifts.

- More water meters were installed in Panyu factories for a more integrated data management system in order to monitor the water consumption.

- At our Hefei factory, an emergency plan was set up to deal with incidents that would have impact on the environment, and the plan has been reviewed by experts which is now under government approval.

Water meters are available for municipal water supply in all our facilities and thus water consumption data is being monitored and maintained.

The only water source of all companies of the Group is municipal water supply. Water consumption data are being monitored by water meters, which are available in all our production facilities and offices. The water used by our showroom and stores in Italy comes from public utilities in the shopping malls or complex, which has no separate meters of our own. Considering these water consumptions are not material to the Group, they are not included the water data of C.P. Company Europe.

Use of Water	Unit	2022	2021 *(Note 7)*
Head office	m^3	**1,569**	1,774
Production facility			
Hefei China	m^3	**94,879**	89,230
Panyu China (Factory No.1 & No.2)	m^3	**52,995**	59,426
Thailand	m^3	**33,620**	40,439
Vietnam	m^3	**55,025**	N/A
Myanmar	m^3	**28,215**	N/A
Brand office & stores			
C.P. Company Europe	m^3	**479**	N/A
Annual total	m^3	**266,782**	190,869

Water Intensity *(Note 1)*	Unit	2022	2021 *(Note 7)*
Head office	m^3/no. of employees	**9.28**	10.62
Production facility			
Hefei China	m^3/standard piece	**0.2194**	0.2241
Panyu China (Factory No.1 & No.2)	m^3/standard piece	**0.0676**	0.0822
Thailand	m^3/standard piece	**0.0729**	0.0788
Vietnam	m^3/standard piece	**0.1431**	N/A
Myanmar	m^3/standard piece	**0.0387**	N/A
Brand office & stores			
C.P. Company Europe	m^3/no. of employees	**3.80**	N/A

Water Performance (Compared to the 2021 Baseline)	Unit	2022	2021	Rate
Production facility				
Hefei China	m^3/standard piece	**0.2194**	0.2241	**–2.10%**
Panyu China (Factory No.1 & No.2)	m^3/standard piece	**0.0676**	0.0822	**–17.76%**
Thailand	m^3/standard piece	**0.0729**	0.0788	**–7.49%**
Total (only includes the factories above since the target baseline was defined from 2021 data collected from these factories)	m^3/standard piece	**0.1082**	0.1157	**–6.48%**

5.2.3 Use of Packaging Materials

Packaging material is typically subject to clients' needs and specifications and the Group has limited control over the use of materials. While we have minimal control over the types of materials used for packaging, we still try to manage facilitate responsible production along our value chain by preventing any over-order of packaging materials. For example, we use standard size carton boxes and polybags in our Thailand factory to avoid unused stock due to size differences.

We continue to monitor the carton and plastic bags used this year, which are the major types of packaging materials used in our production.

Use of Packaging Materials (Plastic Bags and Carton)	Unit	2022	2021 *(Note 7)*
Production facility			
Hefei China	tonnes	**120.70**	229.01
Panyu China (Factory No.1 & No.2)	tonnes	**340.15**	249.70
Thailand	tonnes	**119.18**	138.42
Vietnam	tonnes	**82.54**	N/A
Myanmar	tonnes	**95.68**	N/A
Brand Stores & E-commerce			
C.P. Company Europe		**34.08**	N/A
Annual total	tonnes	**792.33**	617.13

5.3 Emissions Control

Given the nature of our manufacturing business, we do not produce any significant air emissions, hazardous waste or wastewater discharge. The Group strictly complies with the relevant regulatory requirements and minimise our emissions where reasonably practicable. Following the requirements of our clients, for example their MRSL (Manufacturing Restricted Substances List), we have developed guidelines to ensure that chemicals listed are not used during our production processes.

5.3.1 Greenhouse Gas Emissions

As part of the global trend on sustainability, the increasing needs of our clients' and investors' expectation on sustainability performance, it is important for the Group to pursue a carbon-reducing operational model.

In the process of garment manufacturing, the major source of GHG emissions is the energy use for production. Over the years, we strived to improve the energy efficiency of our production through various initiatives and hardware improvements. For more details on our energy-efficiency improvements and highlighted initiatives, please refer to Section 5.2.1 Use of Energy.

To better understand the carbon emissions associated with our business operation, we have started to evaluate the GHG emissions of our business since 2018. The "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition)" published by the Environmental Protection Department and the Electrical and Mechanical Services Department is adopted as the methodology of GHG emission data qualification. We have set the baseline and target of our carbon emissions and strive to take measures on emissions reductions and efficiency management.

Direct GHG emissions (Scope 1)	**Unit**	**2022**	2021 *(Note 7)*
Head office	tCO_2e	**11.70**	13.57
Production facility			
Hefei China	tCO_2e	**119.67**	145
Panyu China (Factory No.1 & No.2)	tCO_2e	**1,180.49**	1,190.9
Thailand	tCO_2e	**590.59**	535.31
Vietnam	tCO_2e	**0.68**	N/A
Myanmar	tCO_2e	**558.06**	N/A
Brand office & stores			
C.P. Company Europe	tCO_2e	**131.43**	N/A
Annual total	tCO_2e	**2,592.62**	1,884.78

Indirect GHG emissions (Scope 2)	**Unit**	**2022**	2021 *(Note 7)*
Head office	tCO_2e	**179.82**	181.36
Production facility			
Hefei China	tCO_2e	**3,619.80**	3,507.29
Panyu China (Factory No.1 & No.2)	tCO_2e	**2,368.15**	2,300.01
Thailand	tCO_2e	**782.28**	966.03
Vietnam	tCO_2e	**705.65**	N/A
Myanmar	tCO_2e	**1,331.01**	N/A
Brand office & stores			
C.P. Company Europe	tCO_2e	**81.90**	N/A
Annual total	tCO_2e	**9,068.61**	6,954.69

GHG intensity (Scope 1 and 2) *(Note 1)*	**Unit**	**2022**	2021 *(Note 7)*
Head office	tCO_2e/no. of employees	**1.13**	1.17
Production facility			
Hefei China	$kgCO_2e$/standard piece	**8.650**	9.172
Panyu China (Factory No.1 & No.2)	$kgCO_2e$/standard piece	**4.525**	4.832
Thailand	$kgCO_2e$/standard piece	**2.977**	2.924
Vietnam	$kgCO_2e$/standard piece	**1.837**	N/A
Myanmar	$kgCO_2e$/standard piece	**2.592**	N/A
Brand office & stores			
C.P. Company Europe	tCO_2e/no. of employees	**1.69**	N/A

GHG Performance (Compared to the 2021 Baseline)	Unit	2022	2021	Rate
Production facility				
Hefei China	$kgCO_2e$/standard piece	**8.650**	9.172	**–5.69%**
Panyu China (Factory No.1 & No.2)	$kgCO_2e$/standard piece	**4.525**	4.832	**–6.35%**
Thailand	$kgCO_2e$/standard piece	**2.977**	2.924	**1.81%**
Total (only includes the factories above since the target baseline was defined from 2021 data collected from these factories)	$kgCO_2e$/standard piece	**5.162**	5.290	**–2.42%**

5.3.2 Air Emissions

Given the nature of garment manufacturing, we do not have significant air emissions from our production processes. Majority of our air emissions come from the use of boilers for steam production and the use of back-up generator sets at our production facilities.

Since 2012, we have switched to natural gas or LPG in our factories with on-site boilers in Panyu and Thailand. During the year, old-diesel boilers were all replaced by natural gas in Panyu China (Factory No.1 and No.2) and LPG in Thailand. Due to the power cuts in Guangdong in 2021, our two production factories in Panyu China had to re-initiate the use of generator in September 2021 and had installed filters in both factories to reduce air emissions and ensure air quality. Besides the switching of fuels, we have also appointed external agencies to perform regular assessment of the air emissions of our boilers and perform timely maintenance when problems are identified.

5.3.3 Wastewater Discharge

Due to the nature of our business and production, industrial wastewater is only discharged from the laundry house of our Hefei factory. It is treated on-site before discharge. Operated by a dedicated team, tertiary wastewater treatment process including sedimentation and biological treatment is adopted to ensure that the effluent complies with relevant discharge standards. We also adopted ZDHC Wastewater Guideline and conduct annual test as a manifest that we strive for reaching an industrial standard higher than the local regulator's. During the year, we continued to implement the online monitoring system which includes more wastewater data to monitor the effluent quality. To the best of our knowledge, no material violation of discharge standards was recorded during the year.

5.3.4 Waste Management

General Waste

The Group continuously optimises its production plans and procedures to better utilise the raw garment materials and thus reduce generation of waste fabrics. As we seek to minimise the disposal of rags during our production, rags are periodically collected by recyclers. The Group has continued its offcut fabric waste recycling program in Panyu and Thailand factories since 2020, and it has been extended to Hefei and Vietnam factories in 2021. Fabric wastes are shredded onsite and sorted for recycling while all cartons, paper tubes and plastics are collected by recyclers.

The '3R' principles – reduce, reuse and recycle – have been widely adopted across the whole Group, and other general waste from our business operation such as paper and household waste, are being properly disposed of so as to be in line with local requirements and general international standards.

Hazardous Waste

Our production process mainly involves cutting, sewing, finishing and packaging of garments, with no dyeing or bleaching process adopted. Also, most of the raw materials are purchased from qualified fabric suppliers designated by clients and hence we do not generate significant hazardous waste in the manufacturing process. As such, we continue to review this aspect and will consider setting reduction target as appropriate.

The common hazardous waste that we produce, includes old light tubes, empty chemical containers and expired chemicals. To reduce the generation of waste light tubes, we have been progressively replacing the lighting system in our factories with LED tubes, which are more durable and energy efficient. For the cleaning reagent, we would try to use any available eco-friendly substitutes, where practical. Chemical Safety Management Policy and Chemical Risk Assessment and Management Procedures are in place for all the facilities to standardise our procedures from procurement to disposal of the chemicals.

We have engaged qualified third-party companies to properly handle and dispose of the limited hazardous waste generated. Relevant disposal amounts were well documented, ensuring that the process complies with the local laws and regulations on hazardous waste disposal.

Types of Hazardous Waste	Unit	2022	2021
Light tubes	tonnes	**0.894**	0.362
Empty chemical containers	tonnes	**1.784**	1.284
Expired chemicals	tonnes	**0.154**	0.905

5.4 Climate Change

The Group recognises the trend of climate change and is committed to managing the climate change risks that may impact our garment manufacturing activities.

It is crucial for the Group to respond to the associated risks posed by climate change. We are seeking every possible opportunity to address this concern. During the reporting period, we volunteered to have our Hefei factory to participate in the Carbon Leadership Program launched by our client, which aims to help tackle the climate change we faced by reducing our carbon emission and water consumption. In 2021, we have updated our Environmental Policy with climate-related commitments included to mitigate climate change issues by adopting environmental-friendly approach in our business operation. Below are the climate-related commitments emphasised in our policy:

- Encourage the use of renewable energy, low-carbon and energy efficient products and materials across our properties and offices.
- Monitor and regularly report progress in carbon emissions management and reductions.
- Collaborate with business partners along our value chain to mitigate climate change impacts.
- Monitor climate-related risks and respond to market and technological shifts, regulatory and policy changes associated with climate change.

5.5 The Environmental and Natural Resources

The significant environmental issues faced in our business regarding emissions and the use of resources are already disclosed in the above sections.

5.6 Regulatory Compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to environmental emissions.

6 Creating a Positive Work Environment

Being a corporate citizen, the Group has always been concerned about the welfare of the community and the people living within. Our business operations provide not only employment, but also learning and development opportunities for the local community and help to boost the economy and its sustainable growth. The Group is committed to maintaining a quality workplace and cultivate an ethical culture. As such, we strictly prohibit unethical behaviours and any form of unlawful labour. To the local community, we seek to give back where we take. We actively encourage our employees to play a positive and active role in the communities to nurture a harmonious development in the local areas where the Group operates.

6.1 Employment and Labour Practices

Our people are the most valuable assets to the Group. We believe a transparent recruitment practice and competitive remuneration package are essential for the Group's long-term development. Concerning the employment practices, we have made reference to the relevant laws and regulations of the regions in which we operate including Hong Kong's Employment Ordinance and the Labour Law of the People's Republic of China, etc. During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding employment and labour practice.

Recruitment and Promotion

Tristate is an equal opportunity employer. The Group promotes fair competition and prohibits discrimination or harassment against any employee in all aspects. We embrace diversity and provide equal employment opportunities to all employees and job applicants, irrespective of their gender, race, sexual orientation, age, religion, marital status, pregnancy and disability. Staff appointments and promotions are determined by relevant merits and performance, and we prohibit any discriminatory behaviours in all human resources activities including recruitment, training, transfer, promotion and termination. The Group has outlined the equal employment standards in Code of Conduct, Staff Handbook and Employment Application Form, which prohibits any forms of discrimination and biased decision-making.

Encouraging Communication

Employees' opinion is a great driver of the Group's business improvement. We encourage open two-way communication between management and employees. Employees may confer local issues with management via various channels or discuss with their immediate supervisor or senior management team if necessary.

Benefits Entitlement

To motivate our employees, we strive to provide rewarding remuneration and welfare package to motivate and retain talents. Our employee remuneration is on par with market level and through annual appraisal, adjustments are made regularly to reward high-performing employees. All employees are entitled to the provision of mandatory provident fund, pension, paid leaves, medical insurance and a range of other welfare benefits in compliance with relevant labour laws and regulations.

6.2 Health and Safety

We place high importance in the health and safety of our employees. As a garment manufacturer, our production processes are mostly indoor involving tasks like cutting, sewing, finishing and packaging of garments. While the nature of our work is subject to low occupational safety risk, we maintain regular checks on our facilities and equipment to ensure compliance with all relevant occupational health and safety legislation.

To provide our employees with an effective working environment, our work areas are adequately lit with proper ventilation, along with basic necessities like potable water, sanitary facilities, fire protection device and first-aid boxes.

To ensure the safety of our working environment, regular evaluations of production and living areas are performed to identify and clear any potential safety hazards with appropriate control measures. Procedures to minimise workplace safety hazards include periodic machinery safety check, physical and chemical hazard identification and control, facility hygiene control, emergency preparedness for accidents and incidents, safety trainings for employees, and tracking of health and safety statistics.

Regular safety training for operational staff is performed to raise safety awareness and minimise the risks of hidden hazards at work aiming to rule out fatalities, severe work-related injuries and significant errors related to failure of equipment and facilities failure. Fire drills, practice emergency drills and workshops on different workplace hazards are also organised to prepare employees to respond effectively in case of any accident. Workers in our production lines are required to wear protective gear at all times to ensure health and safety.

During the reporting period, no severe work-related injury was noted and we were not aware of any material non-compliance with laws and regulations regarding occupational health and safety.

6.2.1 Safeguarding against the Coronavirus

In response to the COVID-19 pandemic, the Group developed a series of guidelines and procedures to protect the health and safety of our employees. During the reporting period, we have been reviewing and implementing appropriate initiatives continuously in accordance with the pandemic change and the latest measures announced by the government in our operating countries. Online platform has been utilized to keep the social distancing concern and to ensure effective communication are in place. Over the years of fighting against the pandemic, we stay strong together to keep employees healthy and safe.

6.3 Development and Training

Investment in human capital is a key factor to the Group's success. Through various orientation sessions and on-the-job trainings, we equip our employees with latest industry knowledge and build their expertise to enhance their ability and the market-competitiveness of the Group.

During the reporting period, training provided cover topics including industry knowledge, technology and product knowledge, industry quality standards and work safety standards. In addition, the Group continually reviews the education needs of our employees and provides education sponsorship to encourage our employees to pursue work-related training courses.

6.4 Labour Standards

The Group abides by relevant labour laws and regulations to prohibit the employment of child or forced labour in all of its operations. During the recruitment process, identification documents of applicants are checked to ensure no underage labour is hired.

We also respect the basic rights of our employees and prohibits any unfair treatment of our employees. To protect their rights, a Grievance Policy is clearly set out to provide a formal mechanism for our employee to voice out their concerns to higher level management. We also ensure that all employees work on a voluntary basis and can resign according to the requirements of their employment contracts.

During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding labour standards.

6.5 Anti-corruption

Tristate is committed to achieving and maintaining the highest standards of openness, probity and accountability. Employees at all levels are expected to conduct themselves with integrity, impartiality and honesty. It is critical to maintain a good corporate image and raise the standard of corporate governance of the Group. We abide by applicable laws and regulations including the Prevention of Bribery Ordinance in Hong Kong and have zero tolerance against any corruption or fraudulent behaviour within our business.

Our Code of Conduct and Staff Handbook have provided guiding principles for our employee regarding to the acceptance of gifts, conflict of interest and other misconduct. Anti-corruption guidelines are also provided to strengthen their knowledge in relation to the prevention of bribery, helping them identify any possible immoral acts or violations.

To foster a corruption-free working culture and raise employee's awareness of misconduct and malpractice, a Whistleblowing Policy with clearly documented procedures is in place to provide employees with a confidential escalation channel. Every report received will be thoroughly assessed by the Internal Audit Department followed by internal investigation, referral to Audit Committee or even relevant regulatory bodies if necessary. The Audit Committee has overall responsibility for implementation, monitoring and periodic review of this Policy. All information received shall be kept confidential and the whistle-blower shall be protected from any harassment or retaliation.

Ongoing monitoring and regular reviews are carried out to ensure the effectiveness of the Whistleblowing Policy. All managers, irrespective of function, and other employees in sensitive positions are required to sign an annual declaration that they have read and conformed to the requirement of our Code of Conduct while periodical training, e-learning and awareness enhancement to senior management and staff on anti-corruption are provided as and when appropriate. During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding anti-corruption.

6.6 Community Investment

The Group understands that the development of the community where we operate is crucial to the sustainable growth of our business. We therefore strive to contribute to society and our Tristate ESG Policy has outlined the specific commitment for community investment. As part of our community effort, we actively encourage our employees to participate in volunteer and civic activities. As a recognition of our volunteering work and donations, we have been awarded the title of Caring Company since the year of 2015.

7 Promising Quality and Safe Products

The Group aims to promote ethical, responsible and sustainable procurement practices. We take pride in our production management flow and are committed to managing our supply chain in an environmentally friendly and socially responsible manner. We have implemented strict supply chain management and product responsibility policies to ensure responsible practices along our value chain.

7.1 Supply Chain Management

7.1.1 Supplier Selection Policy

With most of our customers being international premium apparel brands, there are high expectations on the supply chain of our business. We work closely with our qualified suppliers to evaluate their performance not only in terms of capability, quality, compliance status, pricing and certifications, but also ESG performance. The Tristate ESG Policy has clearly outlined the commitment for Supply Chain Management and included environmental and social considerations in our supplier's selection procedures. For instance, the Group pay attention to supplier's regulatory compliance on environment, employment and labour as well as occupational health and safety. To ensure our product quality and safety, only those suppliers who comply with our requirements are eligible to continue the business relation with the Group.

Suppliers are also encouraged to include environmental considerations in their production. We expect fair and equal employment practices from our suppliers and have zero tolerance for unethical treatment and illegal labour practices including child or forced labour and any form of discrimination.

7.1.2 Responsible Sourcing

Tristate recognises the importance of sustainable manufacturing and environmental stewardship in its business operations and continues to modernise operation processes to improve efficiency and limit impact on the environment. During the reporting period, we are pleased to see more of our production facilities being certified by the Responsible Down Standard ("RDS"), Responsible Wool Standard ("RWS"), Sustainable Viscose Chain of Custody ("SVCoC"), Global Recycled Standard ("GRS") and Better Cotton Initiatives ("BCI").

RDS	The RDS is a leading standard for animal welfare in down and feather products to ensure the continuous improvement of best animal welfare practices in the down industry. The scope of the RDS includes the full own supply chain from the farms and slaughter facilities (animal welfare) to the down processors and garment factories (traceability).
RWS	The RWS is a voluntary global standard that addresses the welfare of sheep and of the land they graze on. The RWS provides verification of the practices that are happening at farm level, giving brands a clear solution that will allow them to make claims about their wool sourcing with confidence.
SVCoC	The Sustainable Viscose Chain of Custody (SVCoC) is the path taken by products from the forest, to the point where the product is sold with a valid claim and/or it is finished. The SVCoC includes each stage of sourcing, processing, trading, and distribution where progress to the next stage of the supply chain involves a change of product ownership.
GRS	The GRS is an international, voluntary, full product standard that sets requirements for third-party certification of recycled content, chain of custody, social and environmental practices, and chemical restrictions.
BCI	The BCI is the world's leading sustainability initiative for cotton. Its mission is to help cotton communities survive and thrive, while protecting and restoring the environment.

7.1.3 Prohibiting Unethical Behaviour

The Group policy prohibits unethical behaviours that could interfere, or appear to interfere, with employees' abilities to make free and independent decisions regarding purchase and procurement. Any supplier violating this practice will immediately be terminated and removed from our list of suppliers, while employees will be subjected to appropriate disciplinary action including termination of employment.

7.2 Product Responsibility

7.2.1 Product Safety and Quality

Product quality and safety are of prime importance to the Group's production processes. We continually strive to meet our customers' expectations on products and services with high satisfaction.

To ensure consistent and quality products from the outset, we source most of our raw materials from suppliers designated by our clients. The Group, together with our clients and suppliers, has formulated standard procedures to maintain and enhance product quality and safety.

The Tristate ESG Policy has outlined the commitment for product responsibility. Quality control systems have been set up and implemented in our factories to ensure the production meet the Group's quality requirements and clients' expectations. Responding to the increasing stringent environmental requirements on garment manufacturing, our clients, mostly international apparel brands, conduct factory visits and audits regularly to monitor our compliance with ethical and technical standards. In addition, active dialogue is maintained through questionnaire surveys with our customers for the service satisfaction and areas for improvement.

The Group respects intellectual property rights and endeavours to protect the Group from reputational damages by setting up procedures to handle proprietary information and intellectual property rights.

7.2.2 Customer Feedback Channels

To ensure we stay connected with our customers, the Group provides multiple channels and platforms (such as telephone, email, questionnaire surveys and face-to-face meetings) to obtain customers' feedback and suggestions timely. We welcome customers' opinions and believe that it is critical to the sustainable development of our business. The Group will make incremental improvements according to the customers' feedback and formulate corrective measures where practicable.

During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding product responsibility.

8 Key Performance Data

Environmental KPIs *(Note 1)*		Unit	2022	2021 *(Note 7)*
GHG emissions	**Direct GHG emissions (Scope 1)**			
	Head office	tCO_2e	**11.70**	13.57
	Production facility	tCO_2e	**2,449.49**	1,871.21
	Brand office & stores	tCO_2e	**131.43**	N/A
	Annual total	tCO_2e	**2,592.62**	1,884.78
	Indirect GHG emissions (Scope 2)			
	Head office	tCO_2e	**179.82**	181.36
	Production facility	tCO_2e	**8,806.89**	6,773.33
	Brand office & stores	tCO_2e	**81.90**	N/A
	Annual total	tCO_2e	**9,068.61**	6,954.69
	Total GHG emissions (Scope 1 and 2)			
	Head office	tCO_2e	**191.52**	194.93
	Production facility	tCO_2e	**11,256.38**	8,644.54
	Brand office & shops	tCO_2e	**213.33**	N/A
	Annual total	tCO_2e	**11,661.23**	8,839.47
	GHG intensity (Scope 1 and 2)			
	Head office	tCO_2e/no. of employees	**1.13**	1.17
	Production facility	$kgCO_2e$/standard piece	**4.0327**	5.290
	Brand office & stores	tCO_2e/no. of employees	**1.69**	N/A
Energy	**Electricity**			
	Head office	kWh	**461,070**	490,170
	Production facility	kWh	**11,967,298**	8,715,427
	Brand office & stores	kWh	**221,139**	N/A
	Annual total	kWh	**12,649,507**	9,205,597
	Petrol			
	Head office	kWh	**29,817**	34,409
	Production facility	kWh	**311,177**	454,058
	Brand office & stores	kWh	**42,867**	N/A
	Annual total	kWh	**383,861**	488,467
	Diesel			
	Head office	kWh	**12,989**	15,275
	Production facility	kWh	**4,639,836**	724,176
	Brand office & stores	kWh	**405,031**	N/A
	Annual total	kWh	**5,057,856**	739,451
	Steam *(Note 2)*			
	Production facility	kWh	**5,376,516**	5,147,581
	Natural gas			
	Production facility	kWh	**4,980,198**	5,202,040
	Brand office & stores	kWh	**73,194**	N/A
	LPG *(Note 3)*			
	Production facility	kWh	**2,511,015**	2,234,935
	Total energy consumption			
	Head Office	kWh	**503,876**	539,854
	Production facility	kWh	**29,786,040**	22,478,208
	Brand office & stores	kWh	**742,231**	N/A
	Annual total	kWh	**31,032,147**	23,018,062
	Energy intensity			
	Head office	kWh/no. of employees	**2,981.51**	3,232.60
	Production facility	kWh/standard piece	**10.67**	13.76
	Brand office & stores	kWh/no. of employees	**5,890.72**	N/A

Environmental KPIs *(Note 1)* (Continued)		Unit	2022	2021 *(Note 7)*
Water	**Total water consumption**			
	Head office	m^3	**1,569**	1,774
	Production facility	m^3	**264,734**	189,095
	Brand office & stores	m^3	**479**	N/A
	Annual total	m^3	**266,782**	190,869
	Water intensity			
	Head office	m^3/no. of employees	**9.28**	10.62
	Production facility	m^3/standard piece	**0.0948**	0.1157
	Brand office & stores	m^3/no. of employees	**3.80**	N/A
Packaging materials	**Packaging materials** *(Note 4)*			
	Production facility	tonnes	**758.25**	617.13
	Brand stores & e-commerce	tonnes	**34.08**	N/A
Waste	**Hazardous waste** *(Note 5)*			
	Production facility	tonnes	**2.832**	2.551

Social KPIs	Unit	2022	2021 *(Note 7)*
Number of employees			
Total number of employees	no.	**5,831**	3,469
Number of employees by employment type			
Permanent	no.	**5,369**	3,360
Temporary/fixed term	no.	**462**	109
Number of employees by gender			
Male	no.	**1,198**	874
Female	no.	**4,633**	2,595
Number of employees by age group			
Below 30	no.	**1,617**	409
30-40	no.	**1,528**	922
41-50	no.	**1,550**	1,289
Above 50	no.	**1,136**	849
Number of employees by employment category			
Chief level executives	no.	**8**	8
Senior management	no.	**112**	78
Middle management	no.	**428**	313
General staff	no.	**5,283**	3,070
Number of employees by geographical region			
Hong Kong	no.	**169**	167
Mainland China	no.	**2,330**	2,277
Thailand	no.	**1,116**	1,025
Vietnam	no.	**833**	N/A
Myanmar	no.	**1,257**	N/A
Europe	no.	**126**	N/A
Turnover			
Total number of resigned employees	no.	**3,223**	1,801
Number of employees turnover by gender			
Male	no.	**532**	560
Female	no.	**2,691**	1,241
Employee's turnover rate by gender			
Male	%	**47%**	61%
Female	%	**62%**	47%
Number of employees turnover by age group			
Below 30	no.	**1,745**	755
30-40	no.	**827**	471
41-50	no.	**414**	348
Above 50	no.	**237**	227

Social KPIs (Continued)	**Unit**	**2022**	2021 *(Note 7)*
Employee's turnover rate by age group			
Below 30	%	**100%**	100%
30-40	%	**57%**	49%
41-50	%	**27%**	27%
Above 50	%	**21%**	26%
Number of employees turnover by geographical region			
Hong Kong	no.	**44**	29
Mainland China	no.	**804**	1,292
Thailand	no.	**596**	480
Vietnam	no.	**543**	N/A
Myanmar	no.	**1,218**	N/A
Europe	no.	**18**	N/A
Employee's turnover rate by geographical region			
Hong Kong	%	**26%**	17%
Mainland China	%	**35%**	55%
Thailand	%	**56%**	47%
Vietnam	%	**63%**	N/A
Myanmar	%	**100%**	N/A
Europe	%	**17%**	N/A
Percentage of trained employees by gender			
Male	%	**97%**	86%
Female	%	**83%**	74%
Percentage of trained employees by employee category			
Chief level executives	%	**75%**	50%
Senior management	%	**94%**	65%
Middle management	%	**98%**	85%
General staff	%	**84%**	77%
Average training hours by gender			
Male	hours	**4.5**	3.5
Female	hours	**2.5**	2.5
Average training hours by employee category			
Chief level executives	hours	**12.2**	5.9
Senior management	hours	**13.6**	7.0
Middle management	hours	**3.8**	4.0
General staff	hours	**2.6**	2.5
Health and safety			
Number of work-related fatalities	no.	**0**	0
Number of lost days due to work injury	days	**350**	740
Suppliers by geographical regions			
Hong Kong	no.	**218**	221
Mainland China	no.	**419**	373
Other Asian countries	no.	**112**	121
Outside of Asia	no.	**216**	144

Notes:

1 The intensity figures of production facility are normalised by the standard piece to present the GHG emissions, energy consumption and water consumption per garment piece we produced, to align with our management approach. Standard piece = total time for producing all garments divided by average time used for each piece produced.

2 Refers to steam used at our Hefei factory only.

3 Refers to LPG used at our Thailand factory only.

4 Packaging materials consist of plastic bags and carton.

5 Hazardous waste consists of light tubes, empty chemical containers and expired chemicals at factories.

6 The figures of 2022 may show an abrupt increase due to the extended scope of disclosure. Please refer to Section 2.4 for the scope of this Report.

7 Our production facilities in Vietnam and Myanmar as well as our brand office and stores of C.P. Company Europe were not in the scope of disclosure for our 2021 ESG Report. Thus those data for 2021 had not been collected.

Appendix I: The Stock Exchange ESG Reporting Guide Index

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5.3 Emissions Control	–
KPI A1.1	The types of emissions and respective emissions data.	5.3.2 Air Emissions	Given the nature of garment manufacturing, we do not have significant air emissions from our production processes.
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.3.1 Greenhouse Gas Emissions	–
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.3.4 Waste Management	–
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.3.4 Waste Management	Non-hazardous waste is not considered as material to the Group's operation. We ensure compliance with local requirements on waste disposal and will review relevant data disclosure in the future.
KPIA1.5	Description of emissions target(s) set and steps taken to achieve them.	5.1 Our Commitment 5.3 Emissions Control	–
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	5.3.4 Waste Management	We have not set specific targets with respect to this aspect. The Group reviews its operations and environmental performance on an ongoing basis and will consider setting targets as appropriate.

Appendix I: The Stock Exchange ESG Reporting Guide Index (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
A. Environmental (Continued)			
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.2 Resources Efficiency	–
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5.2.1 Use of Energy	–
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.2.2 Use of Water	–
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.1 Our Commitment 5.2.1 Use of Energy	–
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	5.1 Our Commitment 5.2.2 Use of Water	–
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	5.2.3 Use of Packaging Materials	–
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	5.4 Climate Change	–
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	5.4 Climate Change	
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	5.4 Climate Change	–
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5.4 Climate Change	

Appendix I: The Stock Exchange ESG Reporting Guide Index (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
B. Social			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6.1 Employment and Labour Practices	–
KPI B1.1	Total workforce by gender, employment type (for example, full– or part-time), age group and geographical region.	8 Key Performance Data	–
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	8 Key Performance Data	–
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.2 Health and Safety	–
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	8 Key Performance Data	–
KPI B2.2	Lost days due to work injury.	8 Key Performance Data	–
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6.2 Health and Safety	–
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 Development and Training	–
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	8 Key Performance Data	–
KPI B3.2	The average training hours completed per employee by gender and employee category.	8 Key Performance Data	–

Appendix I: The Stock Exchange ESG Reporting Guide Index (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
B. Social (Continued)			
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6.4 Labour Standards	–
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.4 Labour Standards	–
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	6.4 Labour Standards	–
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	7.1 Supply Chain Management	–
KPI B5.1	Number of suppliers by geographical region.	8 Key Performance Data	–
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	7.1 Supply Chain Management	–
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	7.1 Supply Chain Management	–
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	7.1 Supply Chain Management	–
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	7.2 Product Responsibility	–
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	–	No such cases recorded during the reporting period.

Appendix I: The Stock Exchange ESG Reporting Guide Index (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Section	Remarks
B. Social (Continued)			
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	–	No such cases recorded during the reporting period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	7.2.1 Product Safety and Quality	–
KPI B6.4	Description of quality assurance process and recall procedures.	7.2 Product Responsibility	–
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	7.2.1 Product Safety and Quality	–
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	6.5 Anti-corruption	–
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	–	No such cases recorded during the reporting period.
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	6.5 Anti-corruption	–
KPI B7.3	Description of anti-corruption training provided to directors and staff.	6.5 Anti-corruption	–
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6.6 Community Investment	–
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6.6 Community Investment	–
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	6.6 Community Investment	–

Directors' and Senior Management's Profiles

Directors

Executive Director

Mr. WANG Kin Chung, Peter, *BSc, MBA*, aged 69, became the Company's President and Chief Executive Officer in 1999 and was redesignated as the Chairman and the Chief Executive Officer of the Company since 2001. He is also the Chairman of the Nomination Committee and the Share Option Committee of the Company and a director of certain subsidiaries of the Company. Mr. Wang has over 35 years of experience in the garment industry and is responsible for the overall strategic planning and business development of the Company. Mr. Wang obtained a BSc degree in Industrial Engineering from Purdue University in Indiana, USA and an MBA degree from Boston University, USA. He is a non-executive director and a member of the audit committee of Johnson Electric Holdings Limited and the chairman and managing director of Hua Thai Manufacturing Public Company Limited (formerly listed on The Stock Exchange of Thailand).

Mr. Wang won the Young Industrialist Award of Hong Kong in 1998. In 2005, he received the Outstanding Industrial Engineer Award from the School of Industrial Engineering of Purdue University. He was a member of Anhui Provincial Committee of Chinese People's Political Consultative Conference and committee vice chairman of The Anhui Fraternity Association (Hong Kong) Limited. Mr. Wang is the honorary chairman of the Hong Kong Garment Manufacturers Association, a general committee member of the Textile Council of Hong Kong Limited and a director of The Federation of Hong Kong Garment Manufacturers. He is also a member of Council of Institute of New Structural Economics at Peking University. He is a son of Ms. WANG KOO Yik Chun, the Honorary Chairlady of the Company, and a brother of Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick, Directors of the Company. Mr. Wang is a director of New Perfect Global Limited and Silver Tree Holdings Inc. respectively, which are the substantial shareholders of the Company as disclosed in the "Substantial Shareholders" section of the Report of the Directors.

Non-Executive Directors

Ms. WANG KOO Yik Chun, aged 105, became Co-chairlady and Honorary Co-chairlady in 1999 and 2001 respectively and was then redesignated as the Honorary Chairlady of the Company since 2002. She is the founder of Hwa Fuh Manufacturing Company (Hong Kong) Limited and its subsidiaries. She is also the honorary chairman and a non-executive director of Johnson Electric Holdings Limited, a former director of Hua Thai Manufacturing Public Company Limited (formerly listed on The Stock Exchange of Thailand), and a director of certain subsidiaries of the Company. Ms. Koo is the mother of Mr. WANG Kin Chung, Peter, the Chairman and the Chief Executive Officer of the Company, Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick, Directors of the Company.

Ms. MAK WANG Wing Yee, Winnie, *BSc*, aged 76, obtained her BSc degree from Ohio University, USA and became a Non-Executive Director of the Company in April 1999. She is also a member of the Audit Committee, the Remuneration Committee and the Share Option Committee of the Company. Ms. Wang is a director of two subsidiaries of the Company. She is also the vice chairman of Johnson Electric Holdings Limited ("JE") and was re-designated from an executive director to a non-executive director of JE with effect from 1 January 2022. Ms. Wang is a daughter of Ms. WANG KOO Yik Chun, the Honorary Chairlady of the Company, and a sister of Mr. WANG Kin Chung, Peter, the Chairman and the Chief Executive Officer of the Company, and Dr. WANG Shui Chung, Patrick, a Director of the Company.

Dr. WANG Shui Chung, Patrick, *JP, BSc, MSc*, aged 72, obtained his BSc and MSc degrees in Electrical Engineering and received an Honorary Doctorate of Engineering from Purdue University in Indiana, USA. He became a Non-Executive Director of the Company in April 1999 and is a director of a subsidiary of the Company. Dr. Wang is the chairman and chief executive of Johnson Electric Holdings Limited, and an independent non-executive director of VTech Holdings Limited. He is also a member of the Hong Kong Sanatorium & Hospital's Clinical Governance Committee. Dr. Wang previously served as a non-executive director of The Hongkong and Shanghai Banking Corporation Limited, and the chairman and a director of the Hong Kong Applied Science and Technology Research Institute Company Limited. Dr. Wang is a son of Ms. WANG KOO Yik Chun, the Honorary Chairlady of the Company, and a brother of Mr. WANG Kin Chung, Peter, the Chairman and the Chief Executive Officer of the Company, and Ms. MAK WANG Wing Yee, Winnie, a Director of the Company.

Independent Non-Executive Directors

Mr. LO Kai Yiu, Anthony, aged 74, joined the Company in June 1998 as an Independent Non-Executive Director. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Lo is qualified as a chartered accountant with the Canadian Institute of Chartered Accountants and is a member of the Hong Kong Institute of Certified Public Accountants. In addition to over 8 years of professional accounting experience, he has over 35 years of experience in investment banking and other financial services. Mr. Lo was previously an independent non-executive director of The Taiwan Fund, Inc. and Top Glove Corporation Bhd. He is the chairman of Shanghai Century Capital Limited and serves as an independent non-executive director of a number of listed public companies, including Convenience Retail Asia Limited, Lam Soon (Hong Kong) Limited and Playmates Holdings Limited.

Mr. James Christopher KRALIK, aged 57, was appointed as an Independent Non-Executive Director of the Company in April 2002. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Kralik is the managing director of Linden Street Capital Limited, a privately held investment company focused on Greater China-based investment opportunities. He previously served as the chief executive officer of VTech Telecommunications Limited, built and led a Hong Kong-based group of media and entertainment businesses, and was a management consultant with McKinsey & Company, Inc. Mr. Kralik is a graduate of Harvard College and the Harvard Business School.

Mr. Peter TAN, aged 67, was appointed as an Independent Non-Executive Director and a member of the Remuneration Committee of the Company in January 2011. Mr. Tan is currently the chief executive officer of TLC Capital Management Pte Ltd., an investment company, and a director of Titan Dining Holdings Pte. Ltd., a non-listed company. He was previously an independent non-executive director of The Sincere Company, Limited, the chief executive officer of an investment company namely Stone Canyon Pte Ltd, and the chief executive officer of Knowledge Universe Pte Ltd ("Knowledge Universe"), a leading global private education organisation with a network of more than 3,000 locations worldwide. Before joining Knowledge Universe in 2013, Mr. Tan has more than 17 years' experience in the fast food industry. Mr. Tan was the executive vice president and the chief executive officer of Asia Pacific division of Burger King Corporation up to 2012. Before joining Burger King Corporation in 2005, Mr. Tan had served McDonald's Corporation for 10 years and was the senior vice president and the president of its Greater China division, responsible for strategic growth of the business and management of all key functions in the region. Prior to that, Mr. Tan was the vice president of Citibank Singapore, Private Banking Group. He holds a BA degree in Accounting and Finance from the Washington State University, an MBA degree from the Kellogg School of Management at Northwestern University and was the chairman of the Kellogg Alumni Council (Asia).

Professor Chen LIN, aged 37, was appointed as an Independent Non-Executive Director of the Company in February 2023. Professor Lin is an Associate Professor of Marketing at Fudan University School of Management（復旦大學管理學院）, and her research interests include empirical models in digital marketing for ESG-related problems, particularly in the apparel and fashion industry. Prior to joining Fudan University, she was on the faculty board at Eli Broad College of Business at Michigan State University and China Europe International Business School. She obtained her Ph.D. in Marketing from Goizueta Business School, Emory University, and Bachelor's degree in Electronic Commerce from School of Computing, National University of Singapore. Professor Lin has been focusing on consumer digital marketing and distribution for more than 10 years since she obtained her Ph.D., and she is a widely recognised expert in smart retailing among academics and in the industry.

Senior Management

Mr. Joshua Bruce PERLMAN, aged 53, joined the Group in 2003 and is the Managing Director of the Retail and Wholesale division of the Group's wholly-owned subsidiary, 338 Fashion Co. Limited. He has over 25 years of experience in China working with renowned consumer lifestyle brands. A graduate of both Tulane University and the Johns Hopkins University Center for Chinese and American Studies in Nanjing, Mr. Perlman is a native of New York City, USA, and is fluent in Mandarin, Chinese.

Ms. SUN Lin, Sophie, aged 47, President of China Retail Business including Cissonne and C.P. Company, joined the Group in 2006. Ms. Sun was instrumental in the creation of Cissonne in 2014, the first ladies' premium brand of the Group. She is also the Director of Product Development and Central Sourcing of the Group. Ms. Sun holds a Master Degree in Business Administration from Fudan University, Shanghai.

Mr. Lorenzo OSTI, aged 49, joined the Group in 2015. He has been the President of C.P. Company since November 2019, a sportswear brand of the Group. Mr. Osti is the son of the brand founder, Mr. Massimo Osti. He has over 20 years of experience in marketing and brand management. Mr. Osti graduated with honors at Bologna Alma Mater Studiorum, with a thesis in Mass Communication.

Ms. MA Jingyan, Jane, aged 50, Managing Director of the Contract Manufacturing Business Unit, joined the Group in 2001. Ms. Ma has over 21 years of experience in the garment industry primarily on the marketing, sales and product development side for both UK and USA markets. She holds a Master Degree in Business Administration from Fordham University, New York.

Ms. ZHANG Xiaofang, Phyllis, aged 49, Managing Director of the third party fulfillment business. She is also responsible for factory operation and management and for the supply chain management of all internal brands. Ms. Zhang joined the Group in 2002 and has over 21 years of management experience in the garment industry. She holds a Master Degree in Business Administration from Peking University.

Ms. CHAN Man Ying, Vivian, aged 47, Chief Financial Officer and Company Secretary, joined the Group in February 2019 and was also appointed as the Company Secretary of the Company in February 2023. Ms. Chan has more than 20 years of experience in finance and accounting. Prior to joining the Group, she was the chief financial officer of a company listed in Hong Kong. In addition, she possesses professional accounting and auditing experience with Deloitte Touche Tohmatsu. Ms. Chan holds a Bachelor Degree of Business Administration in Accounting from Hong Kong University of Science and Technology. She is a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

Report of the Directors

The board of directors (the "Board") of Tristate Holdings Limited (the "Company") presents its report together with the audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2022.

Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are (i) garment manufacturing, and (ii) brands business.

An analysis of the Group's revenue and results for the year by segment is set out in Note 4 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss on page 60.

No interim dividend was paid for the six months ended 30 June 2022 (2021: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

Business Review

The business review of the Group for the year ended 31 December 2022 is set out in the section headed "Management Discussion and Analysis" on pages 6 to 12 of this annual report.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2022 is set out on page 3.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out in Note 40 to the consolidated financial statements.

Associate

Particulars of the Group's interests in an associate are set out in Note 17 to the consolidated financial statements.

Share Capital

Details of the share capital of the Company are set out in Note 30 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Notes 31 and 37(b) to the consolidated financial statements respectively.

Distributable Reserves

As at 31 December 2022, the reserves of the Company amounted to HK$448,649,000 (2021: HK$448,457,000) and retained earnings amounted to HK$554,819,000 (2021: HK$513,845,000); of which HK$985,839,000 (2021: HK$944,865,000) were available for distribution to equity shareholders of the Company as calculated in accordance with the Bermuda Companies Act 1981.

Share Options

A share option scheme (the "2016 Share Option Scheme") was approved and adopted by the shareholders of the Company at the annual general meeting of the Company held on 6 June 2016 (the "2016 AGM") for granting of share options to eligible persons to subscribe for shares of the Company.

The principal terms of the 2016 Share Option Scheme are summarised below:

Purpose	:	To provide the participants who have been granted options under the 2016 Share Option Scheme with the opportunity to acquire proprietary interests in the Company, to encourage participants to work towards achieving the relevant performance targets in order to enhance the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and to retain participants who achieve such performance targets.
Participants	:	The directors, officers and employees of any member of the Group as determined by the Board from time to time.
Total number of shares available for issue and the percentage of the issued share capital that it represents as at the date of this report	:	The maximum number of shares which may be issued upon exercise of all options to be granted under the 2016 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at 6 June 2016, the date of the 2016 AGM approving and adopting the 2016 Share Option Scheme. As at the date of this report, the total number of shares available for issue under the 2016 Share Option Scheme is 19,268,725 shares, representing 7.09% of the issued share capital of the Company.
Maximum entitlement of each participant	:	Not exceeding 1% of the shares of the Company in issue in any 12 months period.
Period within which the shares must be taken up under an option	:	The period within which the options must be exercised will be specified by the Board at the time of grant. This period must expire no later than 10 years from the relevant date of grant.
Minimum period for which an option must be held before it can be exercised	:	At the time of grant of the options, the Board may specify any minimum period(s) for which an option must be held before it can be exercised. The 2016 Share Option Scheme does not contain any such minimum period.
Amount payable on acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	:	HK$1.00 (or its equivalent), to be paid within 10 business days from the date on which the letter containing the offer is issued to that participant.
Basis of determining the subscription price	:	The subscription price for the shares shall be such price determined by the Board at its absolute discretion and notified to the participant in the offer of option and shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.
Remaining life of the 2016 Share Option Scheme	:	No options may be granted under the 2016 Share Option Scheme on or after the date of the tenth anniversary of the adoption of the 2016 Share Option Scheme.

Movements in the share options under the 2016 Share Option Scheme during the year ended 31 December 2022 were as follows:

		Number of share options					
Date of grant	Participant	At 1 January 2022	Granted during the year	Lapsed during the year	At 31 December 2022	Subscription price per share	Exercisable period
5 June 2017	Employees	239,000	–	(239,000)	**–**	HK$1.68	5 June 2017 - 4 June 2022
	(in aggregate)	239,000	–	(239,000)	**–**	HK$1.68	5 June 2018 - 4 June 2022
		239,000	–	(239,000)	**–**	HK$1.68	5 June 2019 - 4 June 2022
		239,000	–	(239,000)	**–**	HK$1.68	5 June 2020 - 4 June 2022
25 June 2018	Employees	264,000	–	–	**264,000**	HK$1.75	25 June 2018 - 24 June 2023
	(in aggregate)	264,000	–	–	**264,000**	HK$1.75	25 June 2019 - 24 June 2023
		264,000	–	–	**264,000**	HK$1.75	25 June 2020 - 24 June 2023
		264,000	–	–	**264,000**	HK$1.75	25 June 2021 - 24 June 2023
3 June 2019	Employees	359,000	–	–	**359,000**	HK$1.58	3 June 2019 - 2 June 2024
	(in aggregate)	359,000	–	–	**359,000**	HK$1.58	3 June 2020 - 2 June 2024
		359,000	–	–	**359,000**	HK$1.58	3 June 2021 - 2 June 2024
		359,000	–	–	**359,000**	HK$1.58	3 June 2022 - 2 June 2024
8 June 2020	Employees	367,000	–	–	**367,000**	HK$1.40	8 June 2020 - 7 June 2025
	(in aggregate)	367,000	–	–	**367,000**	HK$1.40	8 June 2021 - 7 June 2025
		367,000	–	–	**367,000**	HK$1.40	8 June 2022 - 7 June 2025
		367,000	–	–	**367,000**	HK$1.40	8 June 2023 - 7 June 2025
7 June 2021	Employees	450,000	–	–	**450,000**	HK$1.00	7 June 2021 - 6 June 2026
	(in aggregate)	450,000	–	–	**450,000**	HK$1.00	7 June 2022 - 6 June 2026
		450,000	–	–	**450,000**	HK$1.00	7 June 2023 - 6 June 2026
		450,000	–	–	**450,000**	HK$1.00	7 June 2024 - 6 June 2026
6 June 2022	Employees	–	533,000	–	**533,000**	HK$0.91	6 June 2022 - 5 June 2027
(Notes 2 & 3)	(in aggregate)	–	533,000	–	**533,000**	HK$0.91	6 June 2023 - 5 June 2027
		–	533,000	–	**533,000**	HK$0.91	6 June 2024 - 5 June 2027
		–	533,000	–	**533,000**	HK$0.91	6 June 2025 - 5 June 2027
	Total	6,716,000	2,132,000	(956,000)	**7,892,000**		

Notes:

1. The above options vest in four equal tranches over a period of three years from the relevant date of grant.

2. The Company received a consideration of HK$1.00 from each of the grantees for the options granted during the year.

3. The closing price of the shares of the Company on 2 June 2022, being the business day immediately before the date on which the options were granted, as quoted on the Stock Exchange, was HK$0.90.

4. No options were exercised or cancelled during the year.

5. The fair value of the options granted during the year determined using the Trinomial valuation model was HK$0.36 per option. The significant inputs into the model are as follows:

Closing share price on the grant date	HK$0.90
Subscription price	HK$0.91
Dividend yield	0%
Volatility	45.57%
Annual risk-free interest rate	2.643%

   The volatility at the grant date, which measured the standard deviation of expected share price returns, is based on statistics of 1,260 days historical volatilities of comparable companies within the industry.

   The aggregate fair value of the options granted during the year amounted to HK$760,000 is to be recognised as employment benefit over the vesting periods together with a corresponding increase in equity. Such fair value is subject to a number of assumptions and with regard to the limitation of the Trinomial valuation model.

6. The number of options available for grant under the 2016 Share Option Scheme at the beginning and the end of the financial year ended 31 December 2022 were 20,444,725 and 19,268,725 respectively.

7. The number of shares that might be issued in respect of the options granted under the 2016 Share Option Scheme during the year ended 31 December 2022 was 5,026,000 shares, which when divided by 271,607,253 shares, being the weighted average number of shares of the Company in issue for the year ended 31 December 2022, was 0.0185.

Other details in respect of the share options under the 2016 Share Option Scheme are set out in Note 32 to the consolidated financial statements.

Bank Borrowings

Details of the bank borrowings of the Group are set out in Note 25 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$565,000 (2021: HK$267,000).

Directors

The directors of the Company (the "Directors") who held office during the year and up to the date of this report are:

Executive Director:

Mr. WANG Kin Chung, Peter *(Chairman and Chief Executive Officer)*

Non-Executive Directors:

Ms. WANG KOO Yik Chun *(Honorary Chairlady)*
Ms. MAK WANG Wing Yee, Winnie
Dr. WANG Shui Chung, Patrick

Independent Non-Executive Directors:

Mr. LO Kai Yiu, Anthony
Mr. James Christopher KRALIK
Mr. Peter TAN
Professor Chen LIN (appointed on 13 February 2023)

In accordance with bye-laws 85 and 86 of the Company's bye-laws (the "Bye-Laws"), Ms. WANG KOO Yik Chun and Mr. Peter TAN will retire by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company to be held on 19 June 2023 (the "2023 AGM"). Furthermore, in accordance with Bye-Law 92 of the Bye-Laws, Professor Chen LIN shall retire and being eligible, offer herself for re-election at the 2023 AGM.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and the senior management are set out in the "Directors' and Senior Management's Profiles" section on pages 48 to 49.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2023 AGM has a service contract with the Group, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Securities

As at 31 December 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Interests in shares of the Company

		Number of shares held			
Name of Director	**Long/short position**	**Through spouse or minor child**	**Through controlled corporation**	**Total**	**Approximate percentage of issued share capital**
Mr. WANG Kin Chung, Peter	Long position	3,212,000 *(Note 1)*	182,577,000 *(Note 2)*	185,789,000	68.40%

Interests in shares of Hua Thai Manufacturing Public Company Limited ("Hua Thai")

			Number of shares held		
Name of Director	**Long/short position**	**Class**	**Through spouse or minor child**	**Total**	**Approximate percentage of issued share capital**
Ms. WANG KOO Yik Chun	Long position	Ordinary share	2,500 *(Note 3)*	2,500	0.03%

Notes:

1. 3,212,000 shares were beneficially owned by Ms. Daisy TING, the spouse of Mr. WANG Kin Chung, Peter.
2. 182,577,000 shares were beneficially owned by Silver Tree Holdings Inc., a company 100% controlled by New Perfect Global Limited, which in turn was a company wholly owned by Mr. WANG Kin Chung, Peter.
3. 2,500 shares in Hua Thai were held by the late Mr. WANG Seng Liang, the spouse of Ms. WANG KOO Yik Chun.

Save as disclosed above, as at 31 December 2022, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Arrangement to Acquire Shares or Debentures

Save as disclosed in the section headed "Share Options" in this report and in Note 32 to the consolidated financial statements, at no time during the year or at the end of the year was the Company, its subsidiaries, its holding companies or the subsidiaries of its holding companies, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-Linked Agreements

Save as disclosed in the "Share Options" section in this report and in Note 32 to the consolidated financial statements, at no time during the year or at the end of the year was the Company a party to any equity-linked agreements.

Interests of Directors and Controlling Shareholders in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the section headed "Connected Transaction" in this report, no transaction, arrangement or contract of significance in relation to the Group's businesses to which the Company, its holding companies, or any of its subsidiaries or subsidiaries of its holding companies was a party and in which any of the Directors or an entity connected with a Director or controlling shareholders or its subsidiaries had any of the material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Businesses

During the year ended 31 December 2022, none of the Directors had any interest in business apart from the Group's businesses which competed, or was likely to compete, either directly or indirectly, with the Group's businesses under Rule 8.10 of the Listing Rules.

Substantial Shareholders

As at 31 December 2022, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Long/short position	Number of shares held: Directly beneficially owned	Through spouse or minor child	Through controlled corporation	Total	Approximate percentage of issued share capital
Ms. Daisy TING	Long position	3,212,000	182,577,000 *(Note)*	–	185,789,000	68.40%
New Perfect Global Limited	Long position	–	–	182,577,000 *(Note)*	182,577,000	67.22%
Silver Tree Holdings Inc.	Long position	182,577,000 *(Note)*	–	–	182,577,000	67.22%

Note:

These interests were related to the same block of shares of the Company, which were beneficially owned by Silver Tree Holdings Inc., a company 100% controlled by New Perfect Global Limited, which in turn was a company wholly owned by Mr. WANG Kin Chung, Peter. Since Ms. Daisy TING is the spouse of Mr. WANG Kin Chung, Peter, she was deemed to be interested in the shares controlled by Mr. WANG Kin Chung, Peter under Part XV of the SFO.

Save as disclosed above, as at 31 December 2022, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Emolument Policy

The Group provides competitive compensation and benefits for its employees, including group personal accident insurance, retirement and medical benefit schemes.

Remuneration packages are generally structured by reference to market and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Those employees with outstanding performance are also awarded discretionary bonuses and share options.

Details of the Group's remuneration policy are set out in Corporate Governance Report on page 19.

Details of the emoluments of the Directors for the year ended 31 December 2022 are set out in Note 12 to the consolidated financial statements.

Permitted Indemnity Provision

Pursuant to Bye-Law 145 of the Bye-Laws, the Directors shall be indemnified out of the assets of the Company from liabilities which they may incur by reason of the execution of their duties, unless such indemnification provision is avoided by any provisions of the applicable laws of Bermuda provided that such indemnity shall not extend to any matter in respect of own wilful neglect or default.

The Company has arranged directors' and officers' liability insurance during the year.

Retirement Benefit Schemes

Details of the retirement benefit schemes of the Group are set out in Note 26 to the consolidated financial statements.

Management Contract

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

Major Customers and Suppliers

The aggreagte revenue from sales of goods or rendering of services attributable to the Group's largest customer and the five largest customers combined were 13% and 42%, respectively, of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's five largest suppliers combined were less than 30% of the Group's total purchases for the year.

None of the Directors, their close associates (as defined in the Listing Rules), or any shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had, at any time during the year, a beneficial interest in any of the Group's five largest customers.

Connected Transaction

On 1 February 2021, Gold Flower Limited ("Gold Flower"), a wholly-owned subsidiary of the Company, as tenant, entered into a tenancy agreement (the "Tenancy Agreement") with TDB Company Limited ("TDB"), as landlord, for the lease of the premises at Ground Floor, 4th to 6th Floors, 8th to 10th Floors, and a portion of flat roofs on 3rd Floor of the Tak Tai Industrial Building, 66-72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong (the "Premises") for a term of two years from 1 April 2021 to 31 March 2023.

As at 31 December 2022, the entire issued share capital of TDB was held by a discretionary trust of which Ms. WANG KOO Yik Chun, a Director, is an eligible beneficiary. TDB was therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the entering into of the Tenancy Agreement and the transaction contemplated thereby constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

Principal terms of the Tenancy Agreement were as follows:

Term	:	Two years from 1 April 2021 to 31 March 2023 (both days inclusive)
Monthly rent	:	HK$530,000 (excluding management fees, government rates and government rent)
Use of the Premises	:	As factory, storage and ancillary office of the Company and certain of its subsidiaries

The terms of the Tenancy Agreement were arrived at after arm's length negotiations between Gold Flower and TDB, and on the basis of the valuation made by an independent property valuer.

Further details of the above connected transaction were set out in the announcement of the Company dated 1 February 2021.

Related Party Transactions

Details of the related party transactions of the Group are set out in Note 35 to the consolidated financial statements.

The tenancy agreements under Note 35(a) constituted connected transactions for the Company under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The cash advance under Note 35(b)(ii) constituted a connected transaction but was exempt from the disclosure requirements under the Listing Rules.

The remaining related party transactions under Note 35(b)(i) were not connected transactions under the Listing Rules.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-Laws and there are no restrictions against such rights under the laws of Bermuda (being the jurisdiction in which the Company was incorporated).

Purchase, Sale or Redemption of Shares

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year and up to the date of this report.

Corporate Governance Code

Throughout the year ended 31 December 2022, the Company had complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") of the Listing Rules, except for the deviation from code provision C.2.1 of the CG Code.

Considered reasons for the deviation from code provision C.2.1 of the CG Code as well as further information of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 13 to 23.

Auditor

The consolidated financial statements have been audited by KPMG who will retire and, being eligible, offer themselves for re-appointment at the 2023 AGM.

On behalf of the Board

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 27 March 2023

KPMG

Independent Auditor's Report to the Shareholders of Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Tristate Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 104, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Assessment of impairment of property, plant and equipment ("PP&E") and license rights relating to the loss-making units in brands business

Refer to Notes 3(a), 14 and 15 to the consolidated financial statements and the accounting policies in Notes 2(g), 2(h), 2(i)(ii) and 2(u)

The Key Audit Matter	How the matter was addressed in our audit
The carrying amounts of the Group's PP&E and license rights as at 31 December 2022 were HK$552,245,000 and HK$555,632,000 respectively, represented 36% in total of the Group's total assets. In view of the loss sustained by certain units in brands business segment of the Group for the year ended 31 December 2022, management considered that indicators of impairment of the related PP&E and license rights existed as at 31 December 2022. In assessing whether impairment existed at the reporting date, management determined the recoverable amounts of the smallest cash-generating units ("CGUs") to which the PP&E and license rights of these loss-making units were allocated. The recoverable amount of a CGU is the greater of its value in use and the fair value less cost of disposal of the related assets. An impairment loss of HK$35,980,000 was recognised for the year as a result. In order to determine the recoverable amounts management prepared discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves significant management judgement, in particular in relation to the forecasts of future revenue, future margins, future cost growth rates and the discount rates applied.	Our audit procedures to assess the impairment of PP&E and license rights relating to the loss-making units in brands business included the following: • assessing and challenging the Group's impairment assessment models, which included evaluating the indicators of impairment and the allocation of assets to CGUs by management with reference to the requirements of the prevailing accounting standards; • comparing the key assumptions included in the discounted cash flow forecasts of selected CGUs for the prior year with the current year's performance to assess the reliability of management's forecasting process and making enquiries of management as to the reasons for any significant variations identified; • challenging the key assumptions adopted by management in their preparation of the discounted cash flow forecasts and comparing the significant inputs, such as future revenue, future margins and future cost growth rates by referring to industry information, the recent financial performance of the retail markets and management's plans for the operations in 2023 and beyond;

Key Audit Matters (Continued)

Assessment of impairment of property, plant and equipment ("PP&E") and license rights relating to the loss-making units in brands business (Continued)

The Key Audit Matter (Continued)

We have identified assessing impairment of PP&E and license rights related to the loss-making units in brands business as a key audit matter because of the significance of PP&E and license rights to the consolidated financial statements and because forecasting future cash flows and determining appropriate discount rates can be inherently subjective and require significant judgement and estimation which increase the risk of error or potential management bias.

How the matter was addressed in our audit (Continued)

- involving our internal valuation specialists to assist us in assessing the methodology applied by management in its discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards and whether the discount rates adopted in the discounted cash flow forecasts were comparable with those of companies in the same industry and external market data;

- performing a sensitivity analysis of the key assumptions adopted in the discounted cash flow forecasts prepared by management and assessing the impact of changes in the key assumptions to the conclusion reached in the impairment assessment and whether there were any indicators of management bias; and

- assessing the reasonableness of disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Valuation of inventory in brands business

Refer to Notes 3(b) and 18 to the consolidated financial statements and the accounting policies in Note 2(j)

The Key Audit Matter

At 31 December 2022, the Group's gross inventories in brands business segment totalled HK$726,974,000, with a provision for excessive and obsolete inventories of HK$131,500,000 recorded against these inventories.

Sales of inventories in the fashion industry can be volatile due to changing fashion trends, consumer demand and economic retail conditions. The Group is required to periodically review its inventory portfolio and dispose of off-season inventories at a markdown from their original prices to maintain the strength of the brand and make room for new season inventories in its stores. Accordingly, the actual future selling prices of certain items of inventories may fall below their purchase costs.

Management reviews the full inventory list regularly to identify inventories which may need to be discounted in order to increase their chances of being sold. Key data used in this review process includes sales volume history and ageing patterns of inventories.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of inventories in brands business segment included the following:

- performing a retrospective review to assess the historical accuracy of management's estimation of inventory provisions and to assess whether there were any indicators of management bias by examining (1) the utilisation or release of previously recorded inventory provisions during the current year and (2) the write-offs of inventories during the current year which were not provided for at the end of the preceding financial year;

- evaluating the Group's inventory provision policy by comparing management's prediction of the amounts of inventory which will be sold with historical sales of inventories for the current and prior years;

- enquiring of management about any expected changes in forecast sales trends and comparing their representations with actual sales and inventory movements subsequent to the reporting date;

Key Audit Matters (Continued)

Valuation of inventory in brands business (Continued)

The Key Audit Matter (Continued)	**How the matter was addressed in our audit** (Continued)
We identified assessing the valuation of inventories in the brands business segment as a key audit matter because of the inherent risk that the Group's inventories may become obsolete and because the judgement exercised by management in determining the appropriate provision for inventories involves management's assessment of factors which can be inherently uncertain.	• assessing, on a sample basis, whether items in the inventory ageing reports were classified within the appropriate ageing bracket by comparing the individual items selected with the relevant purchase records, including purchase invoices and good receipt notes; • assessing whether the calculation of the provision for inventories at the reporting date was consistent with the Group's inventory provision policy by recalculating the provision for inventories based on the percentages of inventory costs and other parameters in the Group's inventory provision policy; and • comparing, on a sample basis, the carrying amount of the inventories at the reporting date to actual prices for sales transactions subsequent to the reporting date.

Information other than the Consolidated Financial Statements and Auditor's Report thereon

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

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. CHENG Mei Yan Hilary.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	4	**3,731,194**	3,037,662
Cost of sales	18	**(2,282,219)**	(1,812,830)
Gross profit		**1,448,975**	1,224,832
Other net loss	5	**(18,613)**	(46,489)
Selling and distribution expenses		**(715,491)**	(586,909)
General and administrative expenses		**(532,818)**	(476,446)
Profit from operations	6	**182,053**	114,988
Finance income	7	**999**	1,375
Finance costs	7	**(61,875)**	(31,875)
Profit before taxation		**121,177**	84,488
Income tax charge	8	**(81,353)**	(55,291)
Profit for the year		**39,824**	29,197
Attributable to:			
Equity shareholders of the Company		**30,772**	21,134
Non-controlling interests		**9,052**	8,063
Profit for the year		**39,824**	29,197
Earnings per share attributable to equity shareholders of the Company:			
Basic	10	**HK$0.11**	HK$0.08
Diluted	10	**HK$0.11**	HK$0.08

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Profit for the year	**39,824**	29,197
Other comprehensive income, net of nil tax unless specified:		
Items that may be reclassified subsequently to profit or loss		
Fair value changes on cash flow hedges:		
(Losses)/gains arising during the year	**(5,575)**	4,657
Transferred to and included in the following line items in the consolidated statement of profit or loss:		
Cost of sales	**1,572**	(12,170)
General and administrative expenses	**1,831**	(2,178)
Realisation upon disposal of a subsidiary	**592**	–
Exchange difference on translation of financial statements of overseas subsidiaries	**(41,153)**	(25,708)
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans and long service payment liabilities	**5,606**	4,182
Income tax effect	**(162)**	(690)
Other comprehensive income for the year	**(37,289)**	(31,907)
Total comprehensive income for the year	**2,535**	(2,710)
Attributable to:		
Equity shareholders of the Company	**(6,517)**	(10,773)
Non-controlling interests	**9,052**	8,063
Total comprehensive income for the year	**2,535**	(2,710)

The notes on pages 64 to 104 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Non-current assets			
Property, plant and equipment	14	**552,245**	538,224
Intangible assets	15	**719,705**	400,754
Other long-term assets	16	**18,425**	16,998
Deferred tax assets	29(b)	**17,570**	16,855
Defined benefit plan assets	26	**10,447**	10,260
Forward foreign exchange contracts	20	**2,992**	768
Interest in an associate	17	**–**	–
		1,321,384	983,859
Current assets			
Inventories	18	**854,170**	531,189
Accounts receivable and bills receivable	19	**492,049**	435,914
Forward foreign exchange contracts	20	**2,974**	5,267
Prepayments and other receivables	21	**104,108**	79,538
Current tax recoverable		**162**	57
Cash and bank balances	22	**301,362**	378,913
		1,754,825	1,430,878
Current liabilities			
Accounts payable and bills payable	23	**437,321**	344,117
Accruals and other payables and contract liabilities	24	**487,099**	359,742
Lease liabilities	28	**96,668**	78,780
Forward foreign exchange contracts	20	**3,886**	1,783
Current tax liabilities		**93,141**	64,512
Bank borrowings	25	**107,008**	42,027
		1,225,123	890,961
Net current assets		**529,702**	539,917
Total assets less current liabilities		**1,851,086**	1,523,776

	Note	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Non-current liabilities			
Retirement benefits and other post retirement obligations	26	**21,034**	27,084
Licence fees payable	27	**624,780**	310,296
Lease liabilities	28	**126,620**	117,071
Deferred tax liabilities	29(b)	**39,174**	33,108
		811,608	487,559
Net assets		**1,039,478**	1,036,217
Capital and reserves			
Share capital	30	**27,161**	27,161
Reserves	31	**992,990**	998,781
Total equity attributable to equity shareholders of the Company		**1,020,151**	1,025,942
Non-controlling interests		**19,327**	10,275
Total Equity		**1,039,478**	1,036,217

Approved and authorised for issue by the Board of Directors on 27 March 2023.

WANG Kin Chung, Peter
Director

MAK WANG Wing Yee, Winnie
Director

The notes on pages 64 to 104 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity shareholders of the Company				
	Share capital *HK$'000*	**Reserves** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 January 2022	**27,161**	**998,781**	**1,025,942**	**10,275**	**1,036,217**
Profit for the year	**–**	**30,772**	**30,772**	**9,052**	**39,824**
Other comprehensive income, net of tax	**–**	**(37,289)**	**(37,289)**	**–**	**(37,289)**
Total comprehensive income	**–**	**(6,517)**	**(6,517)**	**9,052**	**2,535**
Share option scheme – value of employee services	**–**	**726**	**726**	**–**	**726**
Balance at 31 December 2022	**27,161**	**992,990**	**1,020,151**	**19,327**	**1,039,478**

	Attributable to equity shareholders of the Company				
	Share capital *HK$'000*	Reserves *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2021	27,161	1,008,829	1,035,990	2,212	1,038,202
Profit for the year	–	21,134	21,134	8,063	29,197
Other comprehensive income, net of tax	–	(31,907)	(31,907)	–	(31,907)
Total comprehensive income	–	(10,773)	(10,773)	8,063	(2,710)
Share option scheme – value of employee services	–	725	725	–	725
Balance at 31 December 2021	27,161	998,781	1,025,942	10,275	1,036,217

The notes on pages 64 to 104 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Operating activities			
Cash generated from operations	36(a)	**106,650**	217,110
Income tax paid		**(45,935)**	(18,414)
Net cash generated from operating activities		**60,715**	198,696
Investing activities			
Interest received		**523**	1,008
Payment for the purchase of property, plant and equipment		**(89,948)**	(49,677)
Proceeds from disposals of property, plant and equipment		**1,068**	662
Net proceeds from disposal of a subsidiary		**4,974**	–
Decrease in pledged bank deposits		**–**	32,870
Net cash used in investing activities		**(83,383)**	(15,137)
Financing activities			
Capital element of lease rentals paid	36(b)	**(89,617)**	(100,119)
Interest element of lease rentals paid	36(b)	**(7,281)**	(8,430)
Interest paid	36(b)	**(7,958)**	(2,622)
Proceeds from new bank borrowings	36(b)	**555,538**	282,081
Repayment of bank borrowings	36(b)	**(490,557)**	(298,741)
Net cash used in financing activities		**(39,875)**	(127,831)
Net (decrease)/increase in cash and cash equivalents		**(62,543)**	55,728
Cash and cash equivalents at beginning of the year	22	**367,593**	314,423
Effect on foreign exchange rate changes		**(14,809)**	(2,558)
Cash and cash equivalents at end of the year	22	**290,241**	367,593

The notes on pages 64 to 104 form part of these financial statements.

Notes to the Consolidated Financial Statements

1. General Information

Tristate Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Victoria Place, 5th floor, 31 Victoria Street, Hamilton HM10, Bermuda. The address of its head office and principal place of business in Hong Kong is 5th Floor, 66-72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The principal activities of the Company and its subsidiaries (together the "Group") are (i) garment manufacturing, and (ii) brands business.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1988.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company (the "Board") on 27 March 2023.

2. Significant Accounting Policies

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

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2. Significant Accounting Policies (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(e)) or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(u)).

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

(e) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(u)). Any acquisition date excess over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate.

(f) Foreign currency translation

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

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income (see Note 2(n)(ii)(b)).

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2. Significant Accounting Policies (Continued)

(g) Property, plant and equipment

Interests in freehold land are stated at cost less impairment loss (see Note 2(u)) and not depreciated. All other property, plant and equipment, including right-of-use assets arising from leases over leasehold properties and items of plant and equipment where the Group is not the registered owner of the property interest, are stated at cost less accumulated depreciation and impairment losses (see Note 2(u)).

Construction in progress represents property, plant and equipment which are still in the course of construction or development at the end of the reporting period are stated at cost. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, as follows:

– Freehold land is not depreciated.

– Buildings situated on freehold land are depreciated over their estimated useful life, being no more than 50 years after the date of completion.

– Leasehold land is depreciated over the unexpired term of lease.

– The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the building's estimated useful life, being no more than 50 years after the date of completion.

– Plant and machinery	10% – 33%
– Leasehold improvements, furniture, fixtures and equipment	4% – 50%
– Motor vehicles	14% – 20%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(u)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or 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 the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. Significant Accounting Policies (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

(i) Intangible assets

(i) Goodwill

Goodwill represents the excess of (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(u)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(ii) Licence rights/Licence fees payable

Licence rights on brands are stated at cost less accumulated amortisation and impairment losses (see Note 2(u)). Licence rights are initially measured as the fair value of the consideration given for the recognition of the licence rights at the time of their inception. The consideration given is determined based on the capitalisation of the minimum licence fee payments in accordance with the licence agreements. Amortisation of licence rights with finite useful lives is charged to profit or loss on a straight-line basis over the licence period, with both the period and method of amortisation reviewed annually.

Licence fees payable in respect of the inception of the licence rights are initially recognised at fair value of the consideration given for the recognition of the licence rights at the time of the inception, which represents present values of the contractual minimum payments that can be reliably estimated at the time of the inception. They are subsequently stated at amortised cost using the effective interest method.

(iii) Trademarks

Trademarks that are acquired by the Group are stated at cost less impairment losses (see Note 2(u)). Trademarks are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite useful lives. Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives with both the period and method of amortisation reviewed annually.

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using specific identification method or first-in, first-out cost formula for inventories of garment manufacturing segment and the weighted average cost formula for inventories of brands business segment. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Accounts and other receivables

(i) Accounts and other receivables at amortised cost

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(l)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses based on the expected credit loss ("ECL") assessment (see Note 2(v)).

2. Significant Accounting Policies (Continued)

(ii) Accounts receivable at fair value to other comprehensive income (recycling)

Accounts receivable at fair value to other comprehensive income (recycling) ("FVOCI") are stated at fair value. Subsequent changes in the carrying amounts for accounts receivable classified as at fair value to other comprehensive income (recycling) as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these accounts receivable are recognised in other comprehensive income and accumulated under the heading of fair value to other comprehensive income reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these accounts receivable. When these accounts receivable are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(v) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(k)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(v).

(n) Derivative financial instruments and hedging activities

(i) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see Note 2(n)(ii)).

(ii) Hedging activities

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates (cash flow hedges) and as hedges of the foreign exchange risk of a net investment in a foreign operation.

a. Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

b. Hedge of net investments in foreign operations

The effective portion of any foreign exchange gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

2. Significant Accounting Policies (Continued)

(o) Accounts and other payables

Accounts and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which cash they are stated at cost.

(p) Provisions and contingent liabilities

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

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

(q) Employee benefits

(i) Short term employee benefits and contribution to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contribution to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by the employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss in employee benefit expenses. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the group's obligations.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee benefit expenses with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the Trinomial valuation model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2. Significant Accounting Policies (Continued)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

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

(s) Interest-bearing borrowings and borrowing costs

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Borrowing costs are expensed in the period in which they are incurred.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Sale of goods

Revenue arising from the sale of garments products is recognised when goods are delivered to the customers' premises or picked up by customers for domestic sales and when goods are shipped on board for export sales which is taken to be the point in time when the customer takes possession and accepted the goods.

Revenue arising from the sale of goods from retail business are recognised when the customer takes possession of and accepts the goods. Revenue excludes value added tax and other sales taxes and is after deduction of any trade discounts.

2. Significant Accounting Policies (Continued)

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(v)).

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) Impairment of investments in subsidiaries, investment in an associate and non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– investments in subsidiaries in the Company's statement of financial position;

– investment in an associate;

– property, plant and equipment, including right-of-use assets;

– intangible assets; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(v) Credit losses from financial instruments

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

The Group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (including cash and bank balances and accounts and other receivables). Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Where the effect of discounting is material, the expected cash shortfalls of accounts receivable, bills receivable and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2. Significant Accounting Policies (Continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for accounts receivable and bills receivable are always measured at an amount equal to lifetime ECLs. ECLs on these receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the financial asset is 90 days past due. 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 since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

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

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(t)(ii) 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 (i.e. the gross carrying amount less loss allowance) of the financial asset.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(w) Financial guarantees

Financial guarantees issued are contracts that require the issuer (i.e. the "guarantor") to make specified payments to reimburse the beneficiary of the guarantee (i.e. the "holder") for a loss the holder incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

The Group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at the end of each reporting period by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee were to result in a present legal or constructive obligation. If the liability is less than the amount of the present legal or constructive obligation, the entire difference is recognised immediately in profit or loss.

(x) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2. Significant Accounting Policies (Continued)

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

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

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

3. Critical Accounting Estimates and Judgements

Key sources of estimation uncertainty are as follows:

(a) Impairment of non-financial assets, including property, plant and equipment and licence rights relating to the loss-making units

The Group assesses whether non-financial assets have suffered any impairment in accordance with the accounting policy stated in Note 2(u). In view of the loss sustained by certain units in the brands business segment of the Group, management considered that indicators of impairment of the related property, plant and equipment and license rights existed as at 31 December 2022.

The recoverable amounts of non-financial assets have been determined based on the greater of value in use and fair value less costs of disposal. These calculations require the use of judgement and estimates, in particular of future revenues or cash flows. Due to inherent risk associated with estimations in the timing and magnitude of the future cash flows, the estimated recoverable amount of the assets may be different from its actual recoverable amount and the Group's profit or loss could be affected by the accuracy of the estimations. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

(b) Estimated write-down of inventories in brands business to net realisable value

Sales of inventories in the fashion industry can be volatile due to changing fashion trends, consumer demand and economic retail conditions. The Group writes down inventories in brands business to net realisable value based on an assessment of the realisability of inventories. Write-down on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-down requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of inventories in the period in which such estimates have been changed.

4. Revenue and Segment Reporting

(a) Revenue

The principal activities of the Group are (i) garment manufacturing, and (ii) brands business.

Revenue represents the fair value of the consideration received or receivable from products sold, excludes value added tax or other sales taxes and is net off of any trade discounts.

Revenue from sales of goods was recognised at point in time for the years ended 31 December 2022 and 2021.

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2022, none of the remaining performance obligations under the Group's existing contracts had an original expected duration of more than one year.

For remaining performance obligations of existing contracts that had had an original expected duration of one year or less, the Group has applied the practical expedient in paragraph 121 of HKFRS 15 such that it does not include information about revenue for the remaining performance obligations under the contracts.

4. Revenue and Segment Reporting (Continued)

(b) Segment reporting

Reportable segments are reported in a manner consistent with internal reports of the Group that are regularly reviewed by the chief operating decision makers (the Chief Executive Officer and Senior Management collectively) in order to assess performance and allocate resources. The Group manages its business by business units, which are organised by business lines and geography. The Group identified two reportable segments: (i) garment manufacturing, and (ii) brands business. The chief operating decision makers assess the segment performance and allocate resources between segments based on the measure of profit or loss generated. This measurement basis is equivalent to profit/loss for the year of that reportable segment.

Segment assets include all tangible, intangible assets and current assets employed by the segments. Segment liabilities include all current liabilities and non-current liabilities managed directly by the segments. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders. The segment information is as follows:

	Garment manufacturing		Brands business		Unallocated *(Note (ii))*		Total	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Reportable segment revenue	**2,041,740**	1,648,405	**1,792,708**	1,489,692	**–**	–	**3,834,448**	3,138,097
Less: Inter-segment revenue	**(102,663)**	(100,023)	**(591)**	(412)	**–**	–	**(103,254)**	(100,435)
Revenue	**1,939,077**	1,548,382	**1,792,117**	1,489,280	**–**	–	**3,731,194**	3,037,662
Reportable segment EBITDA *(Note (i))*	**273,060**	135,802	**129,314**	201,976	**21,461**	29,756	**423,835**	367,534
Finance income	**–**	–	**4**	636	**995**	739	**999**	1,375
Finance costs								
– Interest on bank borrowings	**–**	–	**(102)**	(152)	**(5,144)**	(1,079)	**(5,246)**	(1,231)
– Interest on licence fees payable	**–**	–	**(46,636)**	(20,823)	**–**	–	**(46,636)**	(20,823)
– Interest on lease liabilities	**(1,607)**	(2,155)	**(5,520)**	(5,981)	**(154)**	(294)	**(7,281)**	(8,430)
– Other bank charges on accounts receivable factoring	**–**	–	**–**	–	**(2,712)**	(1,391)	**(2,712)**	(1,391)
Depreciation charge								
– Owned property, plant and equipment	**(19,155)**	(20,319)	**(36,949)**	(44,429)	**(9,302)**	(11,634)	**(65,406)**	(76,382)
– Right-of-use assets	**(8,162)**	(8,115)	**(69,707)**	(75,845)	**(10,382)**	(10,643)	**(88,251)**	(94,603)
Amortisation of intangible assets								
– Licence rights	**–**	–	**(52,145)**	(31,585)	**–**	–	**(52,145)**	(31,585)
Impairment losses of property, plant and equipment and right-of-use assets	**–**	(3,618)	**(19,808)**	(16,853)	**–**	–	**(19,808)**	(20,471)
Impairment losses of intangible assets	**–**	–	**(16,172)**	(29,505)	**–**	–	**(16,172)**	(29,505)
Reportable segment profit/((loss) before tax	**244,136**	101,595	**(117,721)**	(22,561)	**(5,238)**	5,454	**121,177**	84,488
Income tax (charge)/credit	**(47,686)**	(15,707)	**(42,112)**	(36,809)	**8,445**	(2,775)	**(81,353)**	(55,291)
Reportable segment profit/(loss) for the year	**196,450**	85,888	**(159,833)**	(59,370)	**3,207**	2,679	**39,824**	29,197

Note:

(i) EBITDA is defined as earnings before finance income, finance costs, income tax (charge)/credit, depreciation and amortisation. EBITDA is a non-HKFRS measure used by management for monitoring business performance. It may not be comparable to similar measures presented by other companies.

(ii) Unallocated segment profit or loss for the year mainly include income and expenses arising from unallocated assets and liabilities for corporate purposes and head office expenses.

(iii) Under HKFRS16, the Group as a lessee is required to recognise interest expenses accrued on the outstanding balance of the lease liability and the depreciation on the right-of-use asset, instead of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. In the cash flow statement, the Group as a lessee is required to classified rentals paid under the capitalised leases as financing cash outflows.

4. Revenue and Segment Reporting (Continued)

	Garment manufacturing		Brands business		Unallocated *(Note (i))*		Total	
	As at 31 December 2022 *HK$'000*	As at 31 December 2021 *HK$'000*	**As at 31 December 2022 *HK$'000***	As at 31 December 2021 *HK$'000*	**As at 31 December 2022 *HK$'000***	As at 31 December 2021 *HK$'000*	**As at 31 December 2022 *HK$'000***	As at 31 December 2021 *HK$'000*
Reportable segment assets	**783,072**	711,356	**1,869,783**	1,185,228	**423,354**	518,153	**3,076,209**	2,414,737
Reportable segment liabilities	**475,605**	405,189	**1,451,279**	922,391	**109,847**	50,940	**2,036,731**	1,378,520
	2022 *HK$'000*	2021 *HK$'000*	**2022 *HK$'000***	2021 *HK$'000*	**2022 *HK$'000***	2021 *HK$'000*	**2022 *HK$'000***	2021 *HK$'000*
COVID-19-related rent concessions received	**–**	552	**4,448**	1,238	**–**	–	**4,448**	1,790
Reversal of/(provision for) impairment of receivables, net	**28**	433	**(949)**	(54)	**–**	–	**(921)**	379
(Write-down)/reversal of write-down of inventories to net realisable value, net	**(8,186)**	515	**(77,238)**	(18,910)	**–**	–	**(85,424)**	(18,395)
Additions to property, plant and equipment	**17,808**	13,466	**192,877**	109,791	**719**	15,468	**211,404**	138,725

The Group's revenue is mainly derived from customers located in the People's Republic of China (the "PRC"), the United Kingdom ("UK"), Canada and Italy, while the Group's right-of-use assets, production facilities, trademark, licence rights and other assets are located predominantly in the PRC, Switzerland and Thailand. An analysis of the Group's revenue by location of customers and an analysis of the Group's non-current assets by locations of physical assets or the asset holding companies are as follows:

	PRC		UK		Canada		Italy		Other regions		Total	
	2022 *HK$'000*	2021 *HK$'000*	**2022 *HK$'000***	2021 *HK$'000*	**2022 *HK$'000***	2021 *HK$'000*	**2022 *HK$'000***	2021 *HK$'000*	**2022 *HK$'000***	2021 *HK$'000*	**2022 *HK$'000***	2021 *HK$'000*
Revenue	**1,010,185**	937,162	**750,774**	750,418	**464,159**	237,322	**402,037**	325,230	**1,104,039**	787,530	**3,731,194**	3,037,662

Included in revenue derived from the PRC was HK$194,067,000 (2021: HK$170,444,000) which was generated in Hong Kong.

For the year ended 31 December 2022, revenue from two customers (2021: one customer) in the garment manufacturing segment accounted for more than 10% of the Group's total revenue and they represented approximately 13% and 12% (2021: 15%) of the total revenue. Details of concentrations of credit risk arising from customers are set out in Note 33.1(b).

	PRC *(note (iii))*		Switzerland		Thailand		Other regions		Total	
	As at 31 December 2022 *HK$'000*	As at 31 December 2021 *HK$'000*	**As at 31 December 2022 *HK$'000***	As at 31 December 2021 *HK$'000*	**As at 31 December 2022 *HK$'000***	As at 31 December 2021 *HK$'000*	**As at 31 December 2022 *HK$'000***	As at 31 December 2021 *HK$'000*	**As at 31 December 2022 *HK$'000***	As at 31 December 2021 *HK$'000*
Non-current assets *(Note (ii))*	**938,889**	596,797	**175,362**	189,237	**63,181**	66,487	**112,943**	103,455	**1,290,375**	955,976

Note:

(i) Unallocated assets and liabilities mainly include centrally-managed cash and bank balances, bank borrowings and property, plant and equipment for corporate purposes.

(ii) Non-current assets exclude deferred tax assets, defined benefit plan assets and foreign forward exchange contracts.

(iii) Included in non-current assets located in the PRC was HK$569,334,000 (2021: HK$243,332,000) which was related to assets located in Hong Kong.

5. Other Net Loss

	2022 HK$'000	2021 HK$'000
Government subsidies *(Note (i))*	**5,952**	1,621
Impairment losses of property, plant and equipment *(Note 14)*	**(19,808)**	(20,471)
Impairment losses of intangible assets *(Note 15)*	**(16,172)**	(29,505)
Net loss on disposals of property, plant and equipment	**(1,624)**	(3,451)
Net gain on disposal of a subsidiary *(Note (ii))*	**4,554**	–
Net gain on derecognition of right-of-use assets and lease liabilities	**4,424**	1,276
Sundry income	**4,061**	4,041
	(18,613)	(46,489)

Notes:

(i) During the year ended 31 December 2022, certain subsidiary companies of the Group received government subsidies of HK$5,952,000 (2021: HK$1,621,000), majority of which were COVID-19 related subsidies from the local governments.

(ii) During the year ended 31 December 2022, the Group disposed of a wholly-owned subsidiary incorporated in the Philippines at a consideration of HK$6,630,000, with a net gain of HK$4,554,000 after net-off with transaction costs. Out of the total consideration of HK$6,630,000, a retention money of HK$663,000 will be received by the Group in 2027 while the rest of the consideration has been received. The subsidiary was the owner of certain factory buildings in the Philippines.

6. Profit from Operations

Profit from operations is stated after charging/(crediting):

	2022 HK$'000	2021 HK$'000
Amortisation of intangible assets	**52,145**	31,585
Depreciation charge		
– Owned property, plant and equipment	**65,406**	76,382
– Right-of-use assets	**88,251**	94,603
Variable lease payments not included in the measurement of lease liabilities	**13,631**	13,871
Expenses relating to short-term leases	**19,283**	19,959
COVID-19-related rent concessions received	**(4,448)**	(1,790)
Provision for/(reversal of) impairment of receivables, net	**921**	(379)
Cost of inventories *(Note 18)*	**2,282,219**	1,812,830
Employee benefit expenses *(Note 11)*	**665,341**	672,470
Auditor's remuneration		
– External auditor of the Company		
Audit services	**3,554**	3,082
Non-audit services	**433**	530
– Other local auditors of subsidiaries	**488**	486

7. Finance Income and Finance Costs

	2022 HK$'000	2021 HK$'000
Finance income		
Interest income from bank deposits	**523**	1,008
Imputed interest on long-term rental deposits	**476**	367
	999	1,375
Finance costs		
Interest on licence fees payable	**46,636**	20,823
Interest on lease liabilities	**7,281**	8,430
Interest on bank borrowings	**5,246**	1,231
Other bank charges on accounts receivable factoring	**2,712**	1,391
	61,875	31,875

8. Income Tax Charge

	2022 HK$'000	2021 HK$'000
Current income tax		
Hong Kong profits tax	**(24,987)**	(9,979)
Non-Hong Kong tax	**(51,632)**	(49,601)
(Under)/over-provisions of prior years	**(201)**	26
	(76,820)	(59,554)
Deferred tax	**(4,533)**	4,263
	(81,353)	(55,291)

The provision for Hong Kong Profits Tax for 2022 and 2021 is calculated at 16.5% of the estimated assessable profit for the year, except for one subsidiary of the Group which is a qualifying corporation under two-tiered Profits Tax rate regime.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

The reconciliation between tax charge and accounting profit at applicable tax rates as follows:

	2022 HK$'000	2021 HK$'000
Profit before tax	**121,177**	84,488
Notional tax on profit before taxation calculated at the rates applicable to profits in the jurisdictions concerned	**(12,064)**	(7,771)
Withholding tax	**(4,474)**	(4,986)
Tax effect of non-taxable income	**20,895**	6,348
Tax effect of non-deductible expenses	**(42,248)**	(14,460)
Adjustment to deferred tax asset previously not recognised	**(435)**	(2,339)
Tax effect of utilisation of tax losses previously unrecognised	**1,792**	5,015
Tax effect of utilisation of tax credit previously unrecognised	**973**	3,031
Reversal of previously recognised temporary difference	**(415)**	1,939
Reduction of tax rate arising from tax concession	**165**	–
Tax effect of tax losses not recognised	**(47,643)**	(40,835)
Income tax on outbound migration	**–**	(12,377)
Tax relief on migration step-up for intangible asset	**2,302**	11,118
(Under)/over-provisions of prior years	**(201)**	26
Income tax charge	**(81,353)**	(55,291)

9. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

10. Earnings Per Share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company for the year ended 31 December 2022 of HK$30,772,000 (2021: HK$21,134,000) by the weighted average number of 271,607,253 (2021: 271,607,253) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

During the years ended 31 December 2022 and 2021, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the earnings per share. Hence, there was no dilutive effect on calculation of the diluted earnings per share for the years ended 31 December 2022 and 2021.

11. Employee Benefit Expenses

	2022 HK$'000	2021 HK$'000
Directors' emoluments *(Note 12)*	**8,254**	7,912
Salaries, wages and other benefits	**610,153**	624,210
Retirement benefits		
– Defined contribution plans	**44,051**	29,212
– Defined benefit plans *(Note 26(b))*	**1,128**	9,438
– Long service payment liabilities *(Note 26(c))*	**1,029**	973
Share-based compensation expense		
– Share options granted *(Note 32)*	**726**	725
Total employment expenses	**665,341**	672,470

12. Directors' Emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are set out below:

Name	Directors' fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Employer's contribution to retirement schemes HK$'000	2022 Total HK$'000	2021 Total HK$'000
Executive Director:						
Mr. WANG Kin Chung, Peter	–	5,477	796	197	6,470	6,215
Non-Executive Directors:						
Ms. WANG KOO Yik Chun	50	764	–	–	814	814
Ms. MAK WANG Wing Yee, Winnie	206	–	–	–	206	207
Dr. WANG Shui Chung, Patrick	111	–	–	–	111	132
Independent Non-Executive Directors:						
Mr. LO Kai Yiu, Anthony	285	–	–	–	285	268
Mr. James Christopher KRALIK	223	–	–	–	223	206
Mr. Peter TAN	145	–	–	–	145	70
	1,020	6,241	796	197	8,254	7,912

13. Five Highest Paid Individuals

Of the five individuals with the highest emoluments, one (2021: one) is a director whose emoluments are disclosed in Note 12. The aggregate of the emoluments in respect of the other four (2021: four) individuals are as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other emoluments	10,415	10,002
Discretionary bonuses	4,023	3,906
Employer's contribution to retirement benefit schemes	259	252
	14,697	14,160

The emoluments of the four (2021: four) individuals with highest emoluments are within the following bands:

	2022 HK$'000	2021 HK$'000
HK$3,000,001 – HK$3,500,000	2	2
HK$3,500,001 – HK$4,000,000	1	1
HK$4,000,001 – HK$4,500,000	1	1

14. Property, Plant and Equipment

	Freehold land+ HK$'000	Buildings+ HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Right-of-use assets HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost:								
As at 1 January 2021	62,015	421,665	253,017	426,121	22,167	543,433	7,560	1,735,978
Exchange difference	(6,006)	2,494	(5,961)	1,034	62	7,798	(105)	(684)
Additions	–	–	3,874	43,456	–	89,048	2,347	138,725
Disposals	–	–	(7,357)	(35,214)	(1,287)	(132,017)	–	(175,875)
Reclassification	–	–	–	3,191	–	–	(3,191)	–
Modification	–	–	–	–	–	(38,453)	–	(38,453)
As at 31 December 2021	56,009	424,159	243,573	438,588	20,942	469,809	6,611	1,659,691
As at 1 January 2022	**56,009**	**424,159**	**243,573**	**438,588**	**20,942**	**469,809**	**6,611**	**1,659,691**
Exchange difference	**(1,825)**	**(33,448)**	**(10,709)**	**(32,594)**	**(493)**	**(31,904)**	**(328)**	**(111,301)**
Additions	**–**	**605**	**6,847**	**78,495**	**157**	**121,456**	**3,844**	**211,404**
Disposals	**–**	**(3,955)**	**(10,864)**	**(21,199)**	**(92)**	**(52,641)**	**–**	**(88,751)**
Reclassification	**–**	**–**	**648**	**9,110**	**–**	**–**	**(9,758)**	**–**
Modification	**–**	**–**	**–**	**–**	**–**	**24,041**	**–**	**24,041**
As at 31 December 2022	**54,184**	**387,361**	**229,495**	**472,400**	**20,514**	**530,761**	**369**	**1,695,084**
Accumulated depreciation and impairment losses:								
As at 1 January 2021	–	306,059	226,354	336,172	19,101	221,752	–	1,109,438
Exchange difference	–	(432)	(5,467)	2,965	264	2,886	–	216
Charge for the year	–	12,690	9,111	54,238	343	94,603	–	170,985
Written back on disposals	–	–	(7,357)	(31,206)	(1,182)	(116,115)	–	(155,860)
Modification	–	–	–	–	–	(23,783)	–	(23,783)
Impairment losses	–	–	2,716	9,910	–	7,845	–	20,471
As at 31 December 2021	–	318,317	225,357	372,079	18,526	187,188	–	1,121,467
As at 1 January 2022	**–**	**318,317**	**225,357**	**372,079**	**18,526**	**187,188**	**–**	**1,121,467**
Exchange difference	**–**	**(25,008)**	**(10,175)**	**(24,331)**	**(327)**	**(12,769)**	**–**	**(72,610)**
Charge for the year	**–**	**12,592**	**6,710**	**45,468**	**636**	**88,251**	**–**	**153,657**
Written back on disposals	**–**	**(3,955)**	**(10,835)**	**(18,535)**	**(92)**	**(46,066)**	**–**	**(79,483)**
Impairment losses	**–**	**–**	**–**	**8,880**	**–**	**10,928**	**–**	**19,808**
As at 31 December 2022	**–**	**301,946**	**211,057**	**383,561**	**18,743**	**227,532**	**–**	**1,142,839**
Net book value:								
As at 31 December 2022	**54,184**	**85,415**	**18,438**	**88,839**	**1,771**	**303,229**	**369**	**552,245**
As at 31 December 2021	56,009	105,842	18,216	66,509	2,416	282,621	6,611	538,224

+ At 31 December 2022, freehold land is located in Thailand. The buildings are located in the PRC and Thailand.

Depreciation expense of HK$18,160,000 (2021: HK$20,418,000) is included in cost of sales, HK$95,631,000 (2021: HK$112,680,000) is included in selling and distribution expenses and HK$39,866,000 (2021: HK$37,887,000) is included in general and administrative expenses.

14. Property, Plant and Equipment (Continued)

Impairment loss

In 2022 and 2021, certain cash generating units (which comprise stores within the same city) within the brands business underperformed. The Group has assessed the recoverable amounts of the property, plant and equipment of these CGUs as at 31 December 2022 and 31 December 2021.

As a result, an impairment loss of HK$19,808,000 (2021: HK$16,853,000) is charged to other net loss in relation to property, plant and equipment of certain loss making cash generating units in Mainland China to reduce the carrying values to recoverable amounts. The aggregate recoverable amounts of these loss making retails stores is HK$Nil (2021: HK$6,044,000) based on their value in use net of relevant lease liabilities. These calculations use cash flow projections based on the financial budgets approved by management. The pre-tax discount rate adopted is 13% – 15% (2021: 13% – 15%).

In addition, during the year ended 31 December 2021, impairment loss has also been recorded for a factory under garment manufacturing segment as management closed down the factory during that year. The Group has assessed the recoverable amount of the property, plant and equipment of this factory as at 31 December 2021. An impairment loss of HK$3,618,000 was charged to other net loss in relation to the property, plant and equipment of this factory to reduce their carrying value to recoverable amount of HK$Nil based on their value in use net of relevant liabilities. The pre-tax discount rate adopted is 15%.

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	**31 December 2022 HK$'000**	1 January 2022 HK$'000
Prepaid leasehold land and land use rights, with remaining lease term between 10 and 50 years	(i)	**110,445**	124,579
Properties leased for own use	(ii)	**192,076**	157,098
Plant, machinery and equipment	(iii)	**708**	944
		303,229	282,621

The analysis of expense/(income) items in relation to leases recognised in profit or loss is as follows:

	2022 HK$'000	2021 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Prepaid leasehold land and land use rights	**3,561**	3,566
Properties leased for own use	**84,454**	90,643
Plant, machinery and equipment	**236**	394
	88,251	94,603
Interest on lease liabilities *(Note 7)*	**7,281**	8,430
Expenses relating to short-term leases	**19,283**	19,959
Variable lease payments not included in the measurement of lease liabilities	**13,631**	13,871
COVID-19-related rent concessions received	**(4,448)**	(1,790)

During the year, additions to right-of-use assets were HK$121,456,000 (2021: HK$89,048,000). This amount is primarily related to the capitalised lease payments payable under new lease agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 36(c) and 28, respectively.

The Group early adopted the Amendment to HKFRS 16, Leases, *Covid-19-Related Rent Concessions beyond 30 June 2021* in the financial statement for the year ended 31 December 2021, and applies the practical expedient introduced by the amendment to all eligible rent concessions received by the Group during the year. Further details are disclosed in (ii) below.

(i) Prepaid leasehold land and land use rights

The Group holds several interests in land and building for its garment manufacturing and brands business. The Group is the registered owner of these property interests, including the underlying land. Lump sum payments were made upfront to acquire these property interests and there are no ongoing payments to be made under the terms of the land lease.

(ii) Properties leased for own use

The Group has obtained the right to use other properties as its factories, retail stores and offices through lease agreements. The leases for the Group's factories in Asian countries are typically under long term leases, except for a lease of the factory in Vietnam entered during the year 2020 with lease term of 5 years. The lease terms of the Group's retail stores vary in accordance with the market practice in the relevant countries, and are ranging from one to ten years.

14. Property, Plant and Equipment (Continued)

During the year ended 31 December 2022, the Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. The variable payments are charged varying from 9% to 30% (2021: 9% to 35%) of the monthly gross income at the stores in excess of the base rents as determined in the respective lease agreements. These payment terms are common in retail stores in Hong Kong, the PRC and Japan where the Group operates.

During 2022 and 2021, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

The amount of fixed and variable lease payments for retail stores recognised in profit or loss for the year is summarised below:

	2022			
	Fixed payments ***HK$'000***	**Variable payments** ***HK$'000***	**COVID-19 rent concessions** ***HK$'000***	**Total payments** ***HK$'000***
Retail stores – Hong Kong	**6,667**	**297**	**(979)**	**5,985**
Retail stores – PRC	**67,650**	**11,444**	**(3,406)**	**75,688**
Retail stores – Europe	**8,446**	**–**	**–**	**8,446**
Retail stores – Japan	**–**	**1,890**	**(63)**	**1,827**

	2021			
	Fixed payments *HK$'000*	Variable payments *HK$'000*	COVID-19 rent concessions *HK$'000*	Total payments *HK$'000*
Retail stores – Hong Kong	8,347	218	(1,144)	7,421
Retail stores – PRC	77,248	11,369	–	88,617
Retail stores – Europe	8,568	–	–	8,568
Retail stores – Japan	–	2,284	(94)	2,190

At 31 December 2022, it is estimated that an increase in sales generated from these retail stores by 5% would have increased the lease payments by HK$896,000 (2021: HK$1,034,000).

(iii) Other leases

The Group leases certain office equipment under leases expiring from 3 to 4 years. None of the leases includes variable lease payments.

15. Intangible Assets

	Goodwill ***HK$'000***	**Licence rights** *(Note (i))* ***HK$'000***	**Trademark** *(Note (ii))* ***HK$'000***	**Total** ***HK$'000***
Cost:				
As at 1 January 2021	20,893	333,975	187,131	541,999
Exchange difference	–	–	(12,977)	(12,977)
Modification	–	35,012	–	35,012
As at 31 December 2021	20,893	368,987	174,154	564,034
As at 1 January 2022	**20,893**	**368,987**	**174,154**	**564,034**
Exchange difference	**–**	**–**	**(10,081)**	**(10,081)**
Additions	**–**	**397,349**	**–**	**397,349**
As at 31 December 2022	**20,893**	**766,336**	**164,073**	**951,302**
Accumulated amortisation and impairment losses:				
As at 1 January 2021	20,893	81,297	–	102,190
Amortisation	–	31,585	–	31,585
Impairment losses	–	29,505	–	29,505
As at 31 December 2021	20,893	142,387	–	163,280
As at 1 January 2022	**20,893**	**142,387**	**–**	**163,280**
Amortisation	**–**	**52,145**	**–**	**52,145**
Impairment losses	**–**	**16,172**	**–**	**16,172**
As at 31 December 2022	**20,893**	**210,704**	**–**	**231,597**
Net book value:				
As at 31 December 2022	**–**	**555,632**	**164,073**	**719,705**
As at 31 December 2021	–	226,600	174,154	400,754

Amortisation of HK$52,145,000 (2021: HK$31,585,000) is included in the selling and distribution expenses.

Notes:

(i) Licence rights

Licence rights of brands represent capitalisation of the minimum contractual obligation payable to brand licensors at the time of inception.

During the year ended 31 December 2018, the Group re-entered into a 10 years (with conditional renewal options for additional 20 years) licence agreement for the sourcing and distribution of Nautica branded products in Mainland China and Hong Kong. In addition, during the year ended 31 December 2018, the Group entered into 10 years (with conditional renewal options for additional 20 years) licence agreement to distribute "Spyder", an American sports brand products mainly in Mainland China and Hong Kong. The relating minimum contractual obligation payable to the licensors is recognised in licence fees payable.

In December 2021, the Group entered into an amendment to the license agreements for Nautica and Spyder. Pursuant to the amendment, the minimum contractual obligations payable to the licensors in future years have been adjusted and the length of the Nautica license was extended to December 2032. As a result, modification of the intangible assets of HK$35,012,000 was recognised during the year ended 31 December 2021.

During the year ended 31 December 2022, the Group entered into a licence agreement to become the core licensee and operator for the distribution of Reebok branded products in Mainland China, Hong Kong, Macau and Taiwan. The additions of licence rights during the year ended 31 December 2022 of HK$397,349,000 represented the capitalisation of the minimum contractual obligation payable to the licensor at the inception of the Reebok licence agreement. Licence fees payable also recorded a corresponding increase during the year.

15. Intangible Assets (Continued)

During the year ended 31 December 2022, an impairment loss on intangible assets of HK$16,172,000 (2021: HK$29,505,000) for a loss-making brand business is charged to other net loss to reduce its carrying amount to the recoverable amount. The recoverable amount was HK$Nil (2021: HK$20,414,000) based on their value in use net of relevant liabilities. The pre-tax discount rate adopted is 15% (2021: 15%).

(ii) Trademark

It represents "C.P. Company" trademark which is regarded as having an indefinite useful life and there is no foreseeable limit to the period over which it is expected to generate cash flows for the Group as it is expected that the value will not be reduced through usage.

Impairment test for CGU containing trademark

The trademark is allocated to a CGU under brands business segment. The recoverable amount of the CGU was based on value in use calculations.

During the years ended 31 December 2022 and 31 December 2021, management carried forward the value in use calculation from the year ended 31 December 2020 as the impairment assessment for the year as this CGU met specified criteria in paragraph 24 of HKAS 36. Management concluded that the recoverable amount of this CGU was higher than its carrying amount and no impairment loss is recognised.

The value in use calculations for the year ended December 2020 use of cash flow projections based on the latest forecasts covering a 5-year period at underlying growth rates that exceeded historical rates to reflect the nature of the business. Cash flows beyond the 5-year period were extrapolated using the estimated rate of 2%.

The cash flows were discounted using a risk-adjusted pre-tax discount rate of 18.9% which was derived from the post-tax discount rate of 15.7%.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount measurement is based would not cause the carrying amount to exceed its recoverable amount.

16. Other Long-Term Assets

	2022 HK$'000	2021 *HK$'000*
Advance to an employee *(Note 35(b)(ii))*	**1,053**	1,761
Long-term rental, utilities and other deposits	**7,805**	10,067
Club debentures	**7,490**	3,650
Other long-term assets	**2,077**	1,520
	18,425	16,998

17. Interest in an Associate

Particulars of the associate, which is an unlisted corporate entity, as at 31 December 2022 and 2021 are as follows:

Name of associate	Place of incorporation/ establishment	% interest held by a subsidiary	Nature of the relationship	Measurement method
MAC International Sarl	Morocco	50%	*Note*	Equity

Note:

MAC International Sarl is a private company which is inactive and under liquidation during the years ended 31 December 2022 and 2021. There is no quoted market price available for the shares of MAC International Sarl. There are no contingent liabilities relating to the Group's interest in an associate. The associate does not have a significant impact on the Group's results of operations and financial position in 2022 and 2021.

18. Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2022 HK$'000	2021 *HK$'000*
Raw materials	**101,700**	64,070
Work-in-progress	**140,016**	112,241
Finished goods	**587,302**	333,778
Goods in transit	**25,152**	21,100
	854,170	531,189

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2022 HK$'000	2021 *HK$'000*
Carrying amount of inventories sold	**2,196,795**	1,794,435
Write down of inventories *(Note 4)*	**93,348**	22,195
Reversal of write-down of inventories *(Note 4)*	**(7,924)**	(3,800)
	2,282,219	1,812,830

The reversal of write-down of inventories made in prior years was the result of use of written-down raw materials in the production process and sales of written-down finished goods.

19. Accounts Receivable and Bills Receivable

	2022 HK$'000	2021 HK$'000
Accounts receivable at amortised cost, net of loss allowance	**380,970**	365,489
Accounts receivable to be sold at fair value through other comprehensive income (recycling)	**111,079**	70,425
	492,049	435,914

As of the end of the reporting period, the ageing of accounts receivable and bills receivable based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
Less than 3 months	**417,768**	394,273
3 months to 6 months	**72,266**	42,135
Over 6 months	**5,929**	3,761
	495,963	440,169
Less: Loss allowance	**(3,914)**	(4,255)
	492,049	435,914

The majority of accounts receivable are with customers having an appropriate credit history and are on open account. The Group grants its customers credit terms mainly ranging from 45 to 90 days (2021: 60 to 90 days). All of the accounts receivable and bills receivable are expected to be recovered within one year.

The carrying amounts of the accounts receivable and bills receivable approximate their fair values. The maximum exposure to credit risk is the fair value of the above receivables. The Group does not hold any collateral as security. Further details on the Group's credit policy and credit risk arising from accounts receivable and bills receivable are set out in Note 33.1(b).

As part of the Group's cash flow management, the Group has the practice of selling some of the accounts receivable to financial institutions under customers' vendor financing program before the accounts receivable are due for payment. The Group derecognises the accounts receivable sold on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties.

As at 31 December 2022, the effective interest rates of the sold accounts receivable at fair value to other comprehensive income (recycling) ranged from 5.82% to 6.80% per annum (2021: 1.69% to 2.77%). Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in Note 33.3. As at 31 December 2022, the fair value changes on accounts receivable at FVOCI are insignificant and accordingly, no fair value changes are recognised in equity as fair value to other comprehensive income reserve.

The carrying amounts of accounts receivable and bills receivable are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
United States dollars	**263,463**	210,872
Renminbi	**100,640**	113,783
Euro	**119,147**	107,545
Others	**8,799**	3,714
	492,049	435,914

20. Forward Foreign Exchange Contracts

	2022 HK$'000	2021 HK$'000
Cash flow hedges *(Note 33.1(a)(i)(A))*		
Included in:		
– Non-current assets	**2,992**	768
– Current assets	**2,974**	5,267
	5,966	6,035
Included in:		
– Current liabilities	**3,886**	1,783
	3,886	1,783

The maximum exposure to credit risk is the fair value as stated above of the forward foreign exchange contracts under current and non-current assets in the consolidated statement of financial position. The outstanding forward foreign exchange contracts with maturity dates within one year are classified as current assets and liabilities, while those with maturity dates more than one year are classified as non-current assets and liabilities. The financial risk management on fair value estimation is set out in Note 33.3.

21. Prepayments and Other Receivables

	2022 HK$'000	2021 HK$'000
Advance payments for purchases of inventories	**18,128**	8,528
Rental deposits	**30,896**	24,430
Value added tax and custom duties recoverable	**30,779**	20,388
Prepayments and other receivables	**24,305**	26,192
	104,108	79,538

The carrying amounts of other receivables approximate their fair values. The maximum exposure to credit risk is the fair value of the above items. The Group does not hold any collateral as security on prepayments and other receivables. All of the receivables are expected to be recovered or recognised as expense within one year.

22. Cash and Bank Balances

	2022 HK$'000	2021 HK$'000
Short-term bank deposits	**336**	368
Cash at bank and on hand	**289,905**	367,225
Cash and cash equivalents in the consolidated cash flow statement	**290,241**	367,593
Pledged bank deposits *(Note (i))*	**11,121**	11,320
Cash and bank balances in the consolidated statement of financial position	**301,362**	378,913

Note:

(i) Bank deposits of HK$11,121,000 (2021: HK$11,320,000) were pledged to secure bank facilities granted to the Group.

The carrying amounts of cash and bank balances are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
United States dollars	**95,999**	124,241
Renminbi	**79,421**	73,934
Hong Kong dollars	**8,126**	12,843
Euro	**74,277**	112,835
Pound Sterling	**23,341**	37,469
Others	**20,198**	17,591
Total	**301,362**	378,913

The Group's cash and bank balances denominated in Renminbi were deposited with banks in the PRC and Hong Kong. The conversion of these Renminbi denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

23. Accounts Payable and Bills Payable

As of the end of the reporting period, the ageing of accounts payable and bills payable based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
Less than 3 months	**377,136**	292,385
3 months to 6 months	**44,129**	33,967
Over 6 months	**16,056**	17,765
	437,321	344,117

The majority of payment terms with suppliers are within 60 days. All of the accounts payable and bills payable are expected to be settled within one year or are on demand.

The carrying amounts of accounts payable and bills payable approximate their fair values.

The carrying amounts of accounts payable and bills payable are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
United States dollars	**168,889**	112,512
Euro	**81,711**	70,105
Hong Kong dollars	**26,515**	17,223
Renminbi	**157,572**	140,471
Others	**2,634**	3,806
	437,321	344,117

24. Accruals and Other Payables and Contract Liabilities

(a) Contract liabilities

When the Group receives advances before the delivery of goods, this will give rise to contract liabilities upon advances receipt, until the revenue recognised on the sale of goods. The payment arrangement is negotiated on a case by case basis with customers.

All of the contract liabilities of HK$27,648,000 as at 31 December 2022 (2021: HK$11,039,000) are expected to be settled within one year.

(b) Accruals and other payables

Accruals and other payables mainly consist of accrued employee benefit expenses, current portion of licence fees payable, deposits received and other operating expenses. All of the accruals and other payables are expected to be settled within one year.

25. Bank Borrowings

As at 31 December 2022 and 2021, the Group's bank borrowings were unsecured and due for repayment within three months at the end of the reporting period.

Bank borrowings are mainly denominated in United States dollars, Euro and Renminbi and bore interest at fixed rates. The interest rates of the bank borrowings ranged from 2.4% to 6.5% per annum (2021: 2.0% to 2.2% per annum). The carrying amounts of bank borrowings are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
United States dollars	**62,414**	42,027
Euro	**33,406**	–
Renminbi	**11,188**	–
Total	**107,008**	42,027

The fair value of the Group's bank borrowings equal their carrying amount, as the impact of discounting is not significant due to their short-term maturity.

26. Retirement Benefits and Other Post Retirement Obligations

	2022 HK$'000	2021 HK$'000
Defined benefit plans *(Note (b))*	**(7,127)**	(3,305)
Long service payment liabilities *(Note (c))*	**17,714**	20,129
	10,587	16,824
Included in non-current assets	**(10,447)**	(10,260)
Included in non-current liabilities	**21,034**	27,084
	10,587	16,824

Notes:

(a) Defined contribution plans

The Group operates/participates in the following defined contribution plans:

(i) A defined contribution scheme for employees in Hong Kong, under which the Group and its employee each contribute 5% of the employee's salaries. The forfeited contributions made by the Group and the related accrued interest are used to reduce the Group's future employer contribution.

(ii) The Mandatory Provident Fund Scheme for employees in Hong Kong, under which the Group and its employee each makes monthly contribution to the scheme at 5% of the qualifying earnings of the employee, subject to a cap of monthly relevant income of HK$30,000.

(iii) The Group's subsidiaries in the Mainland China contribute 10% to 22% of the basic salaries of their employees to retirement schemes operated by municipal governments. Under the schemes, the employees also contribute 8% of their basic salaries.

(iv) The Group's subsidiaries in Thailand operate defined contribution plans, under which the Group generally contributes 5% of participating employees' salaries and the employees contribute 5% of their salaries.

(v) From 1 July 2005, the Group's subsidiaries in Taiwan operate defined contribution plans pursuant to the Labour Pension Act as a choice available to their employees. Under the plans, the Group generally contributes 6% of the participating employees' salaries to their personal accounts kept by the Labour Insurance Bureau on a monthly basis. Contributions from employees are on a discretionary basis.

(vi) Contributions to the defined contribution schemes of other countries are at various funding rates that are in accordance with the local practice and regulations. Contributions relating to the defined contribution schemes are charged to profit or loss as incurred.

Contribution to the above defined contribution plans other than (i) vest immediately. Other than the mandatory contributions made by the Group under the respective defined contribution plans, the Group has no further obligations for the actual pension payments or any post retirement benefits.

(b) Defined benefit plans

The Group operates/participates in the following defined benefit plans:

(i) A defined benefit retirement scheme is operated by the Group's subsidiaries in Taiwan. The Group bears the full cost of all benefits and the assets for the benefits are invested through the Bank of Taiwan in a balanced portfolio of cash, fixed income and equity investments. The benefits are based on the average monthly salary for the six months immediately preceding the date of cessation of service with the Group.

(ii) Our subsidiary in Swiss participates in a defined benefit plan for providing post-employment benefits to its staff which covers old-age pension, death-in-service and disability benefits as required by law. The Swiss subsidiary is affiliated to the Swiss Life Collective BVG Foundation, based in Zurich for the provision of such benefits. The assets of the plan are held separately within the foundation. Plan beneficiaries are insured against the financial consequences of old age, death and disability. The pension upon retirement is based on the balance of retirement savings capital and applicable conversion rates. The retirement savings capital results from the contributions by both employer and employees and carries interest thereon. The contributions are determined as a percentage of current insured salary and at least 50% of the contributions shall be paid by the employer.

The latest actuarial valuations of the above plans were performed by BMI Appraisals Limited and Swiss Life Pension Services AG, independent professional valuation firms, as at 31 December 2022, using the projected unit credit method. Based on the actuarial reports, the aggregate market value of the plan assets as at 31 December 2022 was HK$28,979,000 (2021: HK$28,399,000), representing approximately 133% (2021: 113%) of the actuarial accrued liabilities at that date.

The amounts recognised in the consolidated statement of financial position are as follows:

	2022 HK$'000	2021 HK$'000
Present value of funded obligations	**21,852**	25,094
Fair value of plan assets	**(28,979)**	(28,399)
Net defined benefit plan assets	**(7,127)**	(3,305)

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amount recoverable in the next twelve months, as future contributions will also relate to future services rendered and future change in actuarial assumptions and market conditions.

26. Retirement Benefits and Other Post Retirement Obligations (Continued)

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2022 HK$'000	2021 HK$'000
Current service cost	**1,120**	1,912
Net interest income on net defined benefit plan assets	**(40)**	(112)
Net past service benefit	**(70)**	(282)
Loss on settlement	**118**	7,920
Total, included in employee benefit expenses	**1,128**	9,438

Changes in the present value of the defined benefit obligations are as follows:

	2022 HK$'000	2021 HK$'000
As at 1 January	**25,094**	29,207
Current service cost	**1,120**	1,912
Employee contribution	**1,385**	2,405
Past service benefit	**(70)**	(282)
Interest expense	**95**	214
Remeasurement – actuarial loss arising from changes in demographic assumptions	**1,062**	644
Remeasurement – actuarial gain arising from changes in financial assumptions	**(4,151)**	(2,017)
Exchange differences	**(903)**	(287)
Benefits directly paid by the Group	**–**	(13,638)
Benefits paid by the plans	**(1,898)**	(984)
Loss on settlement	**118**	7,920
As at 31 December	**21,852**	25,094

Changes in the fair value of plan assets are as follows:

	2022 HK$'000	2021 HK$'000
As at 1 January	**28,399**	36,267
Interest income	**135**	326
Employer contribution	**1,515**	1,216
Employee contribution	**1,385**	2,405
Remeasurement – return on plan assets, excluding amounts included in interest income	**1,260**	138
Exchange differences	**(1,817)**	232
Benefits paid by the plan	**(1,898)**	(12,185)
As at 31 December	**28,979**	28,399

The principal actuarial assumptions used are as follows:

	2022	2021
Discount rate	**1% to 2%**	1% to 5%
Expected rate of future salary increase	**1% to 3%**	1% to 3%

At 31 December 2022 and 2021, the Group expects to contribute HK$1,300,000 to its defined benefit plans in 2022 (2021: HK$1,298,000). The weighted average duration of the defined benefit obligations is 11 years (2021: 14 years).

The major categories of plan assets as a percentage of total plan assets are as follows:

	2022	2021
Deposits with financial institutions	**9.2%**	11.5%
Bonds	**6.3%**	6.9%
Stocks	**21.5%**	19.8%
Other assets	**63.0%**	61.8%
Represented by:		
– Assets have a quoted market price	**27%**	27%
– Assets do not have a quoted market price	**73%**	73%

The most significant risk facing the defined benefit plans of the Group is market risk including price risk, interest rate risk and foreign exchange risk. Market risk is managed principally through diversification of investments by third party trustees. The long-term strategic asset allocations would also be monitored by third party trustees periodically taking into account of the liability profile of the plans.

The sensitivity of the defined benefit obligations to changes as a result of the changes in the significant actuarial assumptions is:

	Impact on defined benefit obligations		
Principal assumption	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	Decrease by 5.2% (2021: Decrease by 6.0%)	Increase by 5.8% (2021: Increase by 6.9%)
Salary growth rate	0.50%	Increase by 1.0% (2021: Increase by 0.9%)	Decrease by 1.2% (2021: Decrease by 1.5%)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

26. Retirement Benefits and Other Post Retirement Obligations (Continued)

(c) Long service payment liabilities

(i) Under the Hong Kong Employment Ordinance, the Group is obliged in certain circumstances to make long service payments on cessation of employment to certain employees in Hong Kong who have completed at least five years of service with the Group.

(ii) Under the Labor Protection Act of Thailand, the Group is obliged to make severance pay on cessation of employment to the employees who have been regularly employed by the Group for more than 120 days. The amount payable is dependent on the employee's final salary and years of service. The Group does not set aside any asset for the obligation arising from severance pay.

On 13 December 2018, the National Legislative Assembly of Thailand has passed a bill amending the Labor Protection Act to include a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate.

(iii) Under the labour law of Vietnam, the Group is obliged to make severance pay on cessation of employment to the employees who have been employed by the Group for more than 12 months. The amount payable is dependent on the employee's average salary for the six months prior to the termination and years of service up to 31 December 2008. The Group does not set aside any asset for the obligation arising from severance pay.

The latest actuarial valuations of the Group's major obligations of long service payment liabilities as at 31 December 2022 were carried out by BMI Appraisals Limited, an independent professional valuation firm, using the projected unit credit method.

	2022 **HK$'000**	2021 HK$'000
Liability in the statement of financial position:		
– Present value of unfunded obligations	**17,714**	20,129

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2022 **HK$'000**	2021 HK$'000
Current services cost	**591**	604
Interest cost	**438**	369
Total, included in employee benefit expenses	**1,029**	973

Movement in the present value of unfunded obligations:

	2022 **HK$'000**	2021 HK$'000
As at 1 January	**20,129**	25,960
Current service cost	**591**	604
Interest expense	**438**	369
Benefit directly paid by the Group	**(1,472)**	(1,941)
Remeasurement – actuarial gain arising from changes in demographic assumptions	**(71)**	(329)
Remeasurement – actuarial gain arising from changes in financial assumptions	**(1,186)**	(2,342)
Exchange difference	**(715)**	(2,192)
As at 31 December	**17,714**	20,129

The principal actuarial assumptions used are as follows:

	2022	2021
Discount rate	**3% to 4%**	2% to 3%
Expected rate of future salary increase	**3% to 5%**	3% to 4%

The weighted average duration of the long service payment liabilities is 9 years (2021: 8 years).

The sensitivity of the present value of unfunded obligations to changes as a result of the changes in the significant assumptions is:

	Impact on defined benefit obligations		
Principal assumption	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	Decrease by 4.5% (2021: Decrease by 4.5%)	Increase by 4.0% (2021: Increase by 4.9%)
Salary growth rate	0.50%	Increase by 1.7% (2021: Increase by 2.6%)	Decrease by 2.5% (2021: Decrease by 2.2%)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

27. Licence Fees Payable

	2022 HK$'000	2021 HK$'000
Within 1 year	**83,057**	33,957
After 1 year but within 2 years	**89,539**	42,072
After 2 years but within 5 years	**328,475**	172,001
After 5 years	**501,156**	236,097
	1,002,227	484,127
Less: Imputed interest on licence fees payable	**(294,390)**	(139,874)
Present value	**707,837**	344,253
Less: Current portion included in accruals and other payables	**(83,057)**	(33,957)
Non-current portion	**624,780**	310,296

Note:

Licence fees payable represented the present value of contractual obligations to reflect the inception and amendments to license agreements during the year (Note 15(i)). Licence fee payable is subsequently stated at amortised cost using the effective interest method.

The carrying amounts of licence fees payable are denominated in USD.

The estimated fair value of the licence fees payable as at 31 December 2022 and 2021 was approximate to the carrying value.

28. Lease Liabilities

As at 31 December 2022, the lease liabilities were repayable as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**96,668**	78,780
After 1 year but within 2 years	**51,172**	47,297
After 2 years but within 5 years	**42,930**	30,985
After 5 years	**32,518**	38,789
	126,620	117,071
	223,288	195,851

29. Deferred Tax Assets/Liabilities

(a) The movements in deferred tax assets and liabilities, without taking into consideration the offsetting of balance with the same tax jurisdiction, are as follows:

Deferred tax assets

	Provisions		Depreciation allowances less than the related depreciation		Depreciation charge of right-of-use assets		Tax losses		Tax relief on migration step-up for intangible asset		Total	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
As at 1 January	**5,946**	6,569	**2,027**	2,351	**2,041**	1,946	**467**	2,805	**10,676**	–	**21,157**	13,671
Exchange differences	**(195)**	(660)	**2**	6	**9**	–	**15**	–	**(801)**	(442)	**(970)**	(1,096)
(Charged)/credited to profit or loss	**(1,546)**	512	**(287)**	(330)	**(45)**	95	**(482)**	(2,338)	**2,302**	11,118	**(58)**	9,057
Charged to other comprehensive income	**(50)**	(475)	**–**	–	**–**	–	**–**	–	**–**	–	**(50)**	(475)
As at 31 December	**4,155**	5,946	**1,742**	2,027	**2,005**	2,041	**–**	467	**12,177**	10,676	**20,079**	21,157

Deferred tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2022, the Group did not recognise deferred tax assets of HK$204,358,000 (2021: HK$184,378,000) for tax losses that can be carried forward against future taxable income. Cumulative tax losses of HK$108,120,000 (2021: HK$84,773,000) can be carried forward indefinitely; cumulative tax losses of HK$656,867,000 (2021: HK$601,697,000) will expire within the next five years; and cumulative tax losses of HK$82,374,000 (2021: HK$72,825,000) will expire after more than 5 years.

29. Deferred Tax Assets/Liabilities (Continued)

Deferred tax liabilities

	Depreciation allowances in excess of the related depreciation		Withholding tax for distribution of retained earnings of the PRC and overseas subsidiaries		Fair value adjustments on business combination		Total	
	2022 **HK$'000**	2021 HK$'000	**2022** **HK$'000**	2021 HK$'000	**2022** **HK$'000**	2021 HK$'000	**2022** **HK$'000**	2021 HK$'000
As at 1 January	**133**	246	**27,570**	22,258	**9,707**	10,672	**37,410**	33,176
Exchange differences	**–**	–	**2**	259	**(316)**	(1,034)	**(314)**	(775)
Charged/(credited) to profit or loss	**10**	(113)	**4,396**	4,838	**69**	69	**4,475**	4,794
Charged to other comprehensive income	**–**	–	**112**	215	**–**	–	**112**	215
As at 31 December	**143**	133	**32,080**	27,570	**9,460**	9,707	**41,683**	37,410

(b) Reconciliation to the consolidated statement of financial position:

	2022 **HK$'000**	2021 HK$'000
Net deferred tax asset recognised in the consolidated statement of financial position	**17,570**	16,855
Net deferred tax liability recognised in the consolidated statement of financial position	**(39,174)**	(33,108)
	(21,604)	(16,253)

30. Share Capital

	2022 **HK$'000**	2021 HK$'000
Authorised: 500,000,000 (2021: 500,000,000) shares of HK$0.10 each	**50,000**	50,000

Issued and fully paid ordinary share capital:

	2022		2021	
	Number of shares	**HK$'000**	Number of shares	HK$'000
As at 1 January and 31 December	**271,607,253**	**27,161**	271,607,253	27,161

31. Reserves

The reconciliation between the opening and closing balances of each components of the Group's consolidated equity is set out below:

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserves HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Remeasure-ments reserve HK$'000	Hedging reserve HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2022	**14,449**	**116,092**	**102,551**	**78,218**	**2,988**	**–**	**4,252**	**265,630**	**114,978**	**299,623**	**998,781**
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	–	–	**30,772**	**30,772**
Other comprehensive income											
Net fair value changes on cash flow hedges	–	–	–	–	–	–	**(2,172)**	–	–	–	**(2,172)**
Remeasurements of defined benefit plans and long service payment liabilities	–	–	–	–	–	**5,606**	–	–	–	–	**5,606**
Deferred tax charged to other comprehensive income *(Note 29)*	–	–	–	–	–	**(162)**	–	–	–	–	**(162)**
Realisation upon disposal of a subsidiary	–	–	–	**592**	–	–	–	–	–	–	**592**
Currency translation differences	–	–	–	**(41,153)**	–	–	–	–	–	–	**(41,153)**
Total comprehensive income	–	–	–	**(40,561)**	–	**5,444**	**(2,172)**	–	–	**30,772**	**(6,517)**
Transactions with owners											
Transfer	–	**(2,719)**	**1,962**	–	–	**(5,444)**	–	–	**508**	**5,693**	–
Share option scheme – value of employee services	–	–	–	–	**726**	–	–	–	–	–	**726**
Share options granted to employee lapsed	–	–	–	–	**(534)**	–	–	–	–	**534**	–
Total transactions with owners	–	**(2,719)**	**1,962**	–	**192**	**(5,444)**	–	–	**508**	**6,227**	**726**
Balance at 31 December 2022	**14,449**	**113,373**	**104,513**	**37,657**	**3,180**	**–**	**2,080**	**265,630**	**115,486**	**336,622**	**992,990**

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserves HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Remeasure-ments reserve HK$'000	Hedging reserve HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2021	14,449	116,092	99,893	103,926	2,698	–	13,943	265,630	117,413	274,785	1,008,829
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	–	–	21,134	21,134
Other comprehensive income											
Net fair value changes on cash flow hedges	–	–	–	–	–	–	(9,691)	–	–	–	(9,691)
Remeasurements of defined benefit plans and long service payment liabilities	–	–	–	–	–	4,182	–	–	–	–	4,182
Deferred tax charged to other comprehensive income *(Note 29)*	–	–	–	–	–	(690)	–	–	–	–	(690)
Currency translation differences	–	–	–	(25,708)	–	–	–	–	–	–	(25,708)
Total comprehensive income	–	–	–	(25,708)	–	3,492	(9,691)	–	–	21,134	(10,773)
Transactions with owners											
Transfer	–	–	2,658	–	–	(3,492)	–	–	(2,435)	3,269	–
Share option scheme – value of employee services	–	–	–	–	725	–	–	–	–	–	725
Share options granted to employee lapsed	–	–	–	–	(435)	–	–	–	–	435	–
Total transactions with owners	–	–	2,658	–	290	(3,492)	–	–	(2,435)	3,704	725
Balance at 31 December 2021	14,449	116,092	102,551	78,218	2,988	–	4,252	265,630	114,978	299,623	998,781

31. Reserves (Continued)

(a) Share premium

The application of share premium account is governed by the Company's Bye-Laws and the Bermuda Companies Act 1981.

(b) Capital reserve

Capital reserve mainly relates to the amount transferred from retained earnings in connection with a declaration of stock dividend by a subsidiary during the years ended 31 December 2000 and 2015.

(c) Statutory reserve and general reserve

Subsidiaries incorporated in Taiwan are required to set aside 10% of their net profit each year to reserve, according to Company Law in Taiwan. This appropriation is made in the following year until the accumulated reserve equals the paid-in capital. Such reserve can be used to offset a deficit or, when it has reached 50% of the paid-in capital, up to 50% thereof may be transferred to capital. The amount set aside is included under statutory reserve. During the year ended 31 December 2022, subsidiaries in Taiwan have transferred HK$Nil (2021: HK$Nil) to statutory reserves.

The laws and regulations in the Mainland China require wholly foreign owned enterprises established in the Mainland China to provide for statutory reserves which are appropriated from net profit, based on profit reported in the statutory accounts. Certain subsidiaries in the Mainland China are required to allocate at least 10% of their after-tax profit to statutory reserves until the reserves have reached 50% of their registered capital. Statutory reserves can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. During the year ended 31 December 2022, subsidiaries in the Mainland China have transferred HK$Nil (2021: HK$Nil) to statutory reserves.

During the year ended 31 December 2022, subsidiaries incorporated in Switzerland have transferred 5% of the company's post tax profit of the prior year of HK$1,962,000 (2021: HK$2,658,000) to legal reserve until it reaches 50% of their registered capital.

General reserve mainly relates to the profit set aside by the Company according to the Company's Bye-Laws.

(d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Notes 2(f) and 2(n)(ii).

(e) Share option reserve

Share option reserve comprises the fair value at the grant date of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based compensation in Note 2(q)(iii).

(f) Remeasurements reserve

Remeasurements reserve is dealt with in accordance with the accounting policy adopted for the remeasurements of the net defined benefit liability as set out in Note 2(q)(ii).

(g) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in Note 2(n)(ii).

(h) Contributed surplus

Contributed surplus represents the excess in value of shares acquired in consideration for the issue of the Company's shares over the nominal value of those shares issued. Under the Bermuda Companies Act 1981, contributed surplus is distributable.

32. Share Option Scheme

A share option scheme (the "2016 Share Option Scheme") was approved and adopted by the shareholders of the Company at the annual general meeting of the Company held on 6 June 2016 (the "2016 AGM") for granting of share options to eligible persons to subscribe for shares of the Company.

Under the 2016 Share Option Scheme, share options may be granted from time to time as determined by the Board, to directors and employees of the Group. The grantee is required to pay HK$1.00 upon acceptance of the options. The subscription price for the shares of the Company, which are the subject of the options, shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price and timing for the exercise of the option will be determined by the Board at the time the option is offered. The options may only be exercised if the grantee remains a director or an employee of the Group. The Group has no legal or constructive obligations to repurchase or settle these options in cash.

32. Share Option Scheme (Continued)

The share options outstanding under the 2016 Share Option Scheme as at the end of the year have the following vesting and expiry dates:

Date of grant	Participant	Number of share options At 31 December 2022	Number of share options At 31 December 2021	Subscription price per share	Exercisable period
5 June 2017	Employees (in aggregate)	**–**	239,000	HK$1.68	5 June 2017 - 4 June 2022
		–	239,000	HK$1.68	5 June 2018 - 4 June 2022
		–	239,000	HK$1.68	5 June 2019 - 4 June 2022
		–	239,000	HK$1.68	5 June 2020 - 4 June 2022
25 June 2018	Employees (in aggregate)	**264,000**	264,000	HK$1.75	25 June 2018 - 24 June 2023
		264,000	264,000	HK$1.75	25 June 2019 - 24 June 2023
		264,000	264,000	HK$1.75	25 June 2020 - 24 June 2023
		264,000	264,000	HK$1.75	25 June 2021 - 24 June 2023
3 June 2019	Employees (in aggregate)	**359,000**	359,000	HK$1.58	3 June 2019 - 2 June 2024
		359,000	359,000	HK$1.58	3 June 2020 - 2 June 2024
		359,000	359,000	HK$1.58	3 June 2021 - 2 June 2024
		359,000	359,000	HK$1.58	3 June 2022 - 2 June 2024
8 June 2020	Employees (in aggregate)	**367,000**	367,000	HK$1.40	8 June 2020 - 7 June 2025
		367,000	367,000	HK$1.40	8 June 2021 - 7 June 2025
		367,000	367,000	HK$1.40	8 June 2022 - 7 June 2025
		367,000	367,000	HK$1.40	8 June 2023 - 7 June 2025
7 June 2021	Employees (in aggregate)	**450,000**	450,000	HK$1.00	7 June 2021 - 6 June 2026
		450,000	450,000	HK$1.00	7 June 2022 - 6 June 2026
		450,000	450,000	HK$1.00	7 June 2023 - 6 June 2026
		450,000	450,000	HK$1.00	7 June 2024 - 6 June 2026
6 June 2022	Employees (in aggregate)	**533,000**	–	HK$0.91	6 June 2022 - 5 June 2027
		533,000	–	HK$0.91	6 June 2023 - 5 June 2027
		533,000	–	HK$0.91	6 June 2024 - 5 June 2027
		533,000	–	HK$0.91	6 June 2025 - 5 June 2027
	Total	**7,892,000**	6,716,000		

32. Share Option Scheme (Continued)

Detailed movements of the share options granted pursuant to the 2016 Share Option Scheme during the year ended 31 December 2022 are as follows:

	2022		2021	
	Average subscription price per share ***HK$***	**Number of options**	Average subscription price per share *HK$*	Number of options
As at 1 January	**1.43**	**6,716,000**	1.65	5,480,000
Granted	**0.91**	**2,132,000**	1.00	1,800,000
Lapsed	**1.68**	**(956,000)**	2.28	(564,000)
As at 31 December	**1.26**	**7,892,000**	1.43	6,716,000
Exercisable at 31 December	**1.40**	**5,026,000**	1.55	4,273,000

The options outstanding at 31 December 2022 had a weighted average remaining contractual life of 2.76 years (2021: 2.75 years).

The fair value of options granted during the year of 2022 determined using the Trinomial valuation model was HK$0.36 per option (2021: HK$0.37 per option). The significant inputs into the model are as follows:

	Year in which share options granted	
	2022	2021
Share price at the grant date	**HK$0.90**	HK$1.00
Subscription price	**HK$0.91**	HK$1.00
Dividend yield	**0%**	0%
Volatility	**46%**	45%
Annual risk-free interest rate	**2.64%**	0.47%

The volatility at the grant date, which measured the standard deviation of expected share price returns, is based on statistics of 1,260 days historical volatilities of comparable companies within the industry. The aggregate fair value of the above options granted during the year amounted to HK$760,000 (2021: HK$674,000) is to be recognised as employee benefit expense over the vesting periods together with a corresponding increase in equity. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

The amount of employee benefit expense recognised in the consolidated statement of profit or loss for the year ended 31 December 2022 in relation to the 2016 Share Option Scheme amounted to HK$726,000 (2021: HK$725,000).

33. Financial Risk Management

33.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, liquidity risk and credit risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions, recognised assets, liabilities and net investment in foreign operations are denominated in a currency that is not the entity's functional currency. The Group operates internationally and is thus exposed to foreign exchange risk arising from various currency exposures. The Group manages significant foreign exchange risk against the respective subsidiaries' functional currencies arising from future commercial transactions, recognised assets, liabilities and net investment in foreign operations principally by means of forward foreign exchange contracts.

For the years ended 31 December 2022 and 2021, sales of goods were mainly denominated in United States dollars, Euro, Pound Sterling and Renminbi. The major currencies for purchases were United States dollars, Renminbi and Euro. In addition, entities within the Group (whose functional currencies include Renminbi, Philippine Pesos, Thai Bahts and Vietnam Dongs) have monetary assets and liabilities denominated in Hong Kong dollars and United States dollars.

A. Hedges of foreign currency risk in forecast transactions

The Group has entered into forward foreign exchange contracts to hedge against foreign exchange exposures arising from United States dollars denominated processing income for factories in the PRC and Pound Sterling sales receipts of a European subsidiary. The Group designates the forward foreign exchange contracts as hedging instruments in cash flow hedges and does not separate the forward and spot element of a forward foreign exchange contract but instead designates the foreign forward exchange contract in its entirety in a hedging relationship. Correspondingly, the hedged item is measured based on the forward exchange rate.

The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the forward foreign exchange contracts and the highly probable forecast transactions based on their currency amounts and the timing of their respective cash flows. The main sources of ineffectiveness in these hedging relationships are:

(i) the effect of the counterparty's and the Group's own credit risk on the fair value of the forward foreign exchange contracts which is not reflected in the change in the value of the hedged cash flows attributable to the forward rate; and

(ii) changes in the timing of the hedged transactions.

33. Financial Risk Management (Continued)

The following table details the forward foreign exchange contracts that have been designated as cash flow hedges of the Group's highly probable forecast transactions at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
Notional amount		
– United States dollars	**276,957**	132,542
– Pound Sterling	**42,420**	79,128

The forward foreign exchange contracts have a maturity ranged from 1 to 2 years from the reporting date and have an average forward exchange rate as follows:

	2022 HK$'000	2021 HK$'000
– Renminbi to United States dollars	**6.8659**	6.8010
– Euro to Pound Sterling	**0.8633**	0.8594

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

	2022 HK$'000	2021 HK$'000
Balance at 1 January	**4,252**	13,943
Effective portion of the cash flow hedge recognised in other comprehensive income *(Note (i))*	**(5,575)**	4,657
Amounts reclassified to profit or loss	**3,403**	(14,348)
Balance at 31 December *(Note (ii))*	**2,080**	4,252

Notes:

(i) The amount represented the change in fair value of the forward foreign exchange contracts during the year.

(ii) The entire balance in the hedging reserve relates to continuing hedges.

B. Recognised assets and liabilities

In respect of other trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

C. Exposure to currency risk

At 31 December 2022, if Renminbi against Hong Kong dollars had strengthened/weakened by 5% with all other variables held constant, the post-tax profit for the year would be decreased/increased by HK$5,259,000 (2021: post-tax profit would be decreased/increased by HK$2,832,000) mainly as a result of foreign exchange difference on translation of net monetary assets of certain subsidiaries; while the other comprehensive income would be increased/decreased by HK$13,242,000 (2021: increased/decreased by HK$6,599,000), representing the impact of the change in fair value of forward foreign exchange contracts at the end of the reporting period.

At 31 December 2022, if Euro against Hong Kong dollars had strengthened/weakened by 5% with all other variables held constant, the post-tax profit would be decreased/increased by HK$707,000 (2021: post-tax profit would be decreased/increased by HK$169,000) as a result of foreign exchange difference on translation of Euro denominated net financial liabilities of a Hong Kong subsidiary; while the other comprehensive income would be increased/decreased by HK$2,172,000 (2021: increased/decreased by HK$3,868,000), representing the impact of the change in fair value of forward foreign exchange contracts at the end of the reporting period.

If Pound Sterling, Philippine Pesos, Thai Bahts and Vietnam Dongs had strengthened/weakened against Hong Kong dollars by 5% at the year end date with all other variables held constant, the impact on post-tax profit for the year would not be significant.

33. Financial Risk Management (Continued)

(ii) Liquidity risk

The Group has been prudent in liquidity risk management by maintaining sufficient cash and the availability of sufficient funding through an adequate amount of committed credit facilities from the Group's bankers.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The cash flow requirements for derivative financial instrument arising from forward foreign exchange contracts are separately provided as the contractual maturities are essential for the understanding of the timing of the cash flows.

	Within 1 year or on demand *HK$'000*	After 1 year but within 2 years *HK$'000*	After 2 years but within 5 years *HK$'000*	After 5 years *HK$'000*	Total *HK$'000*
At 31 December 2022					
Accounts payable and bills payable	**437,321**	**–**	**–**	**–**	**437,321**
Accruals and other payables	**369,956**	**–**	**–**	**–**	**369,956**
Bank borrowings and interest payments	**107,280**	**–**	**–**	**–**	**107,280**
Licence fees payable	**83,057**	**89,539**	**328,475**	**501,156**	**1,002,227**
Lease liabilities	**103,219**	**54,702**	**47,287**	**39,066**	**244,274**
	1,100,833	**144,241**	**375,762**	**540,222**	**2,161,058**
At 31 December 2021					
Accounts payable and bills payable	344,117	–	–	–	344,117
Accruals and other payables	268,609	–	–	–	268,609
Bank borrowings and interest payments	42,036	–	–	–	42,036
Licence fees payable	33,957	42,072	172,001	236,097	484,127
Lease liabilities	87,963	48,320	33,911	50,563	220,757
	776,682	90,392	205,912	286,660	1,359,646

All the Group's forward foreign exchange contracts outstanding at 31 December 2022 are net settlement contracts in hedge relationships. Contracts due to settle within 12 months is expected to have undiscounted contractual cash outflows of HK$912,000 (2021: cash inflows of HK$3,484,000). Contracts due to settle between 1 and 5 years is expected to have undiscounted contractual cash inflows of HK$2,992,000 (2021: cash inflows of HK$768,000). There is no gross settlement contract as at 31 December 2022 and 2021.

(iii) Interest rate risk

The Group's interest rate risk arises primarily from cash at bank, bank deposits and bank borrowings.

The effective interest rate of the Group's bank loan as at 31 December 2022 is 3.9% (2021: 2.0%).

At 31 December 2022, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variable held constant, would have decreased/increased the Group's profit after taxation and retained earnings by approximately HK$479,000 (2021: HK$154,000).

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to accounts receivable. The Group's exposure to credit risk arising from cash and bank balances, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions with sound credit ratings and the Group does not expect any significant credit risk. The Group does not provide any other guarantees which would expose the Group to credit risk.

Accounts receivable

The Group's sales are mainly on open account. Each open account customer is granted an approved credit limit and the Group closely and regularly monitors the credit default risk of receivables from customers. During the years ended 31 December 2022 and 2021, receivables from customers of garment manufacturing segment are substantially covered by credit insurance. At the end of the reporting period, 14% (2021: 9%) and 44% (2021: 30%) of the accounts receivable and bills receivable was due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for accounts receivable:

	2022		
	Expected loss rate *%*	**Gross carrying amount** *HK$'000*	**Loss allowance** *HK$'000*
Less than 3 months	**–**	**417,768**	**–**
3 months to 6 months	**–**	**72,266**	**–**
Over 6 months	**66**	**5,929**	**3,914**
		495,963	**3,914**

	2021		
	Expected loss rate *%*	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*
Less than 3 months	–	394,273	–
3 months to 6 months	1	42,135	494
Over 6 months	100	3,761	3,761
		440,169	4,255

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

33. Financial Risk Management (Continued)

Movement in the loss allowance account in respect of accounts receivable during the year is as follows:

	2022 HK$'000	2021 HK$'000
As at 1 January	**4,255**	7,555
Receivables written off during the year as uncollectible	**(1,262)**	(2,921)
Provision for/(reversal of) impairment losses during the year	**921**	(379)
As at 31 December	**3,914**	4,255

33.2 Capital management

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

Total capital comprises "capital and reserves" as shown in the consolidated statement of financial position plus net borrowing, if any. During the years ended 31 December 2022 and 2021, the Group had no net borrowings, which is calculated as total borrowings less cash and bank balances.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity shareholders, return capital to equity shareholders, issue new shares or reduce debt.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

33.3 Fair value estimation

The fair value of derivative financial instruments (forward foreign exchange contracts) is determined using forward exchange market rates at the end of each reporting period. The fair value of financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Financial instruments are measured in the statement of financial position at fair value. HKFRS 13, *Fair value measurement*, requires disclosure of fair value measurements according to the following fair value measurement hierarchy:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in the active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs or which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

Forward foreign exchange contracts are measured at fair value and classified as level 2 valuations at 31 December 2022 and 2021. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant. There was no change in valuation techniques during the year.

Accounts receivable at FVOCI (recycling) are measured at fair value and classified at level 2 valuations at 31 December 2022.

Information about Level 2 fair value measurements:

	Fair value as at 31 December		Valuation technique and significant inputs
	2022 HK$'000	2021 HK$'000	
Accounts receivable at fair value to other comprehensive income (recycling)	**111,079**	70,425	Risk-adjusted discount rates of ranged from 5.82% to 6.80% per annum (2021:1.69% to 2.77% per annum) quoted by the banks

The fair value of the accounts receivable at FVOCI (recycling) is determined using the risk-adjusted rates per annum quoted by the banks.

There was no transfer of financial assets between fair value hierarchy classifications for the years ended 31 December 2022 and 2021. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2022 and 2021.

33.4 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements during the year.

34. Capital Commitments

	2022 HK$'000	2021 HK$'000
Contracted but not provided for in respect of leasehold improvement	–	880

At 31 December 2022, the Group was also committed to enter into a new lease of 3 years that is not yet commenced, the lease payments under which amounted to HK$793,000 per annum. The Group had no such commitment at 31 December 2021.

35. Related Party Transactions

(a) Lease arrangements with related parties

In 2022, the following significant related party transactions were carried out in the normal course of the Group's business:

	Amounts owed by the Group to related party		Related interest expense	
	As at 31 December		Year ended 31 December	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Lease liabilities due to a related company	1,587	7,844	(103)	(233)

	2022 HK$'000	2021 HK$'000
Rental payment to TDB under new tenancy agreement	6,360	4,770
Rental payment to TDB under former tenancy agreement	–	1,860

In February 2021, the Group entered into a two-year lease ("new tenancy agreement") with TDB Company Limited ("TDB") in respect of certain properties from TDB for factory, storage and ancillary office. The amount of rent payable by the Group under the lease is HK$530,000 per month commencing from 1 April 2021 after the previous lease ("former tenancy agreement") ended on 31 March 2021. The subject lease was determined with reference to comparable rental transactions and offerings as available in the relevant market with similar age, size, use and attributes. At the date of the new tenancy agreement, the Group recognised right-of-use asset and lease liability in relation to this lease.

The entire issued share capital of TDB, a related company, is held by a discretionary trust of which one director of the Company is an eligible beneficiary as at 31 December 2022.

The related party transactions in respect of lease arrangements with TDB constitute connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in "Connected Transaction" section of the Report of the Directors.

(b) Transactions with key management

(i) Key management personnel remuneration

Remuneration of key management personnel of the Group including amounts paid to the Company's directors as disclosed in Note 12 and certain of the highest paid employees as disclosed in Note 13, is as follows:

	2022 HK$'000	2021 HK$'000
Salaries, allowances and bonuses	24,837	24,401
Defined contribution plans	535	488
Share-based compensation expense		
– share options granted	530	535
	25,902	25,424

Total remuneration is included in "employee benefit expenses" (see Note 11).

(ii) Advance to an employee

In June 2012, a subsidiary of the Group made a cash advance of HK$12,000,000 to a key management employee of the Group. Pursuant to the agreement and the amendment agreements dated in June 2013 and 2014, the cash advance is unsecured and bears interest at the Group's cost of borrowing. Cash advance of HK$3,500,000 plus related interest has been fully repaid in 2016. The remaining cash advance of HK$8,500,000 ("long-term portion") was to be waived by the subsidiary in equal amount semi-annually over a period of ten years commencing from the third year while the individual remains as an employee of the Group. Any unwaived principal plus related accrued interest will be repayable upon cessation of employment of the employee. The long-term portion regarded as prepaid staff benefit is included in other long-term assets (Note 16) and is amortised over twelve years from the date of the advance.

36. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of profit before tax to cash generated from operations:

	2022 HK$'000	2021 HK$'000
Profit before tax	**121,177**	84,488
Adjustments for:		
Depreciation on property, plant and equipment	**65,406**	76,382
Depreciation of right-of-use assets	**88,251**	94,603
Amortisation of intangible assets	**52,145**	31,585
Net loss on disposals of property, plant and equipment	**1,624**	3,451
Gain on disposal of a subsidiary	**(4,554)**	–
Net gain on derecognition of right-of-use assets and lease liabilities	**(4,424)**	(1,276)
Write-down of inventories to net realisable value, net	**85,424**	18,395
Share-based compensation expense	**726**	725
Provision for/(reversal of) impairment of receivables, net	**921**	(379)
Finance income	**(999)**	(1,375)
Finance costs	**61,875**	31,875
COVID-19-related rent concessions received	**(4,448)**	(1,790)
Effect of foreign exchange rate changes	**10,554**	(13,349)
Impairment losses of property, plant and equipment	**19,808**	20,471
Impairment losses of intangible assets	**16,172**	29,505
Changes in working capital:		
Increase in inventories	**(408,405)**	(152,260)
Increase in accounts receivable and bills receivable	**(57,056)**	(153,498)
(Increase)/decrease in prepayment other receivables	**(25,414)**	872
Increase in accounts payable and bills payable	**93,204**	125,858
(Decrease)/increase in accruals and other payables and contract liabilities	**(4,507)**	16,794
(Decrease)/increase in retirement benefits and other post retirement obligations	**(830)**	6,033
Cash generated from operations	**106,650**	217,110

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

	HK$'000
At 1 January 2021	298,373
Changes from financing cash flows:	
Proceeds from new bank borrowings	282,081
Repayment of bank borrowings	(298,741)
Capital element of lease rentals paid	(100,119)
Interest element of lease rentals paid	(8,430)
Interest paid	(2,622)
Other changes:	
COVID-19-related rent concessions received	(1,790)
Increase in lease liabilities from new leases entered and lease modification during the period, net	58,074
Finance costs *(Note 7)*	11,052
At 31 December 2021	237,878

	HK$'000
At 1 January 2022	**237,878**
Changes from financing cash flows:	
Proceeds from new bank borrowings	**555,538**
Repayment of bank borrowings	**(490,557)**
Capital element of lease rentals paid	**(89,617)**
Interest element of lease rentals paid	**(7,281)**
Interest paid	**(7,958)**
Other changes:	
COVID-19-related rent concessions received	**(4,448)**
Increase in lease liabilities from new leases entered and lease modification during the period, net	**121,502**
Finance costs *(Note 7)*	**15,239**
At 31 December 2022	**330,296**

36. Notes to the Consolidated Cash Flow Statement (Continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following and wholly represent lease rental paid.

	2022 HK$'000	2021 HK$'000
Within operating cash flows	32,914	33,830
Within financing cash flows	96,898	108,549
	129,812	142,379

37. Company-level Financial Information

(a) Company-level statement of financial position

	Note	31 December 2022 HK$'000	31 December 2021 HK$'000
Non-current assets			
Property, plant and equipment		–	–
Interests in subsidiaries		820,614	819,878
Deferred tax assets		52	74
		820,666	819,952
Current assets			
Amounts due from subsidiaries		232,855	188,975
Prepayments and other receivables		691	710
Cash and bank balances		8,515	8,585
		242,061	198,270
Current liabilities			
Accruals and other payables		5,427	5,447
Amounts due to subsidiaries		26,639	23,291
Current tax payable		32	21
		32,098	28,759
Net current assets		209,963	169,511
Net assets		1,030,629	989,463
Capital and reserves			
Share capital	30	27,161	27,161
Reserves	37(b)	1,003,468	962,302
Total equity		1,030,629	989,463

Approved and authorised for issue by the Board of Directors on 27 March 2023.

WANG Kin Chung, Peter
Director

MAK WANG Wing Yee, Winnie
Director

37. Company-level Financial Information (Continued)

(b) Movements in components of equity

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium *HK$'000*	Share option reserve *HK$'000*	Contributed surplus *HK$'000*	General reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
As at 1 January 2022	**14,449**	**2,988**	**321,020**	**110,000**	**513,845**	**962,302**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**–**	**40,440**	**40,440**
Total comprehensive income	**–**	**–**	**–**	**–**	**40,440**	**40,440**
Transactions with owners						
Share option scheme						
– value of employee services	**–**	**726**	**–**	**–**	**–**	**726**
Share options granted to employee lapsed	**–**	**(534)**	**–**	**–**	**534**	**–**
Total transactions with owners	**–**	**192**	**–**	**–**	**534**	**726**
As at 31 December 2022	**14,449**	**3,180**	**321,020**	**110,000**	**554,819**	**1,003,468**

	Share premium *HK$'000*	Share option reserve *HK$'000*	Contributed surplus *HK$'000*	General reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
As at 1 January 2021	14,449	2,698	321,020	110,000	503,241	951,408
Comprehensive income						
Profit for the year	–	–	–	–	10,169	10,169
Total comprehensive income	–	–	–	–	10,169	10,169
Transactions with owners						
Share option scheme						
– value of employee services	–	725	–	–	–	725
Share options granted to employee lapsed	–	(435)	–	–	435	–
Total transactions with owners	–	290	–	–	435	725
As at 31 December 2021	14,449	2,988	321,020	110,000	513,845	962,302

38. Immediate and ultimate holding company

At 31 December 2022, the directors consider the immediate parent and ultimate holding company of the Group to be Silver Tree Holdings Inc. and New Perfect Global Limited respectively, both of which are incorporated in the British Virgin Islands. These entities do not produce financial statements available for public use.

39. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

40. Particulars of Principal Subsidiaries, all of which are Unlisted, as at 31 December 2022

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding by Company	Effective shareholding by subsidiary	Effective shareholding by Group
338 Apparel Limited	Hong Kong	Hong Kong	Branded product trading	HK$1,000,000	–	100%	100%
338 Fashion Co. Limited	Hong Kong	Hong Kong	Branded product distribution and retail	HK$3,000,000	–	100%	100%
Action Ease Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
All Asia Industries Co., Ltd. *(Note (i))*	PRC	PRC	Garment manufacturing	HK$53,500,000	–	100%	100%
Brilliant Idea International Limited	Hong Kong	Hong Kong	Investment holding	HK$100	–	100%	100%
昇韻管理諮詢（深圳）有限公司 *(Note (i))*	PRC	PRC	General administrative and supporting services	RMB500,000	–	100%	100%
Broad Ease Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Cissonne (Shanghai) Enterprises Co., Ltd. *(Note (i))*	PRC	PRC	Branded product distribution and retail	RMB1,000,000	–	100%	100%
Cissonne Hong Kong Limited	Hong Kong	Hong Kong	Investment holding	HK$1	–	100%	100%
Dress Line Holdings, Inc.	The Philippines	The Philippines	Investment holding	P59,562,500 (common)	–	100%	100%
				P192,930,189 (preferred) *(Note (ii))*	–	100%	100%

40. Particulars of Principal Subsidiaries, all of which are unlisted, as at 31 December 2022

(Continued)

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding by Company	Effective shareholding by subsidiary	Effective shareholding by Group
Elite Fashion (Hong Kong) Limited	Hong Kong	Hong Kong	Investment holding	HK$2	–	95%	95%
Excellent Jade Limited	Hong Kong	Hong Kong	Garment trading and manufacturing	HK$10,000	–	100%	100%
Gold Flower Limited	Hong Kong	Hong Kong	General administrative and supporting services	HK$10,000	–	100%	100%
Guangzhou Excellent Fashion Design Company Limited *(Note (i))*	PRC	PRC	Garment design and provision of technical services	RMB1,500,000	–	100%	100%
Guangzhou Tristate Industrial Co., Ltd. *(Note (i))*	PRC	PRC	Garment manufacturing	HK$18,500,000	–	100%	100%
Hefei Tristate Garment Manufacturing Company Limited *(Note (i))*	PRC	PRC	Garment manufacturing	RMB105,000,000	–	100%	100%
合肥賢法服裝有限公司 *(Note (i))*	PRC	PRC	General trading	RMB1,000,000	–	100%	100%
HFT Corp. Limited	Hong Kong	Hong Kong	Investment holding	HK$10,000,000	–	100%	100%
Honest Point Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Hua Thai Manufacturing Public Company Limited	Thailand	Thailand	Garment manufacturing and exporting	THB100,000,000	–	99.87%	99.87%
Hwa Fuh Manufacturing Company (Hong Kong) Limited	Hong Kong	Hong Kong	Investment holding	HK$55,180,219	–	100%	100%
Joint Holdings & Trading Company Limited	Hong Kong	Hong Kong	Investment holding	HK$925 (ordinary)	–	100%	100%
				HK$7,200,075 (deferred) *(Note (iii))*	–	100%	100%
Keybird Limited	Hong Kong	Hong Kong	Investment holding	HK$3,000,000	100%	–	100%
Keyear Company Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	100%	–	100%
Maxride Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Prime-Time Company Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Prosperous Year International Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Quality Time Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	100%	–	100%

40. Particulars of Principal Subsidiaries, all of which are unlisted, as at 31 December 2022
(Continued)

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding by Company	by subsidiary	by Group
Shanghai Tristate Enterprises Co., Ltd. *(Note (i))*	PRC	PRC	Branded product distribution and retail	RMB180,000,000	–	100%	100%
Sharp Hero International Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Shiny Ease Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	95%	95%
Sigsbee Investment Limited	The Republic of Liberia	Hong Kong	Investment holding	US$1	100%	–	100%
Sparkling Ocean Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	100%	–	100%
Strong Pine Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	100%	–	100%
Tenmo Limited	Hong Kong	Hong Kong	Investment holding	HK$2,000,000	100%	–	100%
Timely Corporate Limited	Hong Kong	Hong Kong	Nominee and secretarial services	HK$1	100%	–	100%
Trinovation Italy S.r.l.	Italy	Italy	Product design and development	EUR120,000	–	95%	95%
Tristate Cissonne Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate Cissonne International Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate Cissonne IP Limited	British Virgin Islands	Hong Kong	Trademark holding	US$1	–	100%	100%
Tristate EFM Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate EFM International Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate EFM IP Limited	British Virgin Islands	Hong Kong	Trademark holding	US$1	–	100%	100%
Tristate France SAS	France	France	Retail store operation	EUR100,000	–	95%	95%
Tristate Industrial Co., Ltd.	Taiwan	Taiwan	Sales liaison services	NT$20,000,000	–	100%	100%
Tristate International SA	Switzerland	Switzerland	General trading and marketing	CHF1,600,000	–	95%	95%
Tristate Italy S.r.l.	Italy	Italy	Trading of apparel and accessories	EUR400,000	–	95%	95%
Tristate Japan, Inc.	Japan	Japan	Garment trading and distribution	JPY5,000,000	–	95%	95%
Tristate Netherlands B.V.	The Netherlands	The Netherlands	Retail store operation	EUR200,000	–	95%	95%

40. Particulars of Principal Subsidiaries, all of which are unlisted, as at 31 December 2022

(Continued)

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding by Company	Effective shareholding by subsidiary	Effective shareholding by Group
Tristate Myanmar Company Limited	The Republic of the Union of Myanmar	The Republic of the Union of Myanmar	Garment manufacturing	US$1,126,322	–	100%	100%
Tristate Trading (Hong Kong) Limited	Hong Kong	Hong Kong	Garment trading and manufacturing	HK$1	–	100%	100%
Tristate Tri-novation Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Tristate Tri-novation Hong Kong Limited	Hong Kong	Hong Kong	Investment holding	HK$1	–	95%	95%
Tristate Trinovation IP SA *(Note (iv))*	Switzerland	Switzerland	Trademark holding and licensing	CHF100,000	–	95%	95%
Tristate US Inc.	United States of America	United States of America	Branded product distribution and retail	US$1	–	100%	100%
Tristate UK Ltd	England	England	Retail store operation	GBP1,000	–	95%	95%
TT&Co Asia Limited	Hong Kong	Hong Kong	General trading	HK$10,000	–	100%	100%
Upgain (Vietnam) Manufacturing Company Limited	Vietnam	Vietnam	Garment manufacturing	US$4,000,000	–	100%	100%
Velmore Holdings Limited	England	England	Investment holding	GBP558,335.60	–	100%	100%
Velmore Limited	England	England	Design and customer support services	GBP30,000	–	100%	100%
Winner Wealth Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%

Notes:

(i) A wholly foreign owned enterprise established in the PRC.

(ii) The holders of the preferred shares are entitled to receive the same dividends as the common shares and have no right to vote at any general meeting of the company. The preferred shares are redeemable subject to the terms and conditions determined by the board of directors of the company and have preference over common shares in the distribution of assets of the company in the event of liquidation.

(iii) The holders of the deferred shares are not entitled to receive any dividends or other distributions and have no right to vote at any general meeting of the company. They are not entitled to participate in any profits or assets of the company unless upon a winding up, in that case, the holders of the deferred shares have the right to receive the amount paid up on such deferred shares to be paid out of the surplus assets of the company in accordance with its articles of association.

(iv) Tristate Trinovation IP SA (formerly incorporated in Luxembourg and known as Tristate Trinovation IP S.à r.l,) has carried out outbound migration from Luxembourg to Switzerland with effect from 29 June 2021, and the date of registration in Switzerland is 5 August 2021.

None of the subsidiaries had any loan capital in issue at any time during the years ended 31 December 2022 and 2021.