TRISTATE

Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Annual Report 2024

Stock code: 458

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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 Audit Committee)
MAK WANG Wing Yee, Winnie
James Christopher KRALIK

Nomination Committee

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

Remuneration Committee

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

Share Option Committee

WANG Kin Chung, Peter
(Chairman of 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

Reed Smith Richards Butler LLP *(Hong Kong Law)*
Appleby *(Bermuda Law)*

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Citibank, N.A.
Hang Seng Bank, 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

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Tristate Holdings Limited
5th Floor, 66-72 Lei Muk Road
Kwai Chung, New Territories
Hong Kong
Tel : (852) 2279-3888
Fax : (852) 2423-5576
Email : cosec@tristateww.com

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

Appleby Global Corporate Services (Bermuda) Limited
Canon's Court
22 Victoria Street
PO Box HM 1179
Hamilton HM EX
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
Tel : (852) 2862-8555
Fax : (852) 2865-0990/2529-6087

Five-Year Financial Summary

	2024 ***HK$'000***	2023 *HK$'000*	2022 *HK$'000*	2021 *HK$'000*	2020 *HK$'000*
Consolidated Statement of Profit or Loss					
Revenue	**4,183,746**	4,215,667	3,731,194	3,037,662	2,277,114
Profit/(loss) for the year attributable to:					
Equity shareholders of the Company	**156,015**	171,232	30,772	21,134	(169,437)
Non-controlling interests	**6,924**	8,941	9,052	8,063	2,646
Profit/(loss) for the year	**162,939**	180,173	39,824	29,197	(166,791)
Basic earnings/(loss) per share attributable to equity shareholders of the Company	**HK$0.57**	HK$0.63	HK$0.11	HK$0.08	HK$(0.62)

	At 31 December 2024 ***HK$'000***	At 31 December 2023 *HK$'000*	At 31 December 2022 *HK$'000*	At 31 December 2021 *HK$'000*	At 31 December 2020 *HK$'000*
Consolidated Statement of Financial Position					
Non-current assets	**1,191,504**	1,272,954	1,321,384	983,859	1,112,347
Current assets	**1,784,754**	1,843,724	1,754,825	1,430,878	1,128,693
Current liabilities	**976,980**	1,107,123	1,225,123	890,961	697,620
Net current assets	**807,774**	736,601	529,702	539,917	431,073
Total assets less current liabilities	**1,999,278**	2,009,555	1,851,086	1,523,776	1,543,420
Non-current liabilities	**743,355**	804,497	811,608	487,559	505,218
Net assets	**1,255,923**	1,205,058	1,039,478	1,036,217	1,038,202
Total equity attributable to equity shareholders of the Company	**1,227,451**	1,180,201	1,020,151	1,025,942	1,035,990
Non-controlling interests	**28,472**	24,857	19,327	10,275	2,212
Total equity	**1,255,923**	1,205,058	1,039,478	1,036,217	1,038,202

Chairman's Statement

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Our Business

I am pleased to present to shareholders the annual results for the year ended 31 December 2024 of Tristate Holdings Limited. In this year, the Group reported a revenue of HK$4,184 million and profit attributable to equity shareholders of HK$156 million, compared to HK$4,216 million and HK$171 million respectively a year earlier. The decrease in profit was largely attributable to the increase in losses of our brands business combined.

Building on our solid foundations, over the years, the Group has successfully implemented the strategy of expanding our brands business. With the success of our own brand C.P. Company and the signing of long-term agreements for licensed brands, the aggregate revenue of our brands business has already accounted for around one-half of the Group's total revenue. Besides, our garment manufacturing business has proven its success and resilience over the years by overcoming market challenges. This business continued to contribute strong profits and cash flow to support the Group.

In the reporting year, our garment manufacturing business continued to deliver strong revenue and bottom-line results, driven by increased customer orders. To cope with the increase in demand, we had expanded the capacity of our Vietnam factory in 2024 and will look for further expansion of our Vietnam capacity in 2025.

In 2024, despite the fashion market slowdown, C.P. Company was able to maintain a stable revenue stream and its revenue was largely flat at constant exchange rates compared to last year. On different channels, wholesale sales in Europe dropped by 6% in 2024 while e-commerce and retail sales saw revenue growth. Italy, the United Kingdom and France remained as the largest contributors to the wholesale revenue of C.P. Company. In the year, the brand added three more direct retail stores in Hamburg, Metzingen and Serravalle. Also, the brand had taken over the management of its e-commerce platform from a third party partner. This helped enhance brand performance and contribution margin of its e-commerce business. During the year, the Group enlarged its product offerings by the addition of Massimo Osti Studio, a contemporary label honoring and building on the legacy of the late Italian designer Massimo OSTI, the founder of C.P. Company. The MASSIMO OSTI brand has been focusing on fabric research, experimental silhouettes, functional shapes and innovative industrial processes. Overall, C.P. Company's profit in 2024 was lower than last year, mainly due to increased marketing spending and increase in personnel expenses for business expansion.

In 2024, China's weak domestic market and selective consumer spending affected the revenue of our licensed brands in China. Nautica's revenue dropped by 20% this year compared to the post-pandemic boom in 2023. In response to the challenging retail environment, the brand had adjusted store composition and closed underperforming stores in the year. This optimisation measure and other cost control initiatives helped mitigate part of the revenue drop impact. Overall, Nautica's net loss in 2024 increased over last year.

Spyder's revenue was reduced by 10% and recorded a flat result compared to last year.

Reebok's revenue decreased by 19% in 2024 compared to last year amid the challenging retail market in China. The Group has performed a strategic review of its licensed brands portfolio and business objectives and has been assessing how best we could allocate resources across our licensed brands portfolio to support the long-term growth of the Group. As part of this review, the Group has taken into consideration adjustments to its Reebok business strategy, which may include changes to, or shortening of the licence term of, the current licensing arrangement of this brand. Net loss of the brand in 2024 was lower than last year mainly due to less impairment loss recognised in the year and stringent cost control.

Chairman's Statement

Our Performance

Brands business

Revenue from the brands business was HK$2,025 million in 2024, down 11% from 2023, and net losses increased over last year.

The Group's own brand C.P. Company recorded merely a low single-digit drop in revenue in 2024 and was largely flat at constant exchange rates compared to last year. The brand's net profit was lower than last year, mainly due to increased marketing spending and increase in personnel expenses for business expansion.

In 2024, our licensed brands business in China was affected by the slowdown in domestic consumption. Nautica's revenue recorded a decline of 20% compared to 2023 with net loss increased over last year. Spyder's revenue dropped by 10% and recorded a flat result compared to last year. Reebok's revenue was down by 19% while net loss was lower than last year.

Garment manufacturing

Revenue from our garment manufacturing business was HK$2,158 million, representing a 12% increase compared to 2023. The business also recorded a strong profit in 2024 compared to last year.

Outlook

The Group is dedicated to strengthening and investing in the long-term success of our business. Our own brand C.P. Company has a solid business foundation and has been focusing on implementing new strategies to achieve breakthroughs and further growth and development. In the new year, the Group will continually exert every effort to increase brand awareness, expand customer segment and create brand momentum for C.P. Company amid a soft market. We will continue to focus on existing key wholesale markets and further expand the distribution network in Europe and other overseas markets, while increasing dedicated efforts in expanding through e-commerce and direct retail channels.

On our licensed brands business, we are positive on the outdoor segment. For Nautica and Spyder, we will continue to elevate the brand image, expand new product lines and categories, increase sell-through and improve supply chain performance. We will also keep controlling the operating costs. The Group's strategic change of its Reebok business strategy aligns with our objective to better allocate resources among our licensed brands with a view to achieving a sustainable long-term growth and optimal results of the Group.

On our garment manufacturing business, ongoing economic and global trade uncertainty, slowdown in demand as well as shifting consumer behaviour continue to post challenges to the businesses of our customers and the fashion industry. We will keep streamlining our operations, improving production efficiency through automation, and controlling stringently our 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 customers and respond to their needs. We believe our diversified production base could alleviate the pressure from the global trade conflict.

Against an increasingly challenging economic environment and global trade uncertainty, the Group will keep a firm grip on operating costs. We will continue to focus on operational efficiency improvement, brand innovation and product optimisation to strengthen the Group's competitiveness and drive long-term value creation and sustainable long-term growth of the Group.

Dividends

The board of directors of the Company, after considering the financial position and cash requirement of the Group, recommends for shareholders' approval the payment of a final dividend of HK$0.17 per share. Together with the interim dividend of HK$0.06 per share paid in September 2024, total dividend for the year will amount to HK$0.23 per share.

Appreciation

I would like to take this opportunity to extend my gratitude to my fellow directors, the management team and all 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, 25 March 2025

Management Discussion and Analysis

In this management discussion and analysis, we present the business review and a discussion on the financial performance of Tristate Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2024.

Overview

For the year ended 31 December 2024, the Group recorded profit attributable to equity shareholders of HK$156 million compared to the profit of HK$171 million in 2023. Our garment manufacturing business continued to contribute strong revenue and profit in 2024. The decrease in profit attributable to equity shareholders of the Group in the year was largely attributable to the increase in losses of our brands business combined.

Own Brands

C.P. Company continued to maintain a stable revenue stream in 2024 despite a market slowdown. The brand's revenue recorded merely a low single-digit decline in 2024 and was largely flat at constant exchange rates. In 2024, the economic backdrop and market slowdown caused wholesale sales in Europe to drop by 6% while retail sales and e-commerce saw revenue growth. Italy, the United Kingdom and France remained the largest contributors to C.P. Company's wholesale revenue. On direct retail, at year end, this brand operated eleven directly managed retail stores and outlets in the upmarket streets of London, Milan, Riccione, Amsterdam, Cannes, Lyon, Hamburg, Metzingen, Serravalle, Mendrisio and Noventa di Piave. Our outlet stores have been performing well and confirming value for money is a key consideration of the consumers. On e-commerce, the market is extremely competitive and saturated with markdown items. From May 2024, this brand took over the management of its e-commerce platform from a third party partner. This helped enhance brand performance and contribution margin of our e-commerce business. Overall, the brand's profit contributed to the brands business segment in 2024 was lower than 2023, mainly attributable to increased dedicated marketing spending to further grow brand awareness and increase in personnel expenses for business expansion.

In January 2024, the Group signed a 10-year licence agreement to use certain trademarks and domain names related to the MASSIMO OSTI brand in the manufacturing and distribution of MASSIMO OSTI branded products. This brand pays homage to the work of the late Italian designer Massimo OSTI (the founder of C.P. Company) and his ongoing legacy by redefining the paradigms of modern sportswear and focusing on fabric research, experimental silhouettes, and functional shapes. During the year, the Group's product offerings were enlarged with the addition of the contemporary label, Massimo Osti Studio. Along with the licence, the Group also acquired an option pursuant to which the Group may opt to purchase a 45% stake in MO IP Srl (which holds the MASSIMO OSTI brand) during the option period commencing from January 2027. This option has given the Group the right and opportunity to invest in the ownership of the MASSIMO OSTI brand when its performance becomes more promising in the coming years.

Our unique French concept premium ladies wear Cissonne continued to gradually expand through direct retailing in major cities of China. This brand has now seven stores located in Beijing China World Mall, Shanghai Grand Gateway 66, Shanghai Jiu Guang, Nanjing Deji Plaza, Hangzhou MIXC, Wuhan International Plaza and Shanghai Zhenning Road respectively.

Licensed Brands

In 2024, China's domestic weakness and selective consumer spending affected the revenue of our licensed brands in China. Nautica's revenue dropped by 20% this year compared to the post-pandemic boom in 2023. In response to the challenging retail environment, the brand had adjusted store composition and closed underperforming stores in the reporting year. This optimisation measure and other cost control initiatives helped mitigate partially the revenue decline impact. Overall, Nautica's net loss in 2024 increased over last year. At 31 December 2024, Nautica had 78 directly managed retail stores and another 65 stores operated by partners (2023: 161 stores in total).

Spyder's revenue decreased by 10% and recorded a flat result compared to last year. At 31 December 2024, Spyder had 48 stores across China (2023: 50 stores).

The Reebok China and Hong Kong businesses are primarily direct-to-consumer through mono-brand stores and e-commerce. Reebok's revenue reduced by 19% in 2024 compared to last year amid weak consumer demand. The Group has performed a strategic review of the Group's licensed brands portfolio and business objectives. The Group, in consultation with the licensor, has been assessing how best we could allocate our resources across the licensed brands portfolio to support the long-term growth of the Group. As part of this review, the Group has taken into consideration adjustments to its Reebok business strategy, which may include changes to, or shortening of the licence term of, this brand's current licensing arrangement. These discussions and review reflected the evolving market dynamics and a shared commitment with the licensor to ensure sustainable brand performance. Net loss of the brand in 2024 was lower than last year mainly due to less impairment loss recognised in the year and stringent cost control. At 31 December 2024, Reebok had 36 stores across China (2023: 30 stores).

Garment Manufacturing

In the year under review, our garment manufacturing business continued to report strong revenue and bottom-line results. Our China and Thailand factories are serving our "premium business" for fashion and complicated outerwear products. Our "better business" factories located in Vietnam and Myanmar allow us to stay competitive in cost to support better tailoring products. To cope with the increase in demand, we had expanded the capacity of our Vietnam factory in the first quarter of 2024 and will look for further expansion of our Vietnam capacity in 2025.

Management Discussion and Analysis

Financial Highlights

	Note	2024	2023	Change
Operating results (HK$ million)				
Revenue		**4,184**	4,216	–1%
Gross profit		**1,715**	1,783	–4%
EBITDA		**580**	602	–4%
Depreciation on right-of-use assets	1	**(122)**	(108)	–13%
Interest on lease liabilities	1	**(10)**	(10)	–
Amortisation of licence rights	2	**(52)**	(56)	+7%
Interest on licence fees payable	2	**(49)**	(51)	+4%
Depreciation on owned property, plant and equipment		**(76)**	(76)	–
Impairment of intangible assets		**–**	(46)	+100%
Impairment of property, plant and equipment		**(25)**	(6)	–317%
Income tax charge		**(84)**	(67)	–25%
Profit attributable to equity shareholders		**156**	171	–9%
Segment results (HK$ million)				
Garment manufacturing EBITDA		**317**	280	+13%
Depreciation on right-of-use assets	1	**(11)**	(10)	–10%
Interest on lease liabilities	1	**(2)**	(2)	–
Depreciation on owned property, plant and equipment		**(20)**	(18)	–11%
Garment manufacturing results before tax		**285**	250	+14%
Brands business EBITDA		**225**	304	–26%
Depreciation on right-of-use assets	1	**(104)**	(91)	–14%
Interest on lease liabilities	1	**(8)**	(8)	–
Amortisation of licence rights	2	**(52)**	(56)	+7%
Interest on licence fees payable	2	**(49)**	(51)	+4%
Depreciation on owned property, plant and equipment		**(49)**	(51)	+4%
Impairment of intangible asset		**–**	(46)	+100%
Impairment of property, plant and equipment		**(25)**	(6)	–317%
Brands business results before tax		**(62)**	(5)	–1140%
Cash flow (HK$ million)				
Cash generated from operations		**410**	590	–31%
Income tax paid		**(73)**	(118)	+38%
Payment for the purchase of property, plant and equipment		**(95)**	(98)	+3%
Rental payments under capitalised leases	1	**(144)**	(120)	–20%
Dividend paid		**(71)**	(20)	–255%
Financial position (HK$ million)				
Cash and bank balances		**467**	463	+0.9%
Bank borrowings		**–**	33	+100%
Total equity		**1,256**	1,205	+4.2%
Gross profit margin		**41.0%**	42.3%	–1.3pp
Net profit margin attributable to equity shareholders		**3.7%**	4.1%	–0.4pp
Return on average equity ("**ROE**")	3	**12.7%**	15.3%	–2.6pp

Notes:

1. Under Hong Kong Financial Reporting Standard 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 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 classify rentals paid under the capitalised leases as financing cash outflows.

2. Licence related amortisation and imputed interest on licence fees payable are non-cash items recognised in accordance with accounting policy for our long-term licences – Nautica, Spyder and Reebok.

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

Financial Review

Revenue

Total revenue of the Group for the year was HK$4,184 million, compared to HK$4,216 million in 2023.

Revenue from our brands business amounted to HK$2,025 million in 2024, down 11% compared to HK$2,283 million in 2023. Revenue of C.P. Company remained strong and was largely flat at constant exchange rates in 2024. The wholesale business in Europe dropped by 6% while retail sales and e-commerce saw revenue growth. The revenue of our licensed brands in China was affected by the weak consumer spending and decreased by 10% to 20% in 2024 compared to last year.

Revenue from garment manufacturing business in the year reached HK$2,158 million compared to HK$1,933 million in 2023. Revenue from premium business, which accounted for 70% (2023: 71%) of the segment revenue, increased 10% compared to last year. Revenue from better business also grew 17% over 2023.

Geographically, major markets of the Group are the People's Republic of China ("**PRC**"), the United Kingdom, Canada and Italy, and which accounted for 29% (2023: 32%), 25% (2023: 22%), 13% (2023: 9%) and 9% (2023: 13%) of the Group's total revenue respectively. The change in proportion among different geographical markets this year was mainly due to the increase in revenue from certain garment manufacturing customers while decrease in revenue from our brands business.

In this reporting year, the Group's business tends to be skewed towards the second half year mainly due to the seasonality effect for Fall/Winter and holiday seasons shipment for both our garment manufacturing and brands business. The Group expects that the pattern of a larger proportion of sales record in the second half year will continue with such order pattern from customers.

Gross Profit

During the year, the Group's overall gross profit recorded at HK$1,715 million (2023: HK$1,783 million), representing a gross profit margin of 41.0% (2023: 42.3%). The decrease in gross profit was mainly attributable to the decreased turnover. The gross profit margin of the garment manufacturing business slightly decreased compared to last year due to the change of customer revenue mix. The gross profit margin of our brands business was improved compared to last year. Both the gross profit margin of C.P. Company and our licensed brands rose due to better sourcing management and increased production by our own factories. Overall, the Group's overall gross profit margin dropped slightly in 2024 due to the rise in revenue proportion of the garment manufacturing business.

Other Net Gain/(Loss)

In 2024. included in other net gain/(loss) was a gain of HK$21 million arising from disposal of certain unused leasehold land use right and ancillary building in China. The disposal consideration of RMB20 million was determined with reference to a property valuation report issued by an independent PRC valuer. The subject leasehold land and ancillary building were unused by the Group and thus the disposal did not affect the Group's operation.

In 2024, other net gain/(loss) also included impairment losses on property, plant and equipment totaling HK$25 million (2023: impairment losses on intangible assets and property, plant and equipment totaling HK$52 million), of which HK$13 million was relating to impairment for Reebok (2023: HK$49 million relating to Reebok).

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly retail shop expenses, advertising and promotion, commissions to retail partners and sales agents, and brand licence rights amortisation. Selling and distribution expenses decreased compared to 2023 mainly due to less retail partners commissions and shop expenses paid for Nautica following the store optimisation and reduced agency commissions for C.P. Company.

General and Administrative Expenses

General and administrative expenses rose as compared to 2023. This was mainly due to increased payroll costs for C.P. Company's business expansion and general pay rise.

Income Tax Charge

Income tax was charged on profits of our garment manufacturing and C.P. Company business. Income tax charges increased compared to 2023 mainly because in this year the Group recorded tax underprovided for previous years and income tax was attributable to entities at different tax rates in these two years.

Segment Results

Our garment manufacturing business recorded an increase in profit in 2024 compared to 2023. In 2024, the loss of our brands business collectively increased compared to last year. C.P. Company's profit was lower than 2023 mainly due to increased marketing spending and payroll costs rise for business expansion. The operating loss of Nautica increased due to revenue drop while Spyder delivered a flat result. Reebok reported a lower loss in 2024 mainly due to less impairment loss recognised in this year and cost control.

Financial Resources and Liquidity

At 31 December 2024, cash and bank balances amounted to HK$467 million (31 December 2023: HK$463 million) which mainly represented United States dollars ("**US dollars**"), Euro and Renminbi bank deposits and balances.

The Group maintained sufficient banking facilities to support its business. At 31 December 2024, the Group had no outstanding short-term bank borrowings (31 December 2023: short-term bank borrowings of HK$33 million denominated in Renminbi and bearing interest at fixed rates). At 31 December 2024, bank deposits of HK$11 million (31 December 2023: HK$10 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 any net borrowing at 31 December 2024 and 31 December 2023, and accordingly, no information on gearing ratio at that dates is provided.

For cash flow generation, the Group generated lower cash inflow from operations in 2024 than 2023 due to slowdown of our brands business and increased working capital requirement. On working capital, inventories at 31 December 2024 were higher than a year earlier as the Group had been reducing brands business inventories during 2023 after the pandemic.

Shareholders' equity at 31 December 2024 increased over 2023 mainly due to profit attributable to equity shareholders for the year, partially reduced by dividends paid during the year and unfavourable exchange difference on translating financial statements of subsidiaries outside Hong Kong, mainly from the weakness of Euro against Hong Kong dollar 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 reporting year, the Group had forward foreign exchange contracts to hedge against the foreign exchange exposures arising from Renminbi manufacturing costs 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 were no other material capital commitments or contingent liabilities at 31 December 2024.

Human Resources

The Group had about 6,530 employees at 31 December 2024 (2023: 6,370). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance are also awarded discretionary bonuses and share options.

Outlook

Our own brand C.P. Company has a solid business foundation and has been focusing on implementing new strategies to achieve breakthroughs and further growth and development. Amid a soft market, the Group will continually exert effort to grow brand awareness, expand customer segments and create brand momentum through marketing initiatives and collaborations. We will continue to focus on existing key wholesale markets and further expand the distribution network in Europe and other overseas markets, while increasing our dedicated efforts in expanding through e-commerce and direct retail channels.

On our licensed brands business, we are positive on the outdoor segment. For Nautica and Spyder, we will continue to elevate brand image, expand new product lines and categories, increase sell-through and improve supply chain performance. We will also keep controlling the operating costs. The Group's strategic change of its Reebok business strategy aligns with our objective to better allocate resources among our licensed brands with a view to achieving sustainable long-term growth and optimal results of the Group.

Our garment manufacturing business delivered a strong performance in 2024. Looking ahead, economic and global trade uncertainty, slowdown in demand as well as shifting consumer behaviour are challenges to the businesses of our customers and the fashion industry. To remain competitive and flexible, we will continue to streamline our operations and improve efficiency. Our diversified production base, unique production system together with flexible supply chain will enable us to work closely with our customers and respond to their needs. To cope with the US-China trade tensions, we are seeking further capacity expansion in Vietnam. We believe our diversified production base could alleviate the pressure from the global trade conflict.

The Group is dedicated to continually strengthening its own capability to strive for the long-term success of our business. The Group has adequate cash and available bank credit facilities to finance working capital and operational requirements. As we navigate an increasingly challenging global macroeconomic environment and uncertainty for global trade, the Group will keep a firm grip on operating costs. We will continue to focus on operational efficiency improvement, brand innovation and product optimisation to strengthen the Group's competitiveness and drive long-term value creation and sustainable long-term growth of 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 implements robust business processes to mitigate the risks. Existing and emerging risks are identified, evaluated and tracked regularly by the 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	Environmental 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. Changes 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 of directors. • Quarterly financial performance and forecast are reported to the board of directors. • Internal review between business unit heads and corporate finance team on monthly financial performance. • Monthly rolling forecast review where annual budget will be compared to 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 for the licensed products.	• Our factories are located in different countries and produce a wide range of products with different price levels. • Ongoing strategy in developing our own brands and the long-term licensed brands business will help sustain the revenue of our brands business.
Regulatory Risks	
• The Group is increasingly subject to a broad range of changing legal, tax, and regulatory requirements in various jurisdictions in which the Group operates. New and changing policies or their 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.

Management Discussion and Analysis

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 our garment manufacturing business, the Group earns cut and make profit. Increased cost in fabric material has little impact on the Group. • Diversification of factories and supply chain in various countries in Asia and production process improvements will help offset the rise in wages and staff costs.
Environmental and Social Responsibility	
• Failure to comply with applicable laws, regulations or standards related to environmental and social responsibility may adversely impact our employees, lose production time and attract negative media attention and regulators' interest.	• The Group manages internal controls over our significant environmental aspects with an aim to enhance the efficiency of resource utilisation and reduce environmental emissions in our business operations. • Applying the principle of equal opportunity in all our 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-shops.	• Appropriate controls and technology have been deployed to mitigate the risk of system outages and cyberattacks. They include preventive system maintenance, regular security checks, installation of firewall 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, and 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-shops, the safety of the systems underlying the e-shops and the protection of 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.	• Proactive sourcing of suppliers in different countries and regional production facilities will help reduce the reliance on any single site. • Constant communications with customers to keep 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.	• The Group closely monitors 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. • The Group closely monitors the movement of market interest rates and consider interest rate hedging when necessary.
Foreign Exchange	
• The Group has operations in PRC, Europe, North America and various Asian countries. It earns revenue, 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 PRC are both subject to the rules and regulations of foreign exchange in 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 PRC and remits surplus Renminbi out of PRC.

Relationship with Business Partners and Stakeholders

Relationship with Customers

The Group maintains long-term relationships with customers of our garment manufacturing business and brands 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 any 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 to ensure they 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 supports different kinds of leadership development programme.

Compliance with Relevant Laws and Regulations

We uphold high standards of governance and compliance and meet relevant requirements under applicable laws and regulations when conducting our business. We were not aware of any material non-compliance of relevant standards, laws 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 corporate citizen, the Group is committed to supporting various charitable events, including making donations in relation to education, disaster relief and for the less-privileged, in particular supporting local society needs where members of the Group are located for the long term. Since 2015, the Company has been participating in the Caring Company Scheme and we also donated to support The Salvation Army for her various charitable activities in the year. Please refer to the "Environmental, Social and Governance Report" of this annual report for details of our initiatives on environmental and social aspects and related performance.

Corporate Governance Report

Tristate Holdings Limited (the "**Company**") is committed to upholding the highest standards of corporate governance and maintaining effective internal control and risk management systems for the Company and its subsidiaries (collectively, the "**Group**"). The Company believes that good corporate governance is essential for enhancing accountability and transparency when formulating business strategies, managing sustainable operations and realising the corporate values of the Company. Within our corporate governance framework, the board of directors of the Company (the "**Board**") executes strategies, makes decisions and builds the business of the Group.

Compliance with Corporate Governance Code

Throughout the year ended 31 December 2024, the Company had applied the principles and complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 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.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year ended 31 December 2024 and up to the date of this report, Mr. WANG Kin Chung, Peter is the Chairman of the Board and the Chief Executive Officer, which constitutes a deviation from the said code provision C.2.1. Mr. WANG Kin Chung, Peter has been with the Group since 1999 and has extensive experience in the garment industry. He leads the Board in formulating the overall strategic planning and promoting the business development of the Group. The Board considers that it is in the interest of the Group to have Mr. WANG Kin Chung, Peter to hold both the offices of the Chairman of the Board and the Chief Executive Officer so that the Board can enjoy the benefit of a chairman who is knowledgeable about the business of the Group and capable of guiding discussions and briefing the Board in a timely manner on key issues and developments.

Corporate Culture

The core values of the Company are courage to overcome challenges, integrity, persistence, respect and accountability. The Board embraces a corporate 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.

Our culture and values are embedded throughout all business units of the Group, shaping our corporate policies, business strategies, operating practices, and stakeholder relationships, which, coupled with our well established governance framework, disciplined risk management and effective internal controls, enables the Group to develop a sustainable business that is able to create long-term values for our shareholders.

The Board

Board Composition

The Company is steered by an effective Board which assumes responsibility for leadership and control and is collectively responsible for promoting the Group's success by directing and supervising its affairs. The directors of the Company (the "**Directors**") make 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 determining all important matters, including (among others) the approval of interim and annual results and reports and financial statements, dividend, business plan, annual budget, and financial policies.

At the date of this report, our Board comprises eight Directors, including one Executive Director, namely Mr. WANG Kin Chung, Peter, who is also the Chairman of the Board and the Chief Executive Officer; 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" 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 had reviewed the structure, size and composition of the Board and the four Board committees currently in place, and after giving due regard to the scale and complexity of the Group's business and affairs, considered that the Board and the four Board committees each maintained an optimal structure with an appropriate balance of skills, experience and diversity of perspectives to ensure its effectiveness.

Chairman of the Board and Chief Executive Officer

Mr. WANG Kin Chung, Peter is both the Chairman of the Board and the Chief Executive Officer. This constitutes a deviation from code provision C.2.1 of the CG Code. The reason for the deviation has been explained above.

Non-Executive and Independent Non-Executive Directors

The Non-Executive and Independent Non-Executive Directors offer to the Group their diversified skills, experience and expertise. Their views and participation in meetings of the Board and the Board committees can bring constructive analysis and independent judgement on management proposals, scrutinise the Group's performance against business goals, ensure the Board maintains high standards of financial reporting and regulatory compliance, and provide adequate check and balance to safeguard the interests of the Company and its shareholders.

Board Independence

At the date of this report, four out of eight of our Board members are Independent Non-Executive Directors. Independence weighting of the Board is 50% and such a strong independent element reflects the objectivity of the Board's decisions, thereby protecting the interests of our minority shareholders.

The Company has received from each of our Independent Non-Executive Directors a written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. Based on the independence guidelines set out in the said Rule 3.13, the Nomination Committee had assessed and considered that all of our Independent Non-Executive Directors remained independent.

Mechanisms regarding Independent Views to the Board

The Board has established different mechanisms to secure that independent views are available to the Board. 50% (4 out of 8) of our Board members are Independent Non-Executive Directors and such a high proportion helps ensure that their views and opinions carry weight inside the Board room.

The Independent Non-Executive Directors participate actively in the meetings of the Board and the Board committees to provide their opinions and act objectively for the benefit of the Company and its shareholders as a whole. The Chairman of the Board holds meetings with the Independent Non-Executive Directors every year to listen to their views. The Nomination Committee conducts 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 biased decision-making or compromising 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 the 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 the Independent Non-Executive Directors to the Group's affairs. The Independent Non-Executive Directors can also approach the Chairman of the Board and the Chief Executive Officer, the Chief Financial Officer as well as other management members of the Group for raising questions or expressing viewpoints.

The implementation and effectiveness of the above-mentioned mechanisms is subject to annual review. In this regard, the Board had reviewed and considered that the above mechanisms were properly and effectively implemented in the year.

Nomination, Appointment and Election/Re-election of Directors

The Board will consider the recommendation of the Nomination Committee when deciding the appointment, election or re-election of Director. The Nomination Committee has the duties to solicit and identify potential candidates for directorship in accordance with the nomination criteria set out in the nomination policy of the Company (the "**Nomination Policy**").

According to the Nomination Policy, the Nomination Committee, when considering the nomination of a candidate for directorship or a proposed election/re-election of a Director, will have regard to the following factors:

(a) including, but not limited to, gender, age, ethnicity, cultural and educational background, professional experience, skills, knowledge, personal qualities such as integrity, honesty and good repute and such other qualities as listed in the Company's board diversity policy (the "**Board Diversity Policy**");

(b) how the candidate or the elected/re-elected Director can contribute to the Board, including (without limitation) contribution to the diversity of the Board;

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

(d) potential/actual conflicts of interest that may arise if the candidate or the elected/re-elected Director is selected;

(e) in the case of a proposed appointment or election/re-election of an Independent Non-Executive Director, he/she must as a minimum satisfy the independence requirements set out in the Listing Rules from time to time;

(f) in the case of a proposed election/re-election of an Independent Non-Executive Director, the number of years of services; and

(g) other factors considered by the Nomination Committee to be relevant on a case-by-case basis.

All the Non-Executive and Independent Non-Executive Directors were appointed for a specific term of three years, except Professor Chen LIN whose existing term is from 13 February 2023 (date of appointment) up to 31 December 2025.

All the Non-Executive and 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 bye-laws of the Company. The Executive Director (who is the Chairman of the Board) is not subject to retirement by rotation but will retire voluntarily and stand for re-election once every three years at annual general meetings to uphold good corporate governance. In addition, any Director appointed by the Board shall hold office only until the first annual general meeting of the Company after his/her appointment, and shall then be eligible for re-election. Re-election of Director (including any 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, Ms. MAK WANG Wing Yee, Winnie (Non-Executive Director) and Mr. James Christopher KRALIK (Independent Non-Executive Director) will retire by rotation, and being eligible, will offer themselves for re-election. Both of them, including Mr. James Christopher KRALIK (who has served on the Board for more than nine years) will be re-elected by separate resolutions. The Nomination Committee had reviewed and the Board had endorsed the recommendations to the shareholders to re-elect each of Ms. MAK WANG Wing Yee, Winnie and Mr. James Christopher KRALIK as a Director at the forthcoming annual general meeting.

Diversity

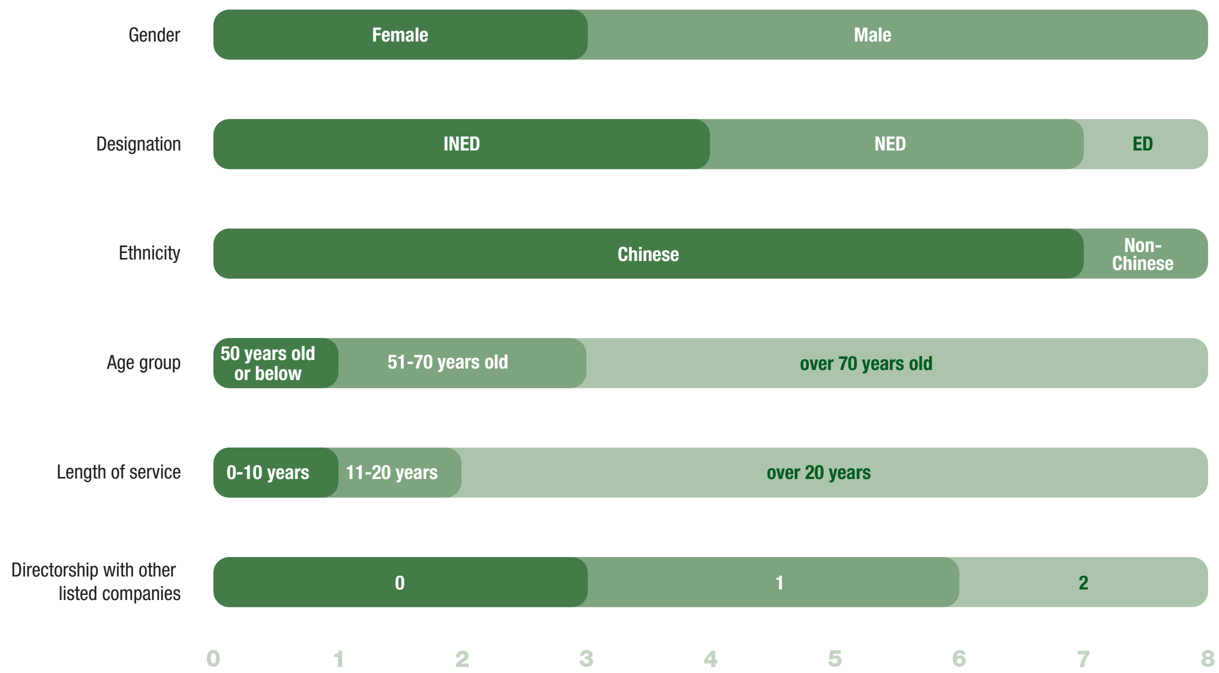
Board Diversity

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of the Board's performance. According to the Board Diversity Policy, the Board will consider a number of factors such as gender, age, ethnicity, cultural and educational background, professional experience, skills and knowledge in determining diversity. The Board Diversity Policy is reviewed annually by the Board to ensure its proper implementation and effectiveness.

Our Board members come from different cultural and educational backgrounds, comprising business executives, corporate finance and accounting professionals, and digital marketing expertise. The Board had reviewed members' diversity by reference to the Board Diversity Policy in the year. The Board considers that the skills, knowledge and experience possessed by the current Board members are optimal and desirable for effective decision-making and execution of business strategies.

On gender, female Directors account for approximately 38% of the Board members. This percentage is aligned with the Board's objective to achieve gender diversity and thus the Board considers that gender diversity at Board level has been achieved. Current female representation is sufficient to ensure views of the female Directors are being heard.

An analysis of our Board diversity is set out below:



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

Diversity across Workforce

At workforce level, the Group employed about 6,530 employees (including the senior management) at 31 December 2024, among which approximately 21% were male and approximately 79% were female. At 31 December 2024, there were five senior management (whose names are shown in the "Directors' and Senior Management's Profiles" of this annual report) and male-to-female ratio of the senior management was 1:4. The Group has relatively larger female workforce compared to male which reflects the industry pattern that most garment workers are women. Nevertheless, the Group pursues equal job opportunities for male and female in recruitment, staff development and promotion. In our succession planning, the Group will also put sufficient consideration and emphasis on enhancing gender diversity across the workforce.

Directors' Commitments

The Directors are committed to devoting sufficient time and attention to their duties and the Group's affairs. In this regard, the Company requires each Director to disclose, at the time of appointment and on an annual basis, the number and nature of offices held in public companies or organisations and other significant commitments with an indication of the time involved.

Written procedures are in place for Directors to seek independent professional advice as required at the expense of the Company to properly discharge their duties.

Induction and Development

Every newly appointed Director will receive a comprehensive and tailored induction on appointment. After onboarding, new Director will be given a briefing arranged internally and/or externally by legal adviser, to enable such new Director to gain a thorough understanding of the business, operations and governance policies of the Group as well as director's role and responsibilities under the Listing Rules and other applicable laws and regulations.

All Directors are encouraged to participate in continuous professional development to develop and refresh their skills and knowledge. Each Director is required to provide to the Company his/her training record annually. The Group will organise training for Directors as required and Directors will be given timely updates on the latest developments of the Listing Rules and other regulatory requirements.

During the year ended 31 December 2024, continuous professional development undertaken by the Directors is as follows:

Directors	Types of training
Executive Director	
Mr. WANG Kin Chung, Peter	A, C
Non-Executive Directors	
Ms. WANG KOO Yik Chun	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, B, C
Mr. Peter TAN	A, C
Professor Chen LIN	A, C

Notes:

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

B: giving speech at seminars and/or conferences

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

Board Process

Regular Board meetings are held four times a year roughly at quarterly intervals and ad hoc Board meetings are convened as and when required. Dates of regular Board meetings are scheduled a year before to facilitate Directors' planning for their attendance. In addition, notice of at least fourteen days is given for each regular Board meeting and reasonable notice is given for each ad hoc Board meeting. The Directors are given the opportunity to include matters for discussion into the agenda. Participation through video-conferencing or telephone conferencing will be arranged for those Directors who cannot join the meeting in person.

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

Minutes of meetings of the Board and the Board committees are kept by the company secretary of the Company. Draft minutes of meetings are circulated to the Directors/Board committee members for comment within a reasonable time after the meetings are held. Final/signed versions of minutes of meeting are circulated to all Directors for information and records.

Directors' Meeting Attendance

During the year ended 31 December 2024, five meetings of the Board and five meetings of the Board committees were held. Attendance of each Director at Board/Board committee meetings held in the year as well as the last annual general meeting of the Company held on 24 June 2024 ("**2024 AGM**") is set out below:

	Number of meetings attended/eligible to attend				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	2024 AGM
Executive Director					
Mr. WANG Kin Chung, Peter	5/5	–	1/1	–	1/1
Non-Executive Directors					
Ms. WANG KOO Yik Chun	0/5	–	–	–	0/1
Ms. MAK WANG Wing Yee, Winnie	5/5	3/3	–	1/1	1/1
Dr. WANG Shui Chung, Patrick	4/5	–	–	–	0/1
Independent Non-Executive Directors					
Mr. LO Kai Yiu, Anthony	5/5	3/3	1/1	1/1	0/1
Mr. James Christopher KRALIK	4/5	3/3	1/1	1/1	1/1
Mr. Peter TAN	5/5	–	–	1/1	0/1
Professor Chen LIN	4/5	–	–	–	0/1

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, each of which assists the Board in discharging certain aspects of its duties. Each of these Board committees is governed by its own written terms of reference. The written terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are published on the website of the Company and the HKEXnews website of Hong Kong Exchanges and Clearing Limited in accordance with the requirements of the Listing Rules.

Audit Committee

The Audit Committee is primarily responsible for reviewing the Company's financial information, overseeing the Company's financial reporting, risk management and internal control systems, and making relevant recommendations to the Board.

A majority of members (including the chairman) of the Audit Committee are Independent Non-Executive Directors. During the year ended 31 December 2024 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 possesses appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

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

The Audit Committee is provided with sufficient resources to perform its duties, and its members may seek independent professional advice in appropriate circumstances at the Company's expense.

During the year ended 31 December 2024, the Audit Committee held three meetings and a summary of work performed is set out below:

(i) reviewed the 2024 annual budget;

(ii) reviewed the 2024 internal audit plan;

(iii) reviewed the annual results announcement, annual report and audited consolidated financial statements of the Company for the year ended 31 December 2023 and recommended the same to the Board for approval;

(iv) reviewed the independence, quality of work and performance of the external auditor; discussed with the external auditor the nature and scope of its work, including the annual audit plan for the year ended 31 December 2024;

(v) approved the audit and non-audit services fees of the external auditor;

(vi) reviewed the pre-concurred services scope and fee cap of the non-audit services policy and the non-audit services provided by the external auditor in the year;

(vii) made recommendation to the Board on the re-appointment of the external auditor by shareholders of the Company at the 2024 AGM;

(viii) reviewed the interim results announcement, interim report and unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2024 and recommended the same to the Board for approval;

(ix) conducted annual review of the internal control and risk management systems and periodic review of the internal audit progress reports;

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

(xi) monitored the implementation of the whistleblowing policy;

(xii) 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

(xiii) reviewed compliance and regulatory issues of the Group.

Attendance of each member at the Audit Committee meetings held in the year is set out in the paragraph headed "Directors' Meeting Attendance" above.

Representatives of the external auditor attended two Audit Committee meetings in the year where the annual results and interim results of the Company were reviewed respectively by the Audit Committee.

Remuneration Committee

The Remuneration Committee is primarily responsible for making recommendations to the Board on the Company's policy and structure for remuneration of the Directors and the senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. It is also responsible for making recommendations to the Board on the remuneration of the Non-Executive and Independent Non-Executive Directors, determining (with delegated responsibility) the remuneration packages of the Executive Director and the senior management, and reviewing and/or approving matters relating to share schemes under the Listing Rules.

A majority of members (including the chairman) of the Remuneration Committee are Independent Non-Executive Directors. During the year ended 31 December 2024 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

The Remuneration Committee is provided with sufficient resources to perform its duties, and its members may seek independent professional advice in appropriate circumstances at the Company's expense.

During the year ended 31 December 2024, the Remuneration Committee held one meeting and a summary of work performed is set out below:

(i) made recommendation to the Board on the increase of fees for the Non-Executive and Independent Non-Executive Directors;

(ii) approved the remuneration packages of the Executive Director and the senior management;

(iii) made recommendation to the Board on grant of options; and

(iv) reviewed the remuneration policy as set out in this corporate governance report.

No Director was involved in deciding his/her own remuneration.

With regards to the grant of options in (iii) above, the Remuneration Committee reviewed the proposed grant of 708,000 options to three grantees who were employees and directors of certain subsidiaries of the Company. When reviewing the vesting arrangements, the Remuneration Committee considered that the share option scheme did not provide any restriction on the vesting period of options and that (a) only the first tranche (being 25%) of the options granted had a vesting period shorter than 12 months; (b) the options were granted based on the grantees' past performance achievements for the last financial year; and (c) the options granted constituted part of the performance awards to the grantees for the last financial year. Therefore, the Remuneration Committee was of the view that the relevant vesting arrangements (i.e. the vesting period of 25% of the options granted was shorter than 12 months) were appropriate for retaining, incentivising, rewarding, remunerating and compensating valuable employees and such grant of options had aligned with the purpose of the share option scheme. Since the options granted were determined by reference to the performance targets achieved by the grantees for the last financial year, and the value of the options would be subject to future market price of the shares of the Company, which, in turn, would depend on the business performance of the Group to which the relevant grantees would directly contribute, the Remuneration Committee was of the view that such grant of options had already aligned the interests of the grantees with that of the Company and its shareholders as a whole and hence no additional performance target would be required to be attached to such options on vesting. Save for reviewing and recommending to the Board the said grant of options, the Remuneration Committee did not review nor approve any material matters relating to the share option scheme of the Company in the year. Further details of the grant of options in the year are disclosed in the paragraph headed "Share Options" in the "Report of the Directors" of this annual report.

Attendance of each member at the Remuneration Committee meeting held in the year is set out in the paragraph headed "Directors' Meeting Attendance" above.

Nomination Committee

The Nomination Committee is primarily responsible for reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to Board members to complement the Company's corporate strategy, identifying suitable individual for nomination as Director, making recommendations to the Board on the appointment, election or re-election of Directors and succession planning for Directors, and assessing the independence of the Independent Non-Executive Directors.

A majority of members of the Nomination Committee are Independent Non-Executive Directors. Mr. WANG Kin Chung, Peter, Executive Director and the Chairman of the Board, is the chairman of the Nomination Committee. During the year ended 31 December 2024 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

The Nomination Committee is provided with sufficient resources to perform its duties, and its members may seek independent professional advice in appropriate circumstances at the Company's expense.

During the year ended 31 December 2024, 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 and all the Board committees;

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

(iii) made recommendations to the Board on the re-election of those Directors retiring at the 2024 AGM.

Attendance of each member at the Nomination Committee meeting held in the year is set out in the paragraph headed "Directors' Meeting Attendance" above.

Share Option Committee

The Share Option Committee is primarily responsible for executing the Board's decision on grant of options and dealing with related arrangements for exercise of options. Any grant of options will be reviewed by the Remuneration Committee and approved by the Board. During the year ended 31 December 2024 and up to the date of this report, the Share Option Committee comprises Mr. WANG Kin Chung, Peter (Executive Director and the Chairman of the Board) as the chairman, and Ms. MAK WANG Wing Yee, Winnie (Non-Executive Director) as a member. During the year ended 31 December 2024, the Share Option Committee had granted approvals to various arrangements incidental to grant and exercise of options under the share option scheme of the Company by way of three written resolutions.

The Board and the Management

The Company has in place the written terms of reference of the Board and the management specifying those functions reserved by the Board against those delegated to the management with a view to maintaining an optimal balance of their responsibilities. The written terms of reference are subject to periodic review by the Board to ensure that its terms can respond effectively and appropriately to the needs of the Group.

In addition to the written terms of reference, the Board's powers and duties are also stipulated in the bye-laws of the Company. Matters having a critical bearing on the Group, such as approval of interim and annual results, reports and financial statements, declaration of dividend and approval of annual budget, are specifically reserved for decision by the Board. The Board's duties also cover, among others, the corporate governance duties set out in code provision A.2.1 of the CG Code. The Board and individual Directors have separate and independent access to management staff at all levels for making questions and going comments.

The management, led by the Chief Executive Officer, is delegated with the responsibility to execute business strategies decided by the Board and manage on a day-to-day basis the business and affairs of the Group. The management will supply Board members with adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The management also provides Board members with monthly updates on the Group's financial performance.

Remuneration of Directors and Senior Management

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

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

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

In determining the remuneration packages of the Executive Director and the senior management, the Group will consider 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 2024, the Non-Executive and Independent Non-Executive Directors were entitled to annual fees and meeting attendance fees, while the Executive Director, being also the Chief Executive Officer, was not entitled to any director's annual or meeting attendance fee but was paid other director's emoluments including salary, bonus and other benefits to compensate his executive role and duties in the Group. Details of Directors' emoluments for the year ended 31 December 2024 are set out in Note 12 to the consolidated financial statements.

The fees set out below had been reviewed by the Remuneration Committee and applied to Non-Executive and Independent Non-Executive Directors for the year ended 31 December 2024:

(i) Annual director's fee HK$60,000

(ii) Meeting attendance fees

	Participating as chairman/ chairlady *HK$*	**Participating as member** *HK$*
Fee for attending each Board meeting	22,800	22,800
Fee for attending each Audit Committee Meeting	45,500	22,800
Fee for attending each Remuneration Committee meeting	13,700	13,700
Fee for attending each Nomination Committee meeting	36,300	18,200
Fee for attending each Share Option Committee meeting	9,100	9,100
Fee for attending each other Board committee meeting (if any)	36,300	18,200
Fee for attending each independent Board committee meeting (if any)	36,300	18,200

The remuneration of the senior management by band for the year ended 31 December 2024 is set out below:

	Number of individuals
Up to HK$3,000,000	**2**
HK$3,000,001 to HK$6,000,000	**3**
	5

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 the financial statements for each financial period which give a true and fair view of the financial position, the financial performance and the cash flow of the Group. In preparing the financial statements for the year ended 31 December 2024, the Directors had:

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

(ii) made judgements and estimates that were 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 58 to 61 of this annual report.

Auditor's Remuneration

KPMG is the external auditor of the Company. The external auditor may be engaged to provide non-audit services subject to the non-audit services policy adopted by the Audit Committee and only if its independence will not be impaired by such engagement. Under the non-audit services policy, engagement of the external auditor for non-audit services requires prior approval by the Audit Committee except those falling within the pre-concurred scope of services and fee cap stipulated in the policy. The pre-concurred scope of services and fee cap are subject to annual review by the Audit Committee.

For the year ended 31 December 2024, the remuneration in respect of audit and non-audit services provided by the external auditor to the Group is set out below:

	HK$'000	*HK$'000*
Audit		3,683
Non-audit services:		
– Taxation	43	
– Others *(Note)*	428	
		471
Total		4,154

Note:

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

KPMG will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer for re-appointment as the external auditor of the Company. The Board, under the recommendation of the Audit Committee, endorsed its recommendation to the shareholders to re-appoint KPMG as the external auditor of the Company for the ensuing year and authorise the Board to fix the auditor's remuneration.

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 is responsible for the risk management and internal control systems, and having recognised the importance of sound and effective risk management and internal controls, the Board adopted the Enterprise Risk Management framework ("**ERM framework**") to help the Group achieve its business objectives.

Under the ERM framework, a set of policy and procedures has 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. Through the internal audit department, the Board conducts annual review of the effectiveness of the risk management and internal control systems of the Group 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 environmental and social responsibility) and uncertainties is set out in the paragraph headed "Principal Risks and Uncertainties" in the "Management Discussion and Analysis" of this annual report.

The Board, through the Audit Committee and as assisted by the internal audit department, had reviewed the adequacy and effectiveness of the risk management and internal control systems for the year ended 31 December 2024. It was not aware of any major issue of concern and considered the risk management and internal control systems of the Group 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 and financial reporting functions as well as those relating to the Group's ESG performance and reporting.

Internal Audit Function

The Group's 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 internal 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 result of risk assessment.

The tasks performed by the internal audit department during the year ended 31 December 2024 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 the 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 Disclosure Policy

The Board has adopted the inside information disclosure policy to set guidelines for handling inside information with a view to ensuring that inside information of the Group is promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with applicable laws and regulations. Proper safeguards are in place to prevent a breach of the disclosure requirements relating to the Company. 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 are in possession of inside information are obliged to preserve confidentiality until such inside information is properly disclosed to the public.

Whistleblowing Policy and Code of Conduct

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

The Group places great emphasis on employees' ethical standards and integrity in all aspects of its operations and has adopted a comprehensive code of conduct which provides guidance for employees to follow and to act in a proper way. Employees are required to comply with the code of conduct at all times. The code of conduct, complemented by our staff handbook, sets out the Group's policy and procedures regarding prohibition of corruption and bribery in order to promote and support anti-corruption and comply with relevant laws and regulations.

Both the whistleblowing policy and the code of conduct are published on the website of the Company.

Securities Transactions by Directors and Relevant Employees

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 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 2024.

In addition, the Board has adopted the Model Code as written 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 compliance with Board procedures and applicable laws and regulations. All Directors have access to the advice and services of the company secretary.

Ms. CHAN Man Ying, the Chief Financial Officer of the Group, is the company secretary of the Company. Her biographical details are set out in the "Directors' and Senior Management's Profiles" of this annual report. Ms. CHAN Man Ying had undertaken professional training in compliance with Rule 3.29 of the Listing Rules in the year.

Shareholders' and Investors' Relation

Shareholders' Communication Policy

The Board has adopted the shareholders' communication policy which is subject to annual review to ensure its proper implementation and effectiveness. Such policy aims to ensure 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 (including the investment community) to engage actively with the Company. The shareholders' communication policy is published on the website of the Company.

The Company regards its website as a platform to promote effective communications with the shareholders and other stakeholders. The Company will post on its website financial reports, announcements, circulars, notices of meetings and other corporate communications covering business, financial and non-financial information of the Group to keep the shareholders and the public informed of the Group's latest development.

To encourage shareholders' participation in general meetings, they are given sufficient notice of meeting. Dates of important corporate events are highlighted to shareholders on page 24 of this report.

The Company is determined to solicit and understand the views of our shareholders and other stakeholders. Shareholders and other stakeholders may make enquiry on the Company through the company secretary on telephone number (852) 2279-3888 or by email to cosec@tristateww.com.

Given the existence of an open and ongoing communication with our shareholders and other stakeholders on a fair disclosure basis, the Board had reviewed and considered that the shareholders' communication policy was properly implemented and effective in the year.

Annual General Meetings

The Company regards annual general meeting as an important corporate event which provides an opportunity for Board members to meet and communicate directly with our shareholders. The Chairman of the Board, the chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee (or in their absence, their duly appointed delegates) and representative of the external auditor are invited to attend the annual general meeting to address shareholders' queries.

2024 AGM

At the 2024 AGM:

(i) separate resolution was proposed and voted on by poll for each separate issue, including receiving the audited consolidated financial statements, declaring a final dividend, re-electing each retiring Director, re-appointing auditor, granting the share issue mandate, granting the share buy-back mandate, and extending the share issue mandate granted;

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

(iii) Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch registrar, acted as the scrutineer for the poll vote.

2025 Annual General Meeting

The forthcoming annual general meeting of the Company will be held at Room 5A, 5th Floor, 66-72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong on Tuesday, 24 June 2025 at 10:00 a.m. A circular containing the notice of annual general meeting will be sent to the shareholders together with this annual report.

Shareholders' Rights

The Company has laid down written procedures concerning shareholders' rights to request for a special general meeting, put forward proposal at general meetings and send enquiries to the Board. The document explaining such shareholders rights is published on the Company's website and those procedures are summarised below:

1. *Convening a special general meeting*

Shareholders holding at the date of deposit of the requisition 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 of the Company to require a special general meeting 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 head office of the Company in Hong Kong or at the office of the Company's 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 by the Company's Hong Kong branch registrar and upon confirmation that the requisition is proper and in order, the company secretary of the Company will ask the Board to convene a special general meeting 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 special general meeting will not be convened as requested.

Such special general meeting must be held within two months after the deposit of the requisition. If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a special general meeting, 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 special general meeting, but the special general meeting so convened shall not be held after the expiration of three months from the said date.

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 at the date of the requisition a right to vote at the general meeting; or (ii) not less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand 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 of the Company, 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 by the Company's Hong Kong branch registrar and upon confirmation that the requisition is proper and in order, the company secretary of the Company 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 expense 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 for shareholders to propose a person for election of a Director*

In accordance with the bye-laws of the Company, a shareholder of the Company may propose a person for election as a Director by lodging at the head office of the Company in Hong Kong or at the office of the Company's 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 general meeting for which such notice is given of his/her intention to propose such person for election and also a notice in writing signed by the person to be proposed of his/her 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.

The document containing the procedures for shareholders to propose a person for election of a Director is published on the Company's website.

4. ***Sending enquiries to the Board***

Shareholders may send their enquiries to the Board 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 the dividend policy aiming at setting out the principle and factors to be considered when declaring a dividend so as to allow our 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 which, the Board has the discretion, subject to shareholders' approval where applicable, on whether to pay a dividend. Factors to be considered by the Board include financial performance and results of operations; liquidity position and capital requirements; shareholders' interests; current and future operations; dividends received from the Company's subsidiaries and associate; and any other factors deemed relevant.

Subject to the bye-laws of the Company and applicable laws and regulations, the Company will consider declaring dividend on a half-yearly basis from the Company's distributable profits for any particular financial year. In appropriate circumstances, the Company may consider declaring special dividend. Also, the Board has the discretion on the form of payment, such as cash or scrip, and dividend payment date.

Constitutional Documents

There was no change in the Company's constitutional documents during the year ended 31 December 2024.

Changes after Closure of Financial Year

This report has taken into account changes occurred after the closure of the financial year on 31 December 2024 and up to the date of this report.

Important Dates to Shareholders

Set out below are dates of important corporate events for shareholders' information:

Event	Date
Book closure dates for annual general meeting	Thursday, 19 June 2025 to Tuesday, 24 June 2025 (both days inclusive)
Annual general meeting	Tuesday, 24 June 2025
Ex-entitlement date of proposed final dividend	Friday, 27 June 2025
Book closure dates for proposed final dividend	Wednesday, 2 July 2025 to Monday, 7 July 2025 (both days inclusive)
Payment date of proposed final dividend	Thursday, 17 July 2025

Hong Kong, 25 March 2025

Environmental, Social and Governance Report

1 Message from the Chairman

Tristate Holdings Limited (the "**Company**" or "**Tristate**", and together with its subsidiaries collectively the "**Group**") are committed to pursuing the principles of sustainable development across all our business units and delivering enduring values to our stakeholders. Over the years, the Group has incorporated the core values of our environmental, social and governance ("**ESG**") initiatives into different aspects of our operations.

We aspire to become a leading responsible garment manufacturer and brands business operator. Along with this aspiration, our goal is to enhance responsible production along the value chain, not only by achieving more than what are required by laws and regulations but also facilitating the creation of a long-term sustainable apparel industry that is favourable to 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 capability and endeavours to grow and develop its business capabilities towards a sustainable future.

2 About this Report

2.1 Overview

This is the ESG report of the Group for the year ended 31 December 2024 ("**this 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. The principal business activities of the Group are garment manufacturing and branded product distribution for global customers, with major markets spanning across Europe, North America and Asia. As a brands business operator, the Group manages different licensed and in-house brands which include C.P. Company as covered by this Report.

2.3 Reporting Period

This Report adopted the reporting period from 1 January 2024 to 31 December 2024 (the "**reporting year**"), which is in alignment with the reporting period for the Company's annual report.

2.4 Scope of this Report

The scope of this Report primarily covers: (i) the Group's 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; (ii) the Group's own brand business, focusing on our C.P. Company brand mainly operated in Europe; and (iii) the operations of our Hong Kong head office.

2.5 Reporting Reference

This Report has been prepared according to the ESG Reporting Guide set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange ESG Reporting Guide**") which was applicable to the reporting year. This Report focuses mainly on the environmental and social issues of the Group. In order to understand more about the corporate governance policy and practices adopted by the Group, you are invited to read this Report in conjunction with the "Corporate Governance Report" for the year ended 31 December 2024 as contained in this annual report.

In the preparation of this Report, the Group followed the four reporting principles set out below, which were also the reporting principles set out in the Stock Exchange ESG Reporting Guide:

Materiality	Quantitative	Balance	Consistency
Material environmental and social issues were identified and prioritised with inputs from internal and external stakeholders of the Group and are disclosed in this Report.	The Group accounts for and discloses key performance indicators ("**KPIs**") in quantitative terms for proper evaluation of the effectiveness of our ESG policies and actions.	This Report aims to disclose data in an objective way, which aims to provide our stakeholders with a balanced overview of the Group's overall ESG performance.	The Group adopts consistent measurement methodology to achieve meaningful comparison of ESG performance 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. This Report has been approved by the Board for publication on 25 March 2025.

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 ethical and responsible manner. As a responsible garment manufacturer, 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. Tristate strongly believes that corporations must act responsibly to help drive changes in a way to make its 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. 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

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

We have developed a clear vision and mission for the Group's sustainability. As such, we proactively develop policies and activities that exceed basic compliance with relevant laws and regulations, and we 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 our stakeholders. To advance progressively, we are committed to continuously extending the scope of engagement of our stakeholders to better understand their needs and expectations. To improve transparency regarding the progress of our community involvement, our achievements are being made available via proper channels such as regular updating of our website. We also highly encourage our management to integrate corporate citizenship considerations into the business decisions and daily operations of the Group.

3.2 Our Mission

Summarised below are three sustainability missions that we keep on working with our stakeholders:

<u>Facilitating Responsible Production along the Value Chain</u>

In order to provide quality products to our customers, resources consumption and emissions are inevitable along the value chain. As a responsible garment manufacturer, we attach great importance to reducing the impact of our production facilities on the environment.

Most of the customers of our garment manufacturing business are international apparel brands who 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 international brands achieve their sustainability goals. Tristate, being one of the key third party suppliers to these international brands, is therefore subject to regular client audits and site visits. Working with these customers has fostered our determination to abide by local environmental standards and to promote improvement in resource efficiency, thereby contributing to the sustainable development of the apparel industry.

<u>Promoting Equality and Fairness</u>

As a garment manufacturer as well as a brands business operator having its own production facilities and offices in different parts of the world and hiring thousands of employees, we would not underestimate the impact we may have on the community surrounding us, particularly in light of our commitments to corporate citizenship and responsible business practices.

We strive to promote equality and fairness and provide our employees with stable employment and fair compensation that could help improve their living standards. We provide employees with a safe working environment in our production facilities and workplace, prohibit strictly child and forced labour, and encourage our employees to conduct business in ethical and honest manner.

<u>Promising Quality and Safe Products</u>

Being a trusted third party garment manufacturer for global famous high-end fashion brands as well as acting itself as a brands business operator, we take pride in the products we make and supply and are committed to providing consumers with safe apparels of the highest quality.

From the perspective of a customer, the lifecycle of an apparel item starts from the day of purchase and eventually ends at disposal. By improving the quality and craftsmanship of the products we produce, we seek for extending garment life span of our products and thus reducing waste at the end of the value chain.

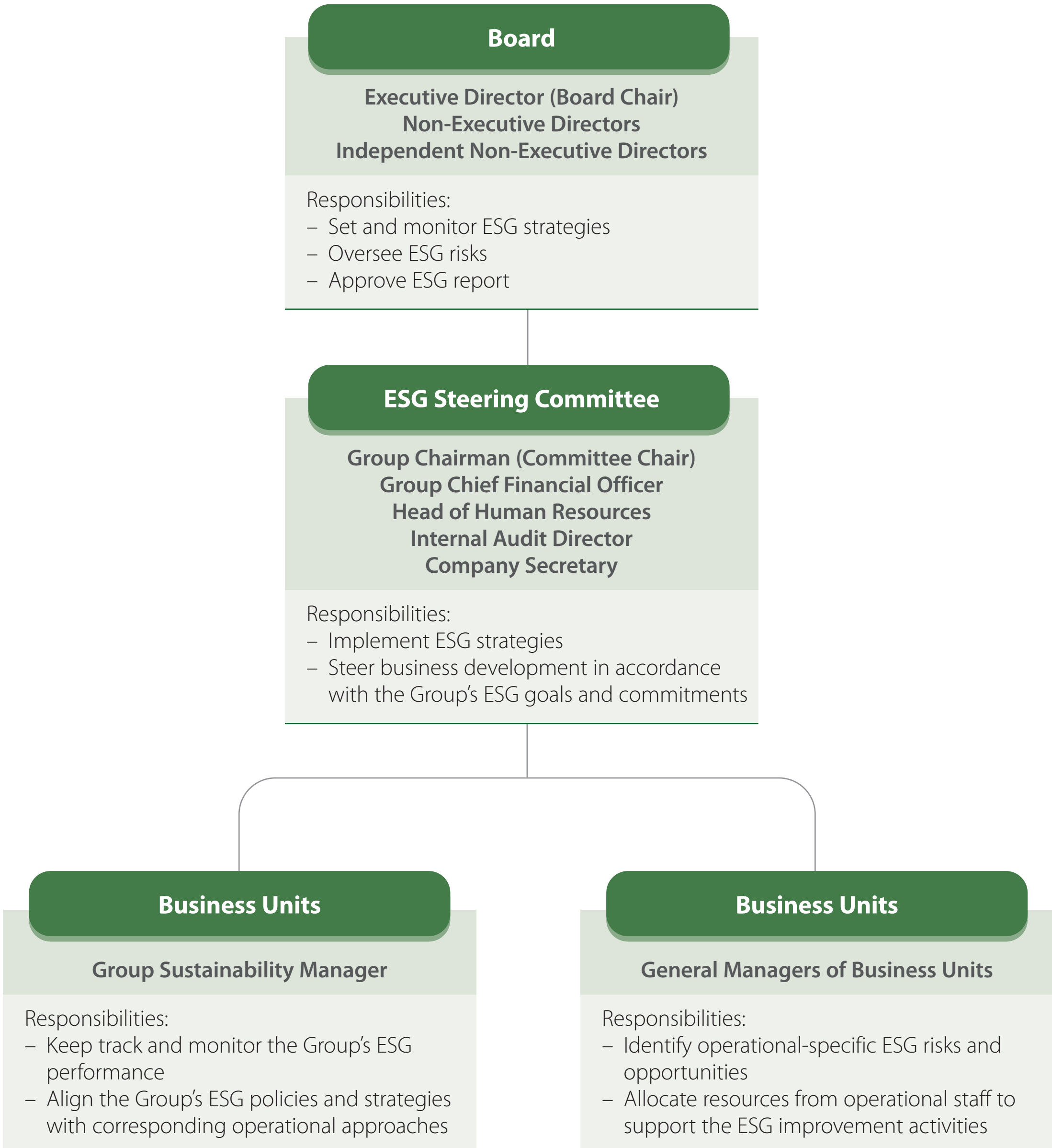
3.3 ESG Governance Structure

The Board has the overall responsibility for the Group's ESG strategy and reporting. It oversees ESG risks related to the Group's business and is responsible for formulating and monitoring the appropriateness and effectiveness of our ESG risk management strategy.

Our ESG steering committee (the "**ESG Steering Committee**") is a management committee reporting to the Board. It has been delegated the power and duties to assist the Board to implement the ESG strategy and policies set by the Board and monitor and supervise day-to-day ESG matters. The ESG Steering Committee reviews and monitors the Group's ESG policies and practices with a view to ensuring compliance with relevant legal and regulatory requirements; monitors ESG issues and associated potential risks; responds to emerging ESG issues and market trend; and makes recommendations to the Board on the improvement of the Group's ESG performance as and when appropriate.

Led by the ESG Steering Committee and supported by our management team, appropriate ESG strategies and approaches are executed efficiently across the Group. Under the oversight of the Board, our ESG governance structure comprises the ESG Steering Committee, the Group Sustainability Manager, general managers of the business units, and the corresponding operational staff. To ensure the Group's ESG strategies were kept up with the latest trend of ESG-related risks, meetings were held regularly by the ESG Steering Committee during the reporting year. Any material ESG issues identified by the ESG Steering Committee will be reported to the Board, including submission of this Report to the Board for approval.

Our ESG governance structure is illustrated below:



4 Stakeholder Engagement and Materiality Assessment

4.1 Stakeholder Engagement

Tristate recognises the importance of our stakeholders' concerns and expectations for the Group's sustainable development. Through continuous communications with our internal and external stakeholders, we got to understand their opinions and identified material issues that were relevant to the Group's current ESG policy and practices as well as serving as a direction of our future development.

We actively maintain the engagement with our stakeholders through various channels:

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 communications
Community	• Cooperation with social enterprises

4.2 Materiality Assessment

We maintain constant engagement and communications with our stakeholders in order to keep ourselves updated and informed about the latest topics related to ESG concerns which can help us prioritise our ESG tasks effectively. In this regard, the ESG Steering Committee has reviewed and evaluated the materiality of relevant ESG topics applicable to the Group in the reporting year and the most material ESG issues and their relevance to the business operations of the Group are listed below in descending order categorised by environmental and social aspects:

Aspects	Material Issues	Relevance to the Businesses
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 garment manufacturing process, water used for finished garment laundry and steam boilers accounts for the main source of water consumption, where 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 garment manufacturing business, we do not generate a significant amount of effluent discharge. All effluent discharge produced complies with relevant discharge regulations.
Social	Child and forced labour	Forced labour and child labour are regarded as key issues and they are completely prohibited by laws and in our Group's operations.
	Occupational health and safety	Occupational health and safety is another key issue to our businesses. 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 act proactively to prevent any incident 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 operations. 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 is facing many challenges nowadays and there is pressing need 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 control as required, but we also endeavour to look for possible improvement initiatives that would further incorporate environmental sustainability into our business operations.

With the objective of continually improving our environmental performance, we set the following reduction targets for 2025 and have been regularly monitoring our performance against such targets.

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%

Our performance against these targets in the reporting year is presented below in this Report. Also, we will continue to enhance our reporting practice in the future in light of any regulatory changes or industry trends. With various ongoing energy and water efficiency initiatives taken place, we aim at achieving continuous efficiency enhancement in our utility consumptions. Details of measures adopted are described in this Report.

Apart from our factory operations, Tristate is a brand business operator. Our in-house brand, C.P. Company, has made itself conscious of its environmental risk and climate impact.

In the reporting year, C.P. Company has moved forward with its sustainability strategy by defining three core principles: Awareness, Responsibility, Action. Awareness involves understanding the environmental and social impacts generated by the brand's operations. To address this, we had calculated and analysed the environmental footprints of C.P. Company's activities and garments and conducted two key assessments based on international standards: a corporate-level Carbon Footprint Analysis and a product-level Lifecycle Assessment. These efforts enable the brand to gain deeper self-awareness on its environmental and social impacts, which in turn allowed for the development of a strategy that will take full responsibility for its impacts.

Our target is to achieve B Corp Certification for C.P. Company by 2028. In pursuit of this objective, we have undertaken significant actions for the brand over the years, including the two assessments mentioned in the preceding paragraph and the implementation of an annual plan to monitor supplier performance. The monitoring process has been conducted with the support of an independent third party and involved detailed social and environmental audits of our production suppliers. We have also launched the Longevity Hub, a repair service for clients, that could help extend the lifespan of C.P. Company garments and at the same time reinforced their uniqueness and value. In the reporting year, we attained a preliminary score of 51.3 points in our journey towards obtaining the B Corp Certification.

5.2 Resources Efficiency

While our garment manufacturing business is continually subject to the 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 have continuously adopted the Higg Facility Environmental Module to measure and evaluate the environmental performance of our production facilities in China and Vietnam on the Worldly platform developed by Cascale (formerly known as "the Sustainable Apparel Coalition"). In addition, in the reporting year, there were different workshops and seminars organised through our clients which helped enhance the knowledge and awareness of our factory management team on environmental protection.

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

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

5.2.1 Use of Energy

The Group's main source of energy consumption is electricity, which is used in our factory operations, dormitories, offices, warehouses and shops. Other forms of energy used in our business operations include petrol, diesel, steam, natural gas and liquefied petroleum gas ("**LPG**").

Use of Energy		Unit	2024	2023
Electricity	**Head office**	kWh	**351,611**	370,823
	Production facility			
	Hefei China	kWh	**2,860,878**	2,617,329
	Panyu China (Factory No.1 & No.2)	kWh	**4,489,959**	4,116,497
	Thailand	kWh	**2,756,847**	2,646,340
	Vietnam	kWh	**1,798,234**	1,291,661
	Myanmar	kWh	**1,394,000**	1,288,000
	Brand office & stores			
	C.P. Company Europe	kWh	**395,167**	304,114
Petrol	**Head office**	kWh	**28,433**	30,704
	Production facility			
	Hefei China	kWh	**161,167**	145,230
	Panyu China (Factory No.1 & No.2)	kWh	**151,589**	196,543
	Thailand	kWh	**2,957**	2,503
	Vietnam	kWh	**Nil**	1,066
	Myanmar	kWh	**Nil**	Nil
	Brand office & stores			
	C.P. Company Europe	kWh	**41,515**	67,721
Diesel	**Head office**	kWh	**25,323**	16,481
	Production facility			
	Hefei China	kWh	**15,169**	151,265
	Panyu China (Factory No.1 & No.2)	kWh	**86,639**	46,274
	Thailand	kWh	**82,841**	77,285
	Vietnam	kWh	**2,504,559**	2,033,616
	Myanmar	kWh	**2,268,574**	1,944,266
	Brand office & stores			
	C.P. Company Europe	kWh	**434,757**	441,624
Steam	**Production facility**			
	Hefei China	kWh	**6,745,529**	5,725,660
Natural Gas	**Production facility**			
	Panyu China (Factory No.1 & No.2)	kWh	**7,621,669**	6,338,632
	Brand office & stores			
	C.P. Company Europe	kWh	**138,833**	10,703
LPG	**Production facility**			
	Thailand	kWh	**3,240,656**	2,708,215
Annual total		kWh	**37,596,906**	32,572,552

Energy Intensity *(Note)*	Unit	2024	2023
Head office	kWh/number of employees	**2,517.81**	2,518.12
Production facility			
Hefei China	kWh/standard piece	**18.1812**	16.3030
Panyu China (Factory No.1 & No.2)	kWh/standard piece	**14.2333**	12.4007
Thailand	kWh/standard piece	**10.8874**	10.2107
Vietnam	kWh/standard piece	**9.3954**	7.4155
Myanmar	kWh/standard piece	**9.0994**	8.3075
Brand office & stores			
C. P. Company Europe	kWh/number of employees	**5,460.93**	5,494.42

Note:

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

Energy Performance (compared to the 2021 baseline)	Unit	2024	2021	Rate
Production facility				
Hefei China	kWh/standard piece	**18.1812**	20.1712	**-9.87%**
Panyu China (Factory No.1 & No.2)	kWh/standard piece	**14.2333**	13.2730	**7.23%**
Thailand	kWh/standard piece	**10.8874**	9.4591	**15.10%**
Total (only includes the above production facilities since the target baseline was defined from 2021 data collected from these production facilities)	kWh/standard piece	**14.3630**	13.76	**4.38%**

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

(a) Ongoing Maintenance and Update of Equipment and Facilities

Improvement/Initiatives in the Reporting Year

- Solar panels at our Thailand factory were kept operating throughout the reporting year. The total electricity generated by those solar panels and consumed by our factory was 870,847 kWh in the reporting year, which contributed to 32% of onsite electricity usage. During the reporting year, our Thailand factory had reduced 347.47tons CO2e GHG emission through this solar panel programme.

- Solar panels had been installed at our Vietnam factory in 2024 with the investment from a local energy company. The solar power generated by this project is purchased and consumed by our Vietnam factory. The system started operation in December 2024. Till the end of the reporting year, 16,019 kwh of electricity generated by those solar panels was consumed, which made a reduction of 10.56 tons CO2e of GHG emission.

- 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.

- ISO 14001 Environment Management System certificate had been re-obtained by our Hefei factory.

- The steam traps of the irons at our Hefei factory had been maintained or renewed to improve the quality of the steam and reduce energy loss.

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 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 harvested natural sunlight from reflective surfaces and transported the light indoors 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 energy loss to the surrounding environment at our Hefei factory.

- Reduced air pressure of air compressors to most energy efficiency level and conducted 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.

- New cooling system installed to additional production floors at Panyu factory was partly powered by waste steam to enhance the energy efficiency.

- Insulated the feedwater water tank and pipeline in the boiler room and the front cover of the fusing machine to reduce the heat loss at our factory in Vietnam.

- Repaired the leakage points of the compressed air pipelines to reduce the energy wastage at our factory in Vietnam.

- Reduced half of the lighting in the passageway to avoid over-lighting at our factory in Vietnam.

(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 department will perform checking on the data collected to ensure its reliability. This facilitates more effective decision-making regarding potential resource-saving projects, reliable benchmarking our performance with local government requirements to ensure compliance, and meeting clients' ever-increasing expectation on our resources consumption and emissions control.

(c) Enhancement of Awareness of Employees

To enhance employees' environmental awareness, we provide guidance regarding energy efficiency to our employees and promote energy conservation at workplace through internal communications as well as drawing our employees' attention to the Group's latest environmental policies and measures.

We also improve environmental performance in our production facilities by organising related workshops and seminars for the factory management team.

5.2.2 Use of Water

As our garment manufacturing operations do not involve the process of dyeing and bleaching of fabric, the major water consumption in our operations comes from water used for finished garment laundry and steam boilers. Besides, there is 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.

Improvements/Initiatives in the Reporting Year

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

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 by 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 our Panyu factories for a more integrated data management system in order to monitor water consumption.

- At our Hefei factory, an emergency plan was set up to deal with incidents that would have an impact on the environment and the plan had been approved by local government.

- Increased onsite wastewater data collection and inspection to identify issues in a timely manner and kept updating and improving the information board of wastewater discharge point to meet the new municipal regulation.

- Installed new real-time monitors at the wastewater discharge point to precisely control the pollutants at our Hefei factory.

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

Use of Water	Unit	2024	2023
Head office	m^3	**1,837**	1,763
Production facility			
Hefei China	m^3	**108,507**	97,553
Panyu China (Factory No.1 & No.2)	m^3	**54,588**	55,832
Thailand	m^3	**37,336**	37,044
Vietnam	m^3	**57,655**	41,334
Myanmar	m^3	**42,710**	45,500
Brand office & stores			
C.P. Company Europe	m^3	**669**	670
Annual total	m^3	**303,302**	279,696

Water Intensity *(Note)*	Unit	2024	2023
Head office	m^3／number of employees	**11.41**	10.62
Production facility			
Hefei China	m^3／standard piece	**0.2017**	0.1841
Panyu China (Factory No.1 & No.2)	m^3／standard piece	**0.0629**	0.0647
Thailand	m^3／standard piece	**0.0668**	0.0696
Vietnam	m^3／standard piece	**0.1259**	0.0921
Myanmar	m^3／standard piece	**0.1061**	0.1169
Brand office & stores			
C.P. Company Europe	m^3／number of employees	**3.62**	4.47

Note:

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

Water Performance (compared to the 2021 baseline)	Unit	2024	2021	Rate
Production facility				
Hefei China	m^3／standard piece	**0.2017**	0.2241	**-10.00%**
Panyu China (Factory No.1 & No.2)	m^3／standard piece	**0.0629**	0.0822	**-23.48%**
Thailand	m^3／standard piece	**0.0668**	0.0788	**-15.23%**
Total (only includes the above production facilities since the target baseline was defined from 2021 data collected from these production facilities)	m^3／standard piece	**0.1020**	0.1157	**-11.84%**

5.2.3 Use of Packaging Materials

For our garment manufacturing business, packaging material is typically subject to the needs and specifications of our customers while the Group has limited control over the use of materials. Nonetheless, we still try to manage responsible production along our value chain by preventing any over-order of packaging materials. For example, we used standard size carton boxes and polybags in our Thailand factory to avoid unused stock due to size differences.

We continued monitoring the carton and plastic bags used in the reporting year, which were the major types of packaging materials we used.

Use of Packaging Materials (Plastic Bags and Carton)	Unit	2024	2023
Production facility			
Hefei China	tonnes	**95.92**	114.23
Panyu China (Factory No.1 & No.2)	tonnes	**276.20**	199.90
Thailand	tonnes	**145.56**	121.10
Vietnam	tonnes	**161.93**	135.51
Myanmar	tonnes	**34.87**	30.82
Brand Stores & E-commerce			
C.P. Company Europe	tonnes	**40.38**	41.89
Annual total	tonnes	**754.86**	643.45

5.3 Emissions Control

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

5.3.1 Greenhouse Gas Emissions

To meet the global trend on sustainability and the increasing expectation of our clients and investors on sustainability performance, the Group pursues a carbon-reducing operational model.

In the process of garment manufacturing, the major source of GHG emissions is the energy used for production. Over the years, we have 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 paragraph 5.2.1 – Use of Energy of this Report.

To better understand the carbon emissions associated with our business operations, we have started to evaluate the GHG emissions of our business since 2018. We have adopted the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition)" published by the Environmental Protection Department and the Electrical and Mechanical Services Department as our methodology of GHG emission data quantification. We have set the baseline and target of our carbon emissions and taken measures on emissions reduction and efficiency management.

Direct GHG emissions (Scope 1)	**Unit**	**2024**	2023
Head office	tCO_2e	**14.50**	12.85
Production facility			
Hefei China	tCO_2e	**66.59**	97.36
Panyu China (Factory No.1 & No.2)	tCO_2e	**1,587.15**	1,410.44
Thailand	tCO_2e	**746.77**	629.66
Vietnam	tCO_2e	**649.53**	526.60
Myanmar	tCO_2e	**587.11**	503.18
Brand office & stores			
C.P. Company Europe	tCO_2e	**151.85**	135.37
Annual total	tCO_2e	**3,803.50**	3,315.46

Indirect GHG emissions (Scope 2)	**Unit**	**2024**	2023
Head office	tCO_2e	**137.13**	144.62
Production facility			
Hefei China	tCO_2e	**4,206.37**	3,760.02
Panyu China (Factory No.1 & No.2)	tCO_2e	**2,409.31**	2,347.64
Thailand	tCO_2e	**752.51**	777.92
Vietnam	tCO_2e	**1,174.84**	730.69
Myanmar	tCO_2e	**1,002.29**	926.07
Brand office & stores			
C.P. Company Europe	tCO_2e	**44.32**	111.18
Annual total	tCO_2e	**9,726.77**	8,798.14

GHG intensity (Scope 1 and 2) *(Note)*	**Unit**	**2024**	2023
Head office	tCO_2e/no. of employees	**0.94**	0.95
Production facility			
Hefei China	$kgCO_2e$/standard piece	**7.941**	7.279
Panyu China (Factory No.1 & No.2)	$kgCO_2e$/standard piece	**4.606**	4.356
Thailand	$kgCO_2e$/standard piece	**2.683**	2.645
Vietnam	$kgCO_2e$/standard piece	**3.984**	2.803
Myanmar	$kgCO_2e$/standard piece	**3.949**	3.673
Brand office & stores			
C.P. Company Europe	tCO_2e/number of employees	**1.06**	1.64

Note:

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

GHG Performance (compared to the 2021 baseline)	Unit	2024	2021	Rate
Production facility				
Hefei China	$kgCO_2e$/standard piece	**7.941**	9.172	**-13.42%**
Panyu China (Factory No.1 & No.2)	$kgCO_2e$/standard piece	**4.606**	4.832	**-4.68%**
Thailand	$kgCO_2e$/standard piece	**2.683**	2.924	**-8.24%**
Total (only includes the above production facilities since the target baseline was defined from 2021 data collected from these production facilities)	$kgCO_2e$/standard piece	**4.973**	5.290	**-5.99%**

5.3.2 Air Emissions

Given the nature of our garment manufacturing business, we do not have significant air emissions from our production process. Most of our air emissions was from the use of boilers for steam production and the use of back-up generators inside our production facilities.

We have completely changed from old diesel boilers to using natural gas in our factories in Panyu, China and LPG boiler in our factory in Thailand. Besides the switching of fuels, we also appointed external agencies to perform regular assessment of the air emissions of our boilers and performed timely maintenance when problems were identified.

In the reporting year, air emissions from laser cutting by the new auto-sewing machines were identified at our Panyu and Hefei factories. Air filters were installed to remove the pollutants in the fumes.

5.3.3 Wastewater Discharge

Given the nature of our garment manufacturing business, 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, the tertiary wastewater treatment process including sedimentation and biological treatment has been adopted to ensure that the effluent complies with relevant discharge standards. We have also adopted the Zero Discharge of Hazardous Chemicals (ZDHC) Wastewater Guidelines and conducted annual test as a manifest that we strived to reach an industrial standard higher than the local regulator's. During the reporting year, we installed a new filter press at the water treatment plant of our Hefei factory to enhance the sludge dewatering efficiency. A new data acquisition instrument was installed as well to guarantee the wastewater data can be completely and accurately uploaded to the online monitoring system. To the best of our knowledge, no material violation of discharge standards was recorded during the reporting year.

5.3.4 Waste Management

General Waste

The Group continually optimises its production plans and procedures to better utilise the raw garment materials and thus reduce generation of waste fabrics. As we always seek to minimise the disposal of rags during our production, rags are periodically collected by recyclers. We also continue our offcut fabric waste recycling program in our factories in Panyu and Hefei in China and in Thailand and Vietnam. Fabric waste is shredded onsite and sorted out 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 operations, such as paper and household waste, are being properly disposed of to keep in line with local requirements and general international standards.

Hazardous Waste

Our production process mainly involves cutting, sewing, finishing and packaging of garments. Also, most of the raw materials are purchased from qualified fabric suppliers designated by our global clients whose stringent standards allow us to avoid generating significant hazardous waste in our manufacturing process. Nonetheless, we will review continually our production process and will consider setting a reduction target as and when appropriate.

The common hazardous waste that we produced 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 used available eco-friendly substitutes, where practical. The Chemical Safety Management Policy and the Chemical Risk Assessment and Management Procedures are in place for all the factories to standardise our procedures from procurement to disposal of chemicals.

We 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 complied with the local laws and regulations on hazardous waste disposal.

Types of Hazardous Waste	Unit	2024	2023
Light tubes	tonnes	**0.826**	0.694
Empty chemical containers	tonnes	**1.413**	1.250
Expired chemicals	tonnes	**0.317**	2.075

5.4 Climate Change

The Group recognises that climate change can significantly affect our business operations and the community. For example, an increase in temperature may lead to higher electricity consumption for cooling; and extreme weather events, such as typhoon or even super typhoon, may cause physical damage to our factories or temporary suspension of work and hence result in financial loss. The Group is thus committed to managing the climate change risks that may impact our garment manufacturing business.

In the reporting year, our factories at Panyu and Vietnam participated in the Best Practice Available program of our client, which aimed to help tackle climate change we faced by reducing our carbon emission and water consumption. The environmental policy in our ESG policy includes the following climate-related commitments aiming to mitigate climate change issues by adopting environmental-friendly approach in our business operations:

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

5.5 The Environment and Natural Resources

The significant environmental impact of our garment manufacturing business regarding emissions and the use of resources have been discussed and disclosed above in this Report.

5.6 Regulatory Compliance

During the reporting year, 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 responsible 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 community and help boost the economy and its sustainable growth. The Group is committed to maintaining a quality workplace and cultivating an ethical culture. As such, we strictly prohibit unethical behaviours and any form of unlawful labour. We operate in the community and seek to give back where we take. Therefore, we actively encourage our employees to play a positive and active role in the community to nurture a harmonious development in the local areas where the Group operate.

6.1 Employment and Labour Practices

People are the most valuable assets to the Group. We believe a transparent recruitment practice and a competitive remuneration package are both essential for recruiting and retaining high calibre employees, thereby contributing to the Group's long-term development and success. Concerning our employment practices, we made reference to the relevant laws and regulations of the regions in which members of the Group operate including, among others, the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Labour Law of the People's Republic of China. During the reporting year, 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 their relevant merits and performance, and we prohibit any discriminatory behaviours in all human resources activities including recruitment, training, transfer, promotion and termination. The equal employment standards of the Group are outlined in our code of conduct, staff handbook and employment application form, all of which have clearly set out the prohibition of any form of discrimination and biased decision-making.

Encouraging Communications

Employees' opinion is a great driver of continuous business improvement of the Group. We encourage management and employees to always maintain open dialogues and two-way communications. Employees are encouraged to discuss any issues of concern with their immediate supervisors or confer the issues to the management team. If the circumstance requires, any employee may raise a matter of his/her concern through the Group's whistleblowing system.

Benefits Entitlement

We offer competitive remuneration and welfare packages to recruit, motivate and retain talents. Our compensation aligns with market standards, ensuring fairness and competitiveness. Employee performance is regularly reviewed through annual appraisal, with salary adjustment based on individual performance and financial performance of the Group. In addition, discretionary bonuses are also awarded to those employees with outstanding performance. Outstanding contributors may be granted share options as recognition for achieving award criteria. All employees are entitled to mandatory provident fund, pension plans, 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 a high importance on the health and safety of our employees. For our garment manufacturing business, our production processes are mostly indoor involving tasks like cutting, sewing, finishing and packaging of garments. While the nature of our work processes is subject to low occupational safety risk, we still stay alert and maintain regular checks on our facilities and equipment to ensure compliance with all relevant occupational health and safety legislation.

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

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

Regular safety training for operational staff is performed to increase 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 or facilities. Fire drills, practice emergency drills and workshops on different workplace hazards are organised to prepare employees to respond effectively in case of any accident. Workers in our production lines are required to wear protective gears at all times to ensure health and safety.

During the reporting year, 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.

6.3 Development and Training

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

During the reporting year, training provided by the Group covered industry knowledge, technology and product knowledge, industry quality standards and work safety standards. The Group continually reviews the education needs of our employees and provides education sponsorship to our employees to pursue work-related training courses.

6.4 Labour Standards

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

We respect the basic rights of our employees and prohibit any form of unfair treatment. To protect their rights, the Group has put in place a grievance policy which clearly sets out a formal mechanism for our employees to voice out their grievances and concerns to a higher level of 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 year, we were not aware of any material non-compliance with laws and regulations regarding labour standards.

6.5 Anti-corruption

Tristate upholds the highest standards of integrity, honesty and fairness in our business practices and enforces the same standards across all levels of employees. Not only does the Group comply with applicable laws and regulations on anti-corruption, including (without limitation) the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) but the Group also rigidly adopts a zero tolerance policy against any corruption or fraudulent behaviours within our businesses.

Our code of conduct, complemented by our staff handbook, provides employees with clear guidelines regarding acceptance of gifts, dealing with conflict of interest and reporting concerns and misconduct. These anti-corruption guidelines also help strengthen employees' knowledge on prevention of bribery, enabling them with the ability to identify any possible immoral acts or violations. To ensure that our management is in compliance with our code of conduct at all times, we circulate our code of conduct annually to all managers, irrespective of their functions, and other employees in sensitive positions. They are required to make annual declaration of conflict of interest as well. Training, e-learning and awareness enhancement to employees on anti-corruption are provided as and when appropriate. During the reporting year, online anti-corruption learning materials were circulated to the directors of the Company and the employees.

To foster a corruption-free working culture and raise employees' awareness of misconduct and malpractice, the Group has also established a whistleblowing policy with clearly documented procedures to provide our employees with a confidential escalation channel to raise concerns about misconduct, malpractice or irregularities in any matters related to the Group. Every report received will be thoroughly assessed by the internal audit department followed by internal investigation and will be referred to the Audit Committee and, if necessary, reported to relevant regulatory bodies. The Audit Committee has overall responsibility for implementation, monitoring and periodic review of the whistleblowing policy. All information received shall be kept confidential and the whistle-blower shall be protected from any harassment or retaliation. The whistleblowing policy is subject to regular review to ensure its effectiveness.

During the reporting year, we were not aware of any material non-compliance with laws and regulations regarding anti-corruption.

6.6 Community Investment

We understand that the development of the community in which we operate is crucial to the sustainable growth of our business. We are therefore unwavering in our dedication to advancing corporate social responsibility and contributing to the welfare of the community. Our ESG Policy has outlined the specific commitment for community investment.

During the reporting year, we donated again to The Salvation Army for her charity activities. We participated in her "Mid-Autumn Festival Appeal 2024" to extend our support to The Salvation Army to purchase daily supplies and food for the needy. We also donated to the "Share the Joy" Christmas Angel Campaign 2024 which was orgainised by The Salvation Army with a view to sharing with children and their families the warmth and joy of Christmas.

Our C.P. Company in Europe donated to the Eleonora Cocchia Vivere a Colori ONLUS Association, which is an association in Italy aiming to promote and raise the awareness of its goals regarding research and prevention in the field of oncological diseases. Besides, our C.P. Company presented "There is No Us Without You", a sports project dedicated to supporting local communities. The project aimed to promote the positive values of sport, collaborating with local sports associations to develop sports as a form of individual expression and highlight fair play values. The initiative for 2024, involving the cities of Marseille and Milan, aimed to strengthen and develop partnerships with local associations and promote sport as a fundamental element of development and social growth.

As part of our community commitment, 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 environmental-friendly and socially responsible manner. We implement strict supply chain management and product responsibility policies to ensure responsible practices along our supply chain.

7.1 Supply Chain Management

7.1.1 Supplier Selection Policy

Most of our customers are international premium apparel brands and they have high expectation on the supply chain of our business. As such, 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 their ESG performance. Our ESG Policy has clearly expressed our commitment to supply chain management and the inclusion of environmental and social considerations in our supplier's selection procedures. For instance, the Group pays 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 have complied with our requirements are eligible to conduct business with the Group.

We also encourage our suppliers to give due regard to environmental considerations in their production processes. We look up to our suppliers for fair and equal employment practices 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 continuously enhancing our responsible and ethical sourcing practices and the importance of sustainable manufacturing and environmental stewardship in its business operations. We continue to modernise operation processes to improve efficiency and limit impact on the environment. Our production facilities have been certified by the Responsible Down Standard ("**RDS**"), Responsible Wool Standard ("**RWS**"), Sustainable Regenerated Cellulosics Content Standard ("**SRCCS**", formerly known as SVCoC), Global Recycled Standard ("**GRS**"), Organic Content Standard ("**OCS**") and Better Cotton Initiative ("**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.
SRCCS	The SRCCS is a globally acknowledged, voluntary, and all-encompassing product standard. It sets forth the benchmarks for third party authentication of sustainable regenerated cellulosics fiber content, chain of custody, social and environmental practices, risk assessment and safe chemical management practices.
GRS	The GRS is an international, voluntary, full product standard that sets the requirements for third party certification of recycled content, chain of custody, social and environmental practices, and chemical restrictions.
OCS	The OCS is an international, voluntary standard that provides chain of custody verification for materials originating on a farm certified to recognised national organic standard. The standard is used to verify organically grown raw materials from the farm to the final product.
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 Behaviours

The Group's procurement policy prohibits unethical behaviours that could interfere, or appear to interfere, our employees' abilities to make free and independent decisions regarding purchase and procurement. Any supplier violating the policy will be terminated and immediately 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 Quality and Safety

Product quality and safety are of prime importance to the Group's production processes. We continually strive to meet our customers' expectation with products and services that provide them 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.

As outlined in our ESG Policy, we are committed to providing quality products to our customers, and we strive for quality products to our customers through our quality control systems. Our quality control systems have been set up and implemented in our factories to ensure the products meet the Group's quality requirements and clients' expectation. Responding to the increasing stringent environmental requirements on garment manufacturing, our customers, 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 aiming to find out more about their service satisfaction and identify areas for improvement.

We place strong emphasis on safeguarding the confidentiality and privacy of the Group's customers' information and it forms part of our code of conduct and staff handbook. Employees must be committed to protecting information of customers from leaking and must be prohibited from unauthorised divulging or disclosing customers' information or any trade secrets which they may possess to third parties.

The Group respects intellectual property rights and endeavors to protect the Group from reputational damage by setting up procedures to handle and monitor proprietary information and intellectual property rights of our in-house brands.

The Group implements a strict product risk assessment during development and follows a pre-production process to ensure we deliver reliable, safe and quality products to our clients that meet local legislation. We follow a strict inline quality control process, and we take a random selection of finished goods from all orders for inspection following the strict AQL (Acceptable Quality Level) process.

The Group is committed to delivering a quality product fit for purpose. However, if any products delivered do not meet customers' expectation, our dedicated account managers will handle the complaint and follow a process with the responsible manufacturing unit to handle the complaint, establish the root cause and formulate an effective correction plan for continuous improvement to satisfy all stakeholders.

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' timely feedback and suggestions. We value customers' opinions and never underestimate the effect of such opinions in helping the Group further the sustainable development of our business. The Group will make incremental improvements based on customers' feedback which may make the Group realise its weakness and hence let the Group start to formulate improvement or corrective measures.

During the reporting year, 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**	**2024**	2023
GHG emissions	**Direct GHG emissions (Scope 1)**			
	Head office	tCO_2e	**14.50**	12.85
	Production facility	tCO_2e	**3,637.15**	3,167.24
	Brand office & stores	tCO_2e	**151.85**	135.37
	Annual total	tCO_2e	**3,803.50**	3,315.46
	Indirect GHG emissions (Scope 2)			
	Head office	tCO_2e	**137.13**	144.62
	Production facility	tCO_2e	**9,545.32**	8,542.34
	Brand office & stores	tCO_2e	**44.32**	111.18
	Annual total	tCO_2e	**9,726.77**	8,798.14
	Total GHG emissions (Scope 1 and 2)			
	Head office	tCO_2e	**151.63**	157.47
	Production facility	tCO_2e	**13,182.47**	11,709.58
	Brand office & stores	tCO_2e	**196.17**	246.55
	Annual total	tCO_2e	**13,530.27**	12,113.60
	GHG intensity (Scope 1 and 2)			
	Head office	tCO_2e/number of employees	**0.94**	0.95
	Production facility	$kgCO_2e$/standard piece	**4.6664**	4.2388
	Brand office & stores	tCO_2e/number of employees	**1.06**	1.64
Energy	**Electricity**			
	Head office	kWh	**351,611**	370,823
	Production facility	kWh	**13,299,918**	11,959,827
	Brand office & stores	kWh	**395,167**	304,114
	Annual total	kWh	**14,046,696**	12,634,764
	Petrol			
	Head office	kWh	**28,433**	30,704
	Production facility	kWh	**315,713**	345,342
	Brand office & stores	kWh	**41,515**	67,721
	Annual total	kWh	**385,661**	443,767
	Diesel			
	Head office	kWh	**25,323**	16,481
	Production facility	kWh	**4,957,782**	4,252,706
	Brand office & stores	kWh	**434,757**	441,624
	Annual total	kWh	**5,417,862**	4,710,811
	Steam *(Note 2)*			
	Production facility	kWh	**6,745,529**	5,725,660
	Natural gas			
	Production facility	kWh	**7,621,669**	6,338,632
	Brand office & stores	kWh	**138,833**	10,703
	LPG *(Note 3)*			
	Production facility	kWh	**3,240,656**	2,708,215

Environmental, Social and Governance Report

Environmental KPIs *(Note 1)* (Continued)		Unit	2024	2023
	Total energy consumption			
	Head office	kWh	**405,367**	418,008
	Production facility	kWh	**36,181,267**	31,330,382
	Brand office & stores	kWh	**1,010,272**	824,162
	Annual total	kWh	**37,596,906**	32,572,552
	Energy intensity			
	Head office	kWh/number of employees	**2,517.81**	2,518.12
	Production facility	kWh/standard piece	**12.81**	11.34
	Brand office & stores	kWh/number of employees	**5,460.93**	5,494.42
Water	**Total water consumption**			
	Head office	m^3	**1,837**	1,763
	Production facility	m^3	**300,796**	277,263
	Brand office & stores	m^3	**669**	670
	Annual total	m^3	**303,302**	279,696
	Water intensity			
	Head office	m^3/number of employees	**11.41**	10.62
	Production facility	m^3/standard piece	**0.1065**	0.1004
	Brand office & stores	m^3/number of employees	**3.62**	4.47
Packaging materials	**Packaging materials** *(Note 4)*			
	Production facility	tonnes	**714.48**	601.56
	Brand stores & e-commerce	tonnes	**40.38**	41.89
Waste	**Hazardous waste** *(Note 5)*			
	Production facility	tonnes	**2.5558**	4.0193

Social KPIs	Unit	2024	2023
Number of employees			
Total number of employees	number	**5,901**	5,838
Number of employees by employment type			
Permanent	number	**4,981**	5,276
Temporary/fixed term	number	**920**	562
Number of employees by gender			
Male	number	**1,223**	1,195
Female	number	**4,678**	4,643
Number of employees by age group			
Below 30	number	**1,374**	1,427
30-40	number	**1,597**	1,595
41-50	number	**1,515**	1,545
Above 50	number	**1,415**	1,271
Number of employees by employee category			
Chief level executives	number	**10**	10
Senior management	number	**135**	124
Middle management	number	**424**	426
General staff	number	**5,332**	5,278
Number of employees by geographical region			
Hong Kong	number	**161**	166
Mainland China	number	**2,318**	2,352
Thailand	number	**1,255**	1,273
Vietnam	number	**1,129**	1,054
Myanmar	number	**853**	843
Europe	number	**185**	150
Turnover			
Total number of resigned employees	number	**3,425**	3,519
Number of employees turnover by gender			
Male	number	**585**	537
Female	number	**2,840**	2,982
Employee's turnover rate by gender			
Male	%	**48%**	45%
Female	%	**61%**	64%

Social KPIs (Continued)	**Unit**	**2024**	2023
Number of employees turnover by age group			
Below 30	number	**1,672**	1,652
30-40	number	**921**	1,002
41-50	number	**508**	542
Above 50	number	**324**	323
Employee's turnover rate by age group			
Below 30	%	**100%**	100%
30-40	%	**58%**	64%
41-50	%	**33%**	35%
Above 50	%	**24%**	27%
Number of employees turnover by geographical region			
Hong Kong	number	**22**	33
Mainland China	number	**907**	923
Thailand	number	**588**	733
Vietnam	number	**811**	793
Myanmar	number	**1,057**	1,004
Europe	number	**40**	33
Employee's turnover rate by geographical region			
Hong Kong	%	**13%**	20%
Mainland China	%	**39%**	39%
Thailand	%	**47%**	61%
Vietnam	%	**74%**	84%
Myanmar	%	**100%**	96%
Europe	%	**24%**	24%
Percentage of trained employees by gender			
Male	%	**80%**	82%
Female	%	**72%**	71%
Percentage of trained employees by employee category			
Chief level executives	%	**70%**	70%
Senior management	%	**87%**	87%
Middle management	%	**76%**	74%
General staff	%	**73%**	73%
Average training hours of employees by gender			
Male	hours	**4.3**	4.2
Female	hours	**2.6**	2.7
Average training hours by employee category			
Chief level executives	hours	**6.9**	6.6
Senior management	hours	**10.5**	10.7
Middle management	hours	**4.6**	4.2
General staff	hours	**2.6**	2.7
Health and safety			
Number of work-related fatalities	number	**0**	0
Number of lost days due to work injury	days	**509**	333
Suppliers by geographical regions			
Hong Kong	number	**208**	231
Mainland China	number	**394**	388
Other Asian countries	number	**128**	128
Outside of Asia	number	**213**	239

Notes:

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

2. This refers to steam used in our Hefei factory only.

3. This refers to LPG used in our Thailand factory only.

4. Packaging materials are consisted of plastic bags and carton.

5. Hazardous wastes are consisted of light tubes, empty chemical containers and expired chemicals in factories.

Appendix: Stock Exchange ESG Reporting Guide Index

Subject Areas, Aspects, General Disclosures and KPIs		Paragraphs	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 Emissions Control	Given the nature of our garment manufacturing business, we do not produce significant air emissions, hazardous waste or wastewater discharge during 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 operations. We ensure compliance with local requirements on waste disposal and will review relevant data disclosure in the future.
KPI A1.5	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: Stock Exchange ESG Reporting Guide Index (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Paragraphs	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 5.5 The Environment and Natural Resources	–
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 5.5 The Environment and Natural Resources	–
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: Stock Exchange ESG Reporting Guide Index (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Paragraphs	Remarks
B. Social			
Employment and Labour Practices			
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: Stock Exchange ESG Reporting Guide Index (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Paragraphs	Remarks
B. Social (Continued)			
Employment and Labour Practices (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	–
Operating Practices			
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 case was recorded in the reporting year.

Appendix: Stock Exchange ESG Reporting Guide Index (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Paragraphs	Remarks
B. Social (Continued)			
Operating Practices (Continued)			
Aspect B6: Product Responsibility (Continued)			
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	–	No such case was recorded in the reporting year.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	7.2 Product Responsibility	–
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 Product Responsibility	–
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 case was recorded in the reporting year.
KPI B7.2	Description of preventive measures and whistleblowing procedures, and 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	–
Community			
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

WANG Kin Chung, Peter ("**Mr. Peter WANG**"), *BSc, MBA*, aged 71, became the Company's President and Chief Executive Officer in 1999 and was redesignated as the Chairman of the Board 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. Peter WANG has about 40 years of experience in the garment industry and is responsible for the overall strategic planning and business development of the Group. Mr. Peter 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 of Johnson Electric Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited) and the chairman and managing director of Hua Thai Manufacturing Public Company Limited (a company formerly listed on The Stock Exchange of Thailand).

Mr. Peter 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. Peter WANG is the honorary chairman of the Hong Kong Garment Manufacturers Association, a general committee member of the Textile Council of Hong Kong 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 the son of Ms. WANG KOO Yik Chun, a Non-Executive Director and the Honorary Chairlady of the Company, and the brother of Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick, Non-Executive Directors of the Company. He is the spouse of Ms. SUN Lin, Sophie, a senior management of the Group. Mr. Peter WANG is a director of New Perfect Global Limited and Silver Tree Holdings Inc., both of which are substantial shareholders of the Company.

Non-Executive Directors

Ms. WANG KOO Yik Chun ("**Ms. KOO**"), aged 107, became Co-chairlady and Honorary Co-chairlady of the Company 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 a non-executive director and the honorary chairman of Johnson Electric Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited), a former director of Hua Thai Manufacturing Public Company Limited (a company 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, an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company, Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick, Non-Executive Directors of the Company.

Ms. MAK WANG Wing Yee, Winnie ("**Ms. Winnie WANG**"), *BSc*, aged 78, 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 and a director of two subsidiaries of the Company. Ms. Winnie WANG is the vice chairman of Johnson Electric Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited) and was re-designated from an executive director to a non-executive director of Johnson Electric Holdings Limited in January 2022. Ms. Winnie WANG is the daughter of Ms. WANG KOO Yik Chun, a Non-Executive Director and the Honorary Chairlady of the Company, and the sister of Mr. WANG Kin Chung, Peter, an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company, and Dr. WANG Shui Chung, Patrick, a Non-Executive Director of the Company.

Dr. WANG Shui Chung, Patrick ("**Dr. Patrick WANG**"), *JP, BSc, MSc*, aged 74, 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 1999 and is a director of a subsidiary of the Company. Dr. Patrick WANG is an executive director and the chairman and chief executive of Johnson Electric Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited) and an independent non-executive director of VTech Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited). He is also a member of the Hong Kong Sanatorium & Hospital's Clinical Governance Committee. Dr. Patrick 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. Patrick WANG is the son of Ms. WANG KOO Yik Chun, a Non- Executive Director and the Honorary Chairlady of the Company, and the brother of Mr. WANG Kin Chung, Peter, an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company, and Ms. MAK WANG Wing Yee, Winnie, a Non-Executive Director of the Company.

Independent Non-Executive Directors

Mr. LO Kai Yiu, Anthony ("**Mr. Anthony LO**"), aged 76, 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. Anthony 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. He has over 40 years of experience in accounting, banking, finance and investments. Mr. Anthony LO was previously an independent non-executive director of The Taiwan Fund, Inc. (a company listed on the New York Stock Exchange), Top Glove Corporation Bhd. (a company listed on Bursa Malaysia and the Singapore Exchange Limited) and Lam Soon (Hong Kong) Limited (a company listed on The Stock Exchange of Hong Kong Limited). He is the chairman of Shanghai Century Capital Limited and an independent non-executive director of Convenience Retail Asia Limited and Playmates Holdings Limited (both being companies listed on The Stock Exchange of Hong Kong Limited).

Mr. James Christopher KRALIK ("**Mr. James KRALIK**"), aged 59, 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. James KRALIK is the managing director of Linden Street Capital Limited and the chief executive officer of Milestone Capital Strategic Holdings Limited, both of which are privately held investment companies 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. James KRALIK is a graduate of Harvard College and the Harvard Business School.

Mr. Peter TAN ("**Mr. Peter TAN**"), aged 69, was appointed as an Independent Non-Executive Director of the Company in January 2011. He is also a member of the Remuneration Committee of the Company. Mr. Peter 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 (a company listed on The Stock Exchange of Hong Kong Limited) and the chief executive officer of Stone Canyon Pte. Ltd., an investment company, and Knowledge Universe Pte. Ltd., a leading global private education organisation with a network of more than 3,000 locations worldwide. Before joining Knowledge Universe Pte. Ltd. in 2013, Mr. Peter TAN had more than 17 years of experience in the fast food industry. Mr. Peter 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. Peter TAN had served McDonald's Corporation for 10 years and was the senior vice president and the president of its Greater China division, being responsible for strategic growth of the business and management of all key functions in the region. Prior to that, Mr. Peter 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 ("**Professor LIN**"), aged 39, 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, 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

Ms. SUN Lin, Sophie ("**Ms. Sophie SUN**"), aged 49, the General Manager of Shanghai Tristate Enterprises Co., Ltd. (a subsidiary of the Group) and the Group's President of China Retail Business including Cissonne and C.P. Company, joined the Group in 2006. Ms. Sophie 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 and a director of certain subsidiaries of the Group. Ms. Sophie SUN holds a Master Degree in Business Administration from Fudan University, Shanghai. She is the spouse of Mr. WANG Kin Chung, Peter, an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company.

Mr. Lorenzo OSTI ("**Mr. Lorenzo OSTI**"), aged 51, joined the Group in 2015. He has been the President of Tristate International SA (a subsidiary of the Group) since November 2019, in charge of C.P. Company and Massimo Osti Studio brands. He is also a director of certain subsidiaries of the Group. Mr. Lorenzo OSTI is the son of the founder of the brands, the late Massimo OSTI. He has over 30 years of experience in marketing and brand management. Mr. Lorenzo OSTI graduated with honors at Bologna Alma Mater Studiorum, with a thesis in Mass Communication.

Ms. MA Jingyan, Jane ("**Ms. Jane MA**"), aged 52, Managing Director of the Contract Manufacturing Business Unit, joined the Group in 2001. She is also a director of certain subsidiaries of the Group. Ms. Jane MA has over 23 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 ("**Ms. Phyllis ZHANG**"), aged 51, Managing Director of the third-party fulfillment business, joined the Group in 2002. She is also a director of certain subsidiaries of the Group and responsible for factory operation and management and the supply chain management of all internal brands. Ms. Phyllis ZHANG has over 23 years of management experience in the garment industry. She holds a Master Degree in Business Administration from Peking University.

Ms. CHAN Man Ying, Vivian ("**Ms. Vivian CHAN**"), aged 49, joined the Group as the Chief Financial Officer in February 2019 and was appointed as the Company Secretary of the Company in February 2023. She is also a director of certain subsidiaries of the Group. Ms. Vivian CHAN has more than 25 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. Vivian 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.

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 (collectively, the "**Group**") for the year ended 31 December 2024.

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 ended 31 December 2024 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 2024 are set out in the consolidated statement of profit or loss on page 62 of this annual report.

The Board has resolved to recommend the payment of a final dividend of HK$0.17 (2023: HK$0.19) per share for the year ended 31 December 2024 to the shareholders whose names appear on the register of members of the Company on Monday, 7 July 2025.

Subject to approval by the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend will be paid in cash to the shareholders on Thursday, 17 July 2025.

Together with the interim dividend of HK$0.06 (2023: HK$0.06) per share paid on Friday, 27 September 2024, total dividend for the year will amount to HK$0.23 (2023: HK$0.25) per share.

Business Review

The business review of the Group for the year ended 31 December 2024 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 5 and pages 6 to 12 of this annual report respectively.

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 2024 is set out on page 3 of this annual report.

Property, Plant and Equipment

Details of 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 at 31 December 2024 are set out in Note 40 to the consolidated financial statements.

Associate

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

Share Capital

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

Reserves

Details of movements in the reserves of the Group are set out in Note 31 to the consolidated financial statements. Details of movements in the reserves of the Company are set out in Note 37(b) to the consolidated financial statements.

Distributable Reserves

At 31 December 2024, the reserves of the Company amounted to HK$449,247,000 (2023: HK$448,741,000) and retained earnings amounted to HK$724,313,000 (2023: HK$657,433,000), of which HK$1,155,333,000 (2023: HK$1,088,453,000) were available for distribution to equity shareholders of the Company in accordance with the Companies Act 1981 of Bermuda.

Share Options

The share option scheme of the Company (the "**2016 Share Option Scheme**") was adopted by the shareholders at the annual general meeting of the Company held on 6 June 2016 for granting 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 participants 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. To provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants.
Participants	:	The directors, officers and/or 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 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 shall not in aggregate exceed 10% of the total number of shares in issue at the date of the adoption of the 2016 Share Option Scheme (i.e. 27,160,725 shares). At the date of this report, the total number of shares available for issue under the 2016 Share Option Scheme is 18,052,725 shares, representing approximately 6.62% of the issued share capital of the Company.
Maximum entitlement of each participant	:	The total number of shares issued and to be issued upon exercise of options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue.
Period within which the shares must be taken up under an option	:	Such period as specified by the Board at the time of grant which, however, shall not expire later than ten years from the relevant date of grant.
Minimum period for which an option must be held before it can be exercised	:	Any minimum period as specified by the Board at the time of grant whereas the 2016 Share Option Scheme does not contain any minimum period.
Amount payable on acceptance of the option and the period within which payment must be made	:	HK$1.00 (or an equivalent amount) is to be paid as consideration upon acceptance of the option which is open for ten business days for acceptance from the date of offer.
Basis of determining the subscription price	:	The subscription price shall be such price determined by the Board at its absolute discretion which shall be no less than the higher of (i) the closing price of the shares 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 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 on the date of grant.
Remaining life of the 2016 Share Option Scheme	:	The 2016 Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption (i.e. to expire on 6 June 2026).

Movements in options under the 2016 Share Option Scheme during the year are as follows:

Date of grant (Note 1)	Participant	Number of options: At 1 January 2024	Granted during the year	Exercised during the year (Note 3)	Lapsed/ cancelled during the year (Note 2)	At 31 December 2024	Subscription price per share	Exercisable period
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	–	–	–	**533,000**	HK$0.91	6 June 2022 - 5 June 2027
		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
19 June 2023	Employees (in aggregate)	750,000	–	(497,000)	–	**253,000**	HK$0.72	19 June 2023 - 18 June 2028
		750,000	–	(497,000)	–	**253,000**	HK$0.72	19 June 2024 - 18 June 2028
		750,000	–	–	–	**750,000**	HK$0.72	19 June 2025 - 18 June 2028
		750,000	–	–	–	**750,000**	HK$0.72	19 June 2026 - 18 June 2028
24 June 2024 *(Notes 4 & 5)*	Employees (in aggregate)	–	177,000	–	–	**177,000**	HK$2.82	24 June 2024 - 23 June 2029
		–	177,000	–	–	**177,000**	HK$2.82	24 June 2025 - 23 June 2029
		–	177,000	–	–	**177,000**	HK$2.82	24 June 2026 - 23 June 2029
		–	177,000	–	–	**177,000**	HK$2.82	24 June 2027 - 23 June 2029
	Total	9,836,000	708,000	(994,000)	(1,436,000)	**8,114,000**		

Notes:

1. For each of such grants, the relevant options shall vest in four equal tranches, with each tranche accounting for 25% of the total options granted, on (i) the date of grant; (ii) the first anniversary of the date of grant; (iii) the second anniversary of the date of grant; and (iv) the third anniversary of the date of grant respectively. All these options are not subject to any performance target on vesting.

2. There was no cancellation of option during the year.

3. The weighted average closing price of the shares on the business days immediately before the dates on which the options were exercised in the year was HK$2.715.

4. The closing price of the shares on the business day immediately before the date on which the options were granted in the year was HK$2.82.

5. With regards to the 708,000 options granted on 24 June 2024, the remuneration committee of the Company had deliberated its views on the vesting arrangements and relevant details are set out in the paragraph headed "Remuneration Committee" in the "Corporate Governance Report" on page 18 of this annual report.

6. Without prejudice to the terms and conditions of the 2016 Share Option Scheme, the options granted under the 2016 Share Option Scheme shall lapse automatically if the relevant grantee ceases to be an eligible participant of the 2016 Share Option Scheme by reason of termination of employment or engagement on the grounds of being guilty of serious misconduct or being convicted of any criminal offence involving integrity or honesty.

7. The Group's accounting policy on the measurement of fair value of the options is set out in Note 2q(iii) to the consolidated financial statements. The fair value of the options granted during the year as measured at the date of grant using the Hull White Trinomial model ("**HWT Model**") in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 2, *Share-based Payment* was approximately HK$0.976 per option. The significant inputs used in the HWT Model are as follows:

Closing price of the shares at the date of grant:	HK$2.82
Subscription price:	HK$2.82
Expected dividend yield:	8.87%
Expected volatility:	62.98%
Annual risk-free interest rate:	3.357%

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

The aggregate fair value of the options granted during the year amounted to approximately HK$691,000, which would be recognised as employee benefit expenses over the vesting periods together with a corresponding increase in equity. Such fair value was subject to a number of assumptions and the limitations of the HWT Model.

8. The number of options available for grant under the 2016 Share Option Scheme at the beginning and the end of the year were 17,324,725 and 18,052,725 respectively.

9. The number of shares that may be issued in respect of the options granted under the 2016 Share Option Scheme during the year divided by the weighted average number of shares of the Company in issue for the year is 0.0026.

Other details in respect of the options granted 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$154,000 (2023: HK$178,000).

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

In accordance with bye-laws 85 and 86 of the bye-laws of the Company (the "**Bye-Laws**"), Ms. MAK WANG Wing Yee, Winnie and Mr. James Christopher KRALIK will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election as Directors.

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" on pages 49 to 50 of this annual report.

Change in Director's Information

The change in Director's information which is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") since the date of issue of the interim report for the six months ended 30 June 2024 of the Company and up to the date of this report includes:

– Mr. LO Kai Yiu, Anthony retired as an independent non-executive director of Lam Soon (Hong Kong) Limited, a company listed on the Stock Exchange, at its annual general meeting held on 8 November 2024 and ceased to be the chairman of its board audit and risk management committee, a member of its board remuneration committee and a member of its board nomination committee following his retirement.

Save as disclosed above, there is no change in Director's information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of issue of the interim report for the six months ended 30 June 2024 of the Company and up to the date of this report.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company 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).

Emolument Policy

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.

Details of the Group's remuneration policy are set out in the "Corporate Governance Report" on page 19 of this annual report. Details of the emoluments of the Directors for the year ended 31 December 2024 are set out in Note 12 to the consolidated financial statements.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the paragraph 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.

Directors' Interests in Competing Businesses

During the year ended 31 December 2024, pursuant to Rule 8.10(2) of the Listing Rules, none of the Directors (other than Independent Non-Executive Directors) had any interest in business apart from the Group's business, which competed or was likely to compete, either directly or indirectly, with the Group's business.

Directors' Interests in Securities

At 31 December 2024, the Directors and the chief executive of the Company had the following interests 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, Chapter 571 of the laws of Hong Kong (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") under Appendix C3 to the Listing Rules:

Interests in shares of the Company

		Number of shares held		
Name of Director	**Long/short position**	**Through controlled corporation**	**Total**	**Approximate percentage of issued share capital**
Mr. WANG Kin Chung, Peter	Long position	182,577,000 *(Note 1)*	182,577,000	66.98% *(Note 2)*

Notes:

1. 182,577,000 shares were directly and beneficially held 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. Please refer to Note 1 to the paragraph headed "Substantial Shareholders" below for further details.

2. The approximate percentage was calculated on the basis of 272,601,253 shares in issue at 31 December 2024.

Interests in ordinary shares of an associated corporation – Hua Thai Manufacturing Public Company Limited ("Hua Thai")

		Number of ordinary shares held		
Name of Director	**Long/short position**	**Through spouse**	**Total**	**Approximate percentage of issued share capital**
Ms. WANG KOO Yik Chun	Long position	2,500 *(Note 1)*	2,500	0.03% *(Note 2)*

Notes:

1. 2,500 ordinary shares of Hua Thai were held by the late WANG Seng Liang, deceased spouse of Ms. WANG KOO Yik Chun.

2. The approximate percentage was calculated on the basis of 10,000,000 ordinary shares of Hua Thai in issue at 31 December 2024.

Save as disclosed above, at 31 December 2024, 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) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

At 31 December 2024, the following persons (other than the Directors or the chief executive of the Company) had the following interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

		Number of shares held				
Name of shareholder	**Long/short position**	**Directly held**	**Through spouse**	**Through controlled corporation**	**Total**	**Approximate percentage of issued share capital**
New Perfect Global Limited	Long position	–	–	182,577,000 *(Note 1)*	182,577,000	66.98% *(Note 3)*
Silver Tree Holdings Inc.	Long position	182,577,000 *(Note 1)*	–	–	182,577,000	66.98% *(Note 3)*
SUN Lin	Long position	–	182,577,000 *(Note 2)*	–	182,577,000	66.98% *(Note 3)*

Notes:

1. 182,577,000 shares were directly and beneficially held 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. Therefore, Silver Tree Holdings Inc., New Perfect Global Limited and Mr. WANG Kin Chung, Peter were interested or deemed to be interested in the same block of 182,577,000 shares.

2. Ms. SUN Lin, the spouse of Mr. WANG Kin Chung, Peter, was deemed to be interested in the same block of 182,577,000 shares in which Mr. WANG Kin Chung, Peter was interested through his controlled corporations.

3. The approximate percentage was calculated on the basis of 272,601,253 shares in issue at 31 December 2024.

Save as disclosed above, at 31 December 2024, no person (other than a Director or the chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

Save as disclosed in the paragraph headed "Connected Transaction" in this report, no transaction, arrangement or contract of significance in relation to the Group's business 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 a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Equity-Linked Agreements

Save as disclosed in the paragraph 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 a party to any equity-linked agreements.

Permitted Indemnity Provision

Pursuant to the Bye-Laws, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty, 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, fraud or dishonesty.

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 aggregate revenue from sales of goods or rendering of services attributable to the Group's largest customer and the five largest customers combined were 16% and 40%, 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 under the Listing Rules), or any shareholder of the Company (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 13 February 2023, Gold Flower Limited ("**Gold Flower**"), an indirect wholly-owned subsidiary of the Company, as the tenant, and TDB Company Limited ("**TDB**"), as the landlord, entered into a tenancy agreement (the "**2023 Tenancy Agreement**") for the lease of the premises at Ground Floor, 4th Floor, 5th Floor, 9th Floor and a portion of flat roofs on 3rd Floor of 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 2023 to 31 March 2025 (both days inclusive) at a monthly rent of HK$320,000 (excluding management fees and government rent and rates). The Premises were leased for factory, storage and ancillary office uses by the Company and certain of its subsidiaries.

In accordance with HKFRS 16, *Leases*, the value of the right-of-use asset recognised under the 2023 Tenancy Agreement was HK$7,336,000.

At the date of the 2023 Tenancy Agreement, the entire issued share capital of TDB was held by a discretionary trust of which Ms. WANG KOO Yik Chun, a Director, was an eligible beneficiary. Therefore, TDB was a connected person of the Company for the purpose of the Listing Rules so far as the 2023 Tenancy Agreement was concerned, and the entering into of the 2023 Tenancy Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The terms of the 2023 Tenancy Agreement were arrived at after arm's length negotiations between Gold Flower and TDB and on the basis of a valuation made by an independent property valuer by making reference to comparable rental transactions and offerings as available in the relevant market with similar age, size, use and attributes. Further details of the 2023 Tenancy Agreement are set out in the announcement dated 13 February 2023 of the Company and in Note 35(a) to the consolidated financial statements.

Related Party Transactions

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

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the 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 Listed Securities

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Public Float

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

Auditor

The consolidated financial statements have been audited by KPMG who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 25 March 2025

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 62 to 104, which comprise the consolidated statement of financial position as at 31 December 2024, 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 material accounting policies and other explanatory information.

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 2024 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

The carrying amounts of the Group's PP&E and license rights as at 31 December 2024 were HK$561,822,000 and HK$417,436,000 respectively, represented 33% 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 2024, management considered that indicators of impairment of the related PP&E and license rights existed as at 31 December 2024.

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$24,543,000 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.

How the matter was addressed in our audit

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 2025 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 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 2024, the Group's gross inventories in brands business segment totalled HK$730,878,000 with a provision for excessive and obsolete inventories of HK$204,650,000 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.

- plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 Chan Pak Ming.

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

25 March 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	Note	**2024 HK$'000**	2023 HK$'000
Revenue	4	**4,183,746**	4,215,667
Cost of sales	18(b)	**(2,468,378)**	(2,432,652)
Gross profit		**1,715,368**	1,783,015
Other net gain/(loss)	5	**12,429**	(48,931)
Selling and distribution expenses		**(824,052)**	(862,206)
General and administrative expenses		**(599,150)**	(563,676)
Profit from operations	6	**304,595**	308,202
Finance income	7	**3,853**	3,516
Finance costs	7	**(61,792)**	(64,301)
Profit before taxation		**246,656**	247,417
Income tax charge	8	**(83,717)**	(67,244)
Profit for the year		**162,939**	180,173
Attributable to:			
Equity shareholders of the Company		**156,015**	171,232
Non-controlling interests		**6,924**	8,941
Profit for the year		**162,939**	180,173
Earnings per share attributable to equity shareholders of the Company:			
Basic	10	**HK$0.57**	HK$0.63
Diluted	10	**HK$0.57**	HK$0.63

The notes on pages 66 to 104 form part of these financial statements. Details of dividends are set out in Note 9 to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
Profit for the year	**162,939**	180,173
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 arising during the year	**(4,134)**	(10,216)
Transferred to and included in the following line items in the consolidated statement of profit or loss:		
Cost of sales	**1,417**	5,076
General and administrative expenses	**2,307**	2,894
Realisation of exchange reserve upon liquidation and disposal of subsidiaries	**–**	(766)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	**(37,568)**	11,357
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans and long service payment liabilities	**(4,801)**	(4,106)
Income tax effect	**176**	138
Other comprehensive income for the year	**(42,603)**	4,377
Total comprehensive income for the year	**120,336**	184,550
Attributable to:		
Equity shareholders of the Company	**113,412**	175,609
Non-controlling interests	**6,924**	8,941
Total comprehensive income for the year	**120,336**	184,550

Consolidated Statement of Financial Position

At 31 December 2024

	Note	At 31 December 2024 HK$'000	At 31 December 2023 HK$'000
Non-current assets			
Property, plant and equipment	14	**561,822**	587,387
Intangible assets	15	**575,458**	630,925
Other long–term assets	16	**16,908**	27,083
Deferred tax assets	29(b)	**19,844**	16,998
Defined benefit plan assets	26	**11,439**	10,561
Financial assets measured at fair value through profit or loss		**6,033**	–
Interest in an associate	17	**–**	–
		1,191,504	1,272,954
Current assets			
Inventories	18	**781,202**	741,108
Accounts receivable and bills receivable	19	**453,045**	568,955
Forward foreign exchange contracts	20	**–**	266
Prepayments and other receivables	21	**83,653**	69,326
Current tax recoverable		**300**	1,414
Cash and bank balances	22	**466,554**	462,655
		1,784,754	1,843,724
Current liabilities			
Accounts payable and bills payable	23	**329,012**	444,483
Accruals and other payables and contract liabilities	24	**485,731**	483,790
Lease liabilities	28	**108,418**	101,603
Forward foreign exchange contracts	20	**576**	432
Current tax liabilities		**53,243**	44,063
Bank borrowings	25	**–**	32,752
		976,980	1,107,123
Net current assets		**807,774**	736,601
Total assets less current liabilities		**1,999,278**	2,009,555

	Note	At 31 December 2024 HK$'000	At 31 December 2023 HK$'000
Non-current liabilities			
Retirement benefits and other post retirement obligations	26	**30,921**	25,910
Licence fees payable	27	**545,328**	592,408
Lease liabilities	28	**124,474**	145,196
Deferred tax liabilities	29(b)	**42,632**	40,983
		743,355	804,497
Net assets		**1,255,923**	1,205,058
Capital and reserves			
Share capital	30	**27,260**	27,161
Reserves	31	**1,200,191**	1,153,040
Total equity attributable to equity shareholders of the Company		**1,227,451**	1,180,201
Non-controlling interests		**28,472**	24,857
Total Equity		**1,255,923**	1,205,058

Approved and authorised for issue by the Board of Directors on 25 March 2025.

WANG Kin Chung, Peter
Director

MAK WANG Wing Yee, Winnie
Director

The notes on pages 66 to 104 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	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 2024	**27,161**	**1,153,040**	**1,180,201**	**24,857**	**1,205,058**
Profit for the year	**–**	**156,015**	**156,015**	**6,924**	**162,939**
Other comprehensive income, net of tax	**–**	**(42,603)**	**(42,603)**	**–**	**(42,603)**
Total comprehensive income	**–**	**113,412**	**113,412**	**6,924**	**120,336**
Issue of shares under share option scheme	**99**	**617**	**716**	**–**	**716**
Share option scheme – value of employee services	**–**	**724**	**724**	**–**	**724**
Dividends paid to equity shareholders relating to 2023	**–**	**(51,794)**	**(51,794)**	**–**	**(51,794)**
Dividends paid to equity shareholders relating to 2024	**–**	**(16,356)**	**(16,356)**	**–**	**(16,356)**
Unclaimed dividends forfeited	**–**	**548**	**548**	**–**	**548**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**(3,309)**	**(3,309)**
Balance at 31 December 2024	**27,260**	**1,200,191**	**1,227,451**	**28,472**	**1,255,923**

	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 2023	27,161	992,990	1,020,151	19,327	1,039,478
Profit for the year	–	171,232	171,232	8,941	180,173
Other comprehensive income, net of tax	–	4,377	4,377	–	4,377
Total comprehensive income	–	175,609	175,609	8,941	184,550
Share option scheme – value of employee services	–	737	737	–	737
Dividends paid to equity shareholders relating to 2023	–	(16,296)	(16,296)	–	(16,296)
Dividends paid to non-controlling interests	–	–	–	(3,411)	(3,411)
Balance at 31 December 2023	27,161	1,153,040	1,180,201	24,857	1,205,058

The notes on pages 66 to 104 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
Operating activities			
Cash generated from operations	36(a)	**409,727**	589,604
Income tax paid		**(72,882)**	(118,115)
Net cash generated from operating activities		**336,845**	471,489
Investing activities			
Interest received		**3,408**	3,125
Payment for the purchase of property, plant and equipment		**(95,452)**	(98,046)
Proceeds from disposals of property, plant and equipment		**23,744**	655
Payment for purchase of financial assets measured at fair value through profit or loss		**(5,924)**	–
(Increase)/decrease in pledged bank deposits		**(1,038)**	1,276
Net cash used in investing activities		**(75,262)**	(92,990)
Financing activities			
Capital element of lease rentals paid	36(b)	**(133,595)**	(109,738)
Interest element of lease rentals paid	36(b)	**(10,087)**	(9,886)
Interest paid	36(b)	**(3,075)**	(3,834)
Dividends paid to equity shareholders of the Company		**(68,150)**	(16,296)
Dividends paid to non-controlling interests		**(3,309)**	(3,411)
Proceeds from new bank borrowings	36(b)	**256,176**	291,252
Repayment of bank borrowings	36(b)	**(288,928)**	(365,508)
Proceeds from issue of shares under share option scheme		**716**	–
Net cash used in financing activities		**(250,252)**	(217,421)

	Note	2024 HK$'000	2023 HK$'000
Net increase in cash and cash equivalents		**11,331**	161,078
Cash and cash equivalents at beginning of the year	22	**452,882**	290,241
Effect on foreign exchange rate changes		**(8,295)**	1,563
Cash and cash equivalents at end of the year	22	**455,918**	452,882

The notes on pages 66 to 104 form part of these 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 HM 10, 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 (collectively, 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 25 March 2025.

2. Material Accounting Policies

The basis of preparation and material 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. Material 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 2024 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

(i) 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 1, *Presentation of financial statements – Classification of liabilities as current or non-current ("**2020 amendments**")* and amendments to HKAS 1, *Presentation of financial statements – Non-current liabilities with covenants ("**2022 amendments**")*

- Amendments to HKFRS 16, *Leases – Lease liability in a sale and leaseback*

- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amendments to HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements (the 2020 and 2022 amendments, collectively the "**HKAS 1 amendments**")*
The HKAS 1 amendments impact the classification of a liability as current or non-current, and have been applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for separately from the liability as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions.

2. Material Accounting Policies (Continued)

The amendments have no effect on the Group's financial statements.

Amendments to HKFRS 16, *Leases – Lease liability in a sale and leaseback*
The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments have no impact on these financial statements as the Group applied the same accounting requirements for its sale and leaseback transactions.

Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: disclosures – Supplier finance arrangements*
The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The Group does not have supplier finance arrangements that provide the Group with extended payment terms or the Group's suppliers with early payment terms.

(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.

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)).

2. Material Accounting Policies (Continued)

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 Company 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.

(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 or less. 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.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification 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.

2. Material Accounting Policies (Continued)

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

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 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. Material Accounting Policies (Continued)

(ii) Account receivables at fair value through other comprehensive income (recycling)

Account receivables at fair value through other comprehensive income (recycling) ("**FVOCI**") are stated at fair value. Subsequent changes in the carrying amounts for account receivables classified at fair value through 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 account receivables are recognised in other comprehensive income and accumulated under the heading of fair value through 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 account receivables. When these account receivables 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.

(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 case they are stated at invoice amounts.

(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.

2. Material Accounting Policies (Continued)

(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.

(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.

2. Material Accounting Policies (Continued)

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.

(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.

(iv) Royalty income

The Group has licensing agreements for granting the right to use its intellectual property, some of which include minimum guaranteed royalties. Royalty income is recognized as earned over the respective license term based on the greater of minimum guarantees or the licensee's sales of licensed products at rates specified in the licensing agreements.

2. Material Accounting Policies (Continued)

(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).

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

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.

2. Material Accounting Policies (Continued)

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) Financial assets at fair value through profit or loss

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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

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

(ii) Subsequent measurement

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

2. Material Accounting Policies (Continued)

(y) 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.

(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 existed at 31 December 2024.

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 2024 and 2023.

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

At 31 December 2024, 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 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.

(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 reported profit or loss before taxation.

Segment assets include all tangible assets, 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**	
	2024 ***HK$'000***	2023 *HK$'000*	**2024** ***HK$'000***	2023 *HK$'000*	**2024** ***HK$'000***	2023 *HK$'000*	**2024** ***HK$'000***	2023 *HK$'000*
Reportable segment revenue	**2,350,053**	2,036,739	**2,025,773**	2,283,328	**–**	–	**4,375,826**	4,320,067
Less: Inter-segment revenue	**(191,704)**	(103,883)	**(376)**	(517)	**–**	–	**(192,080)**	(104,400)
Revenue	**2,158,349**	1,932,856	**2,025,397**	2,282,811	**–**	–	**4,183,746**	4,215,667
Reportable segment EBITDA *(Note (i))*	**317,317**	279,595	**224,547**	303,904	**37,767**	18,042	**579,631**	601,541
Finance income	**–**	–	**758**	360	**3,095**	3,156	**3,853**	3,516
Finance costs								
– Interest on bank borrowings	**–**	–	**(32)**	(130)	**(3,043)**	(3,578)	**(3,075)**	(3,708)
– Interest on licence fees payable	**–**	–	**(48,630)**	(50,581)	**–**	–	**(48,630)**	(50,581)
– Interest on lease liabilities	**(1,897)**	(1,731)	**(7,960)**	(7,802)	**(230)**	(353)	**(10,087)**	(9,886)
– Other bank charges on accounts receivable factoring	**–**	–	**–**	–	**–**	(126)	**–**	(126)
Depreciation charge								
– Owned property, plant and equipment	**(19,574)**	(18,092)	**(49,469)**	(51,048)	**(7,135)**	(7,250)	**(76,178)**	(76,390)
– Right-of-use assets	**(10,773)**	(9,820)	**(104,232)**	(90,663)	**(7,188)**	(7,839)	**(122,193)**	(108,322)
Amortisation of intangible assets	**–**	–	**(52,122)**	(56,396)	**–**	–	**(52,122)**	(56,396)
Impairment losses of property, plant and equipment	**–**	–	**(24,543)**	(6,176)	**–**	–	**(24,543)**	(6,176)
Impairment losses of intangible assets	**–**	–	**–**	(46,055)	**–**	–	**–**	(46,055)
Reportable segment profit/(loss) before taxation	**285,073**	249,952	**(61,683)**	(4,587)	**23,266**	2,052	**246,656**	247,417
Income tax charge							**(83,717)**	(67,244)
Profit for the year							**162,939**	180,173

Notes:

(i) EBITDA is defined as earnings before finance income, finance costs, income tax charge, depreciation, amortisation and impairment. 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 HKFRS 16, 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 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 classify rentals paid under the capitalised leases as financing cash outflows.

4. Revenue and Segment Reporting (Continued)

	Garment manufacturing		Brands business		Unallocated (Note (i))		Total	
	At 31 December 2024 HK$'000	At 31 December 2023 HK$'000	**At 31 December 2024 HK$'000**	At 31 December 2023 HK$'000	**At 31 December 2024 HK$'000**	At 31 December 2023 HK$'000	**At 31 December 2024 HK$'000**	At 31 December 2023 HK$'000
Reportable segment assets	**723,321**	777,700	**1,681,314**	1,761,780	**571,623**	577,198	**2,976,258**	3,116,678
Reportable segment liabilities	**401,385**	407,109	**1,256,141**	1,408,736	**62,809**	95,775	**1,720,335**	1,911,620

	2024 HK$'000	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000
Reversal of/(provision for) impairment of receivables, net	**6**	(439)	**(6,659)**	(484)	**–**	–	**(6,653)**	(923)
Write-down of inventories to net realisable value, net	**(15,989)**	(11,450)	**(44,675)**	(31,174)	**–**	–	**(60,664)**	(42,624)
Additions to property, plant and equipment (including right-of-use assets)	**31,314**	23,721	**159,537**	178,282	**2,093**	636	**192,944**	202,639

The Group's revenue is mainly derived from customers located in the People's Republic of China (the "**PRC**"), the United Kingdom ("**UK**"), Canada, Italy and Singapore, 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		Singapore		Other countries		Total	
	2024 HK$'000	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000
Revenue	**1,193,708**	1,358,669	**1,038,976**	920,525	**547,217**	387,112	**367,883**	558,625	**212,967**	206,052	**822,995**	784,684	**4,183,746**	4,215,667

Included in revenue derived from the PRC was HK$116,872,000 (2023: HK$117,675,000) which was generated in Hong Kong.

For the year ended 31 December 2024, revenue from two customers (2023: one customer) in the garment manufacturing segment accounted for more than 10% of the Group's total revenue and they represented approximately 16% and 11% (2023: 14%) of the total revenue respectively. Details of concentrations of credit risk arising from customers are set out in Note 33.1(b).

	PRC *(Note (iii))*		Switzerland		Thailand		Other countries		Total	
	At 31 December 2024 HK$'000	At 31 December 2023 HK$'000	**At 31 December 2024 HK$'000**	At 31 December 2023 HK$'000	**At 31 December 2024 HK$'000**	At 31 December 2023 HK$'000	**At 31 December 2024 HK$'000**	At 31 December 2023 HK$'000	**At 31 December 2024 HK$'000**	At 31 December 2023 HK$'000
Non-current assets *(Note (ii))*	**704,943**	830,891	**215,805**	215,712	**67,261**	63,617	**172,212**	135,175	**1,160,221**	1,245,395

Notes:

(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 and defined benefit plan assets.

(iii) Included in non-current assets located in the PRC was HK$13,009,000 (2023: HK$19,771,000) which was related to assets located in Hong Kong.

5. Other Net Gain/(Loss)

	2024 HK$'000	2023 HK$'000
Government subsidies	**4,197**	867
Impairment losses of property, plant and equipment *(Note 14)*	**(24,543)**	(6,176)
Impairment losses of intangible assets *(Note 15)*	**–**	(46,055)
Net gain/(loss) on disposal of property, plant and equipment *(Note (i))*	**17,739**	(3,983)
Net gain on liquidation and disposal of subsidiary	**–**	790
Net gain on derecognition of right-of-use assets and lease liabilities	**2,161**	2,383
Royalty income	**8,789**	–
Rental income	**1,781**	1,760
Sundry income	**2,305**	1,483
	12,429	(48,931)

Note:

(i) Included in net gain on disposal of property, plant and equipment for the year ended 31 December 2024 was a gain of HK$20,923,000 arising from disposal of certain unused leasehold land use right and ancillary building in the PRC. The Group has received the disposal consideration of RMB20,296,000, which was determined with reference to a property valuation report issued by an independent PRC valuer. The subject leasehold land and ancillary building were unused by the Group and the disposal did not affect the operation of the Group.

6. Profit from Operations

Profit from operations is stated after charging:

	2024 HK$'000	2023 HK$'000
Amortisation of intangible assets	**52,122**	56,396
Depreciation charge		
– Owned property, plant and equipment	**76,178**	76,390
– Right-of-use assets	**122,193**	108,322
Variable lease payments not included in the measurement of lease liabilities	**13,968**	14,802
Expenses relating to short-term leases	**25,618**	23,719
Provision for impairment of receivables, net	**6,653**	923
Cost of inventories *(Note 18(b))*	**2,468,378**	2,432,652
Employee benefit expenses *(Note 11)*	**771,440**	732,940
Auditor's remuneration		
– External auditor of the Company		
Audit services	**3,683**	3,632
Non-audit services	**471**	385
– Other local auditors of subsidiaries	**618**	554

7. Finance Income and Finance Costs

	2024 HK$'000	2023 HK$'000
Finance income		
Interest income from bank deposits	**3,408**	3,125
Imputed interest on long-term rental deposits	**445**	391
	3,853	3,516
Finance costs		
Interest on licence fees payable	**48,630**	50,581
Interest on lease liabilities	**10,087**	9,886
Interest on bank borrowings	**3,075**	3,708
Other bank charges on accounts receivable factoring	**–**	126
	61,792	64,301

8. Income Tax Charge

	2024 HK$'000	2023 HK$'000
Current income tax		
Hong Kong Profits Tax	**38,705**	24,057
Non-Hong Kong tax	**42,158**	46,080
Under/(over)-provisions of prior years	**4,701**	(5,744)
	85,564	64,393
Deferred tax	**(1,847)**	2,851
	83,717	67,244

The provision for Hong Kong Profits Tax for 2024 and 2023 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 subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

8. Income Tax Charge (Continued)

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

	2024 HK$'000	2023 HK$'000
Profit before tax	**246,656**	247,417
Notional tax on profit before taxation calculated at the rates of 14.8% (2023: 14.9%) applicable to profits in the jurisdictions concerned	**35,607**	36,938
Withholding tax	**2,308**	2,739
Tax effect of non-taxable income	**(5,602)**	(3,979)
Tax effect of non-deductible expenses	**21,522**	20,417
Tax effect of utilisation of tax losses previously unrecognised	**(749)**	(341)
Reversal of previously recognised temporary difference	**42**	(41)
Tax effect of tax losses not recognised	**30,474**	21,690
Tax relief on migration step-up for intangible asset	**(4,586)**	(4,435)
Under/(over)-provisions of prior years	**4,701**	(5,744)
Income tax charge	**83,717**	67,244

9. Dividends

Dividends paid and payable to equity shareholders of the Company attributable to the year:

	2024 HK$'000	2023 HK$'000
Interim dividend of HK$0.06 (2023: HK$0.06) per share paid	**16,356**	16,296
Final dividend of HK$0.17 (2023: HK$0.19) per share proposed after the end of the year	**46,342**	51,605
	62,698	67,901

On 25 March 2025, the Board proposed a final dividend of HK$0.17 per share which is subject to approval by the shareholders at the forthcoming annual general meeting of the Company. The amount will be reflected as an appropriation of retained profits for the year ending 31 December 2025.

The final dividend for the year ended 31 December 2023 of HK$0.19 per share was approved by the shareholders at the Company's last annual general meeting held on 24 June 2024 and was paid to the shareholders on 16 July 2024. The actual amount of dividend paid of HK$51,794,000 was higher than the amount disclosed in the 2023 annual report of HK$51,605,000 due to the increase in number of issued shares at the relevant dividend record date following exercise of share options under the share option scheme of the Company.

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 2024 of HK$156,015,000 (2023: HK$171,232,000) by the weighted average number of 272,191,160 (2023: 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.

Diluted earnings per share for the year ended 31 December 2024 is calculated by dividing the profit attributable to equity shareholders of the Company of HK$156,015,000 by the weighted average number of 275,241,453 ordinary shares (diluted) as calculated below:

	2024	2023
Weighted average number of ordinary shares in issue for the year	**272,191,160**	271,607,253
Effect of deemed issue of shares under the Company's share option scheme	**3,050,293**	-
Weighted average number of ordinary shares (diluted)	**275,241,453**	271,607,253

During the year ended 31 December 2023, 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 year ended 31 December 2023.

11. Employee Benefit Expenses

	2024 HK$'000	2023 HK$'000
Directors' emoluments *(Note 12)*	**11,152**	11,344
Salaries, wages and other benefits	**700,963**	665,647
Retirement benefits		
– Defined contribution plans	**55,623**	52,151
– Defined benefit plans *(Note 26(b))*	**2,060**	1,536
– Long service payment liabilities *(Note 26(c))*	**918**	1,525
Share-based compensation expense		
– Share options granted *(Note 32)*	**724**	737
Total employment expenses	**771,440**	732,940

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	2024 Total HK$'000	2023 Total HK$'000
Executive Director:						
Mr. WANG Kin Chung, Peter	–	5,477	3,259	252	8,988	9,334
Non-Executive Directors:						
Ms. WANG KOO Yik Chun	60	764	–	–	824	815
Ms. MAK WANG Wing Yee, Winnie	256	–	–	–	256	231
Dr. WANG Shui Chung, Patrick	151	–	–	–	151	132
Independent Non-Executive Directors:						
Mr. LO Kai Yiu, Anthony	342	–	–	–	342	326
Mr. James Christopher KRALIK	252	–	–	–	252	264
Mr. Peter TAN	188	–	–	–	188	136
Professor Chen LIN	151	–	–	–	151	106
	1,400	6,241	3,259	252	11,152	11,344

13. Five Highest Paid Individuals

Of the five individuals with the highest emoluments, one (2023: one) is a director whose emoluments are disclosed in Note 12. The aggregate of the emoluments in respect of the other four (2023: four) individuals are as follows:

	2024 HK$'000	2023 HK$'000
Salaries and other emoluments	11,711	10,792
Discretionary bonuses	3,162	4,408
Employer's contribution to retirement benefit schemes	193	249
Other retirement benefit	–	126
	15,066	15,575

The emoluments of the four (2023: four) individuals with highest emoluments are within the following bands:

	2024	2023
HK$2,500,001 – HK$3,000,000	1	1
HK$3,000,001 – HK$3,500,000	1	1
HK$3,500,001 – HK$4,000,000	–	–
HK$4,000,001 – HK$4,500,000	1	–
HK$4,500,001 – HK$5,000,000	1	1
HK$5,000,001 – HK$5,500,000	–	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:								
At 1 January 2023	54,184	387,361	229,495	472,400	20,514	530,761	369	1,695,084
Exchange difference	632	(4,119)	(2,164)	(2,905)	(60)	79	122	(8,415)
Additions	–	837	9,115	81,804	–	104,593	6,290	202,639
Disposals/Derecognition	–	–	(1,949)	(34,471)	(542)	(74,116)	–	(111,078)
Reclassification	–	–	–	136	–	–	(136)	–
Modification	–	–	–	–	–	40,030	–	40,030
At 31 December 2023	54,816	384,079	234,497	516,964	19,912	601,347	6,645	1,818,260
At 1 January 2024	**54,816**	**384,079**	**234,497**	**516,964**	**19,912**	**601,347**	**6,645**	**1,818,260**
Exchange difference	**31**	**(6,781)**	**(2,340)**	**(16,656)**	**(88)**	**(17,802)**	**(544)**	**(44,180)**
Additions	**–**	**–**	**18,027**	**68,187**	**434**	**97,492**	**8,804**	**192,944**
Disposals/Derecognition	**–**	**(12,114)**	**(10,951)**	**(40,190)**	**(279)**	**(66,115)**	**–**	**(129,649)**
Reclassification	**–**	**–**	**–**	**6,377**	**–**	**–**	**(6,377)**	**–**
Modification	**–**	**–**	**–**	**–**	**–**	**37,897**	**–**	**37,897**
At 31 December 2024	**54,847**	**365,184**	**239,233**	**534,682**	**19,979**	**652,819**	**8,528**	**1,875,272**
Accumulated depreciation and impairment losses:								
At 1 January 2023	–	301,946	211,057	383,561	18,743	227,532	–	1,142,839
Exchange difference	–	(2,271)	(2,164)	(1,704)	(38)	(1,311)	–	(7,488)
Charge for the year	–	12,050	6,700	57,167	473	108,322	–	184,712
Written back on disposals/derecognition	–	–	(1,949)	(29,833)	(542)	(63,042)	–	(95,366)
Impairment losses	–	–	–	5,146	–	1,030	–	6,176
At 31 December 2023	–	311,725	213,644	414,337	18,636	272,531	–	1,230,873
At 1 January 2024	**–**	**311,725**	**213,644**	**414,337**	**18,636**	**272,531**	**–**	**1,230,873**
Exchange difference	**–**	**(4,863)**	**(2,982)**	**(8,383)**	**(64)**	**(7,663)**	**–**	**(23,955)**
Charge for the year	**–**	**11,762**	**8,190**	**55,910**	**316**	**122,193**	**–**	**198,371**
Written back on disposals/derecognition	**–**	**(12,114)**	**(10,211)**	**(36,368)**	**(279)**	**(57,410)**	**–**	**(116,382)**
Impairment losses	**–**	**–**	**–**	**11,187**	**–**	**13,356**	**–**	**24,543**
At 31 December 2024	**–**	**306,510**	**208,641**	**436,683**	**18,609**	**343,007**	**–**	**1,313,450**
Net book value:								
At 31 December 2024	**54,847**	**58,674**	**30,592**	**97,999**	**1,370**	**309,812**	**8,528**	**561,822**
At 31 December 2023	54,816	72,354	20,853	102,627	1,276	328,816	6,645	587,387

+ At 31 December 2024, freehold land is located in Thailand. The buildings are located in the PRC and Thailand.

Depreciation expense of HK$21,230,000 (2023: HK$19,094,000) is included in cost of sales, HK$132,317,000 (2023: HK$125,528,000) is included in selling and distribution expenses and HK$44,824,000 (2023: HK$40,090,000) is included in general and administrative expenses.

Impairment loss

In 2024 and 2023, certain cash generating units ("**CGUs**") of the brands business underperformed. The Group performed impairment assessments of these CGUs. As a result, an impairment loss of HK$24,543,000 (2023: HK$6,176,000) is charged to other net gain/(loss) to reduce the CGU's carrying values to recoverable amounts. The aggregate recoverable amounts of these CGU is HK$11,375,000 (2023: HK$7,108,000) based on the greater of the fair value less cost of disposal of the right-of-use assets, using market comparison approach by reference to the recent rent of similar leased properties, discounted by the implicit interest rate and value in use. The fair value on which the recoverable amount is based on is categorised at level 3 measurement. The pre-tax discount rate adopted for the value in use calculations was 15% (2023: 15%).

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	2024 HK$'000	2023 HK$'000
Prepaid leasehold land and land use rights, with remaining lease term between 10 and 50 years	(i)	**98,590**	105,514
Properties leased for own use	(ii)	**210,458**	222,830
Plant, machinery and equipment	(iii)	**764**	472
		309,812	328,816

14. Property, Plant and Equipment (Continued)

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

	2024 HK$'000	2023 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Prepaid leasehold land and land use rights	**3,310**	3,383
Properties leased for own use	**118,695**	104,703
Plant, machinery and equipment	**188**	236
	122,193	108,322
Interest on lease liabilities *(Note 7)*	**10,087**	9,886
Expenses relating to short-term leases	**25,618**	23,719
Variable lease payments not included in the measurement of lease liabilities	**13,968**	14,802

During the year, additions to right-of-use assets were HK$97,492,000 (2023: HK$104,593,000). 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.

(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 leases of the factory in Vietnam 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.

During the year ended 31 December 2024, 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 8% to 30% (2023: 9% to 30%) 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 and the PRC where the Group operates.

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

	2024		
	Fixed payments HK$'000	Variable payments HK$'000	Total payments HK$'000
Retail stores – Hong Kong	**3,422**	**1,266**	**4,688**
Retail stores – PRC	**85,836**	**12,702**	**98,538**
Retail stores – Europe	**13,141**	**–**	**13,141**
Retail stores – Japan	**–**	**–**	**–**

	2023		
	Fixed payments HK$'000	Variable payments HK$'000	Total payments HK$'000
Retail stores – Hong Kong	4,062	74	4,136
Retail stores – PRC	82,658	14,396	97,054
Retail stores – Europe	9,351	–	9,351
Retail stores – Japan	–	332	332

At 31 December 2024, it is estimated that an increase in sales generated from these retail stores by 5% would have increased the lease payments by HK$1,445,000 (2023: HK$1,606,000).

(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:				
At 1 January 2023	20,893	766,336	164,073	951,302
Exchange difference	–	–	5,333	5,333
Additions	–	8,338	–	8,338
At 31 December 2023	20,893	774,674	169,406	964,973
At 1 January 2024	**20,893**	**774,674**	**169,406**	**964,973**
Exchange difference	**–**	**(506)**	**(11,384)**	**(11,890)**
Additions	**–**	**8,502**	**–**	**8,502**
At 31 December 2024	**20,893**	**782,670**	**158,022**	**961,585**
Accumulated amortisation and impairment losses:				
At 1 January 2023	20,893	210,704	–	231,597
Amortisation	–	56,396	–	56,396
Impairment losses	–	46,055	–	46,055
At 31 December 2023	20,893	313,155	–	334,048
At 1 January 2024	**20,893**	**313,155**	**–**	**334,048**
Exchange difference	**–**	**(43)**	**–**	**(43)**
Amortisation	**–**	**52,122**	**–**	**52,122**
At 31 December 2024	**20,893**	**365,234**	**–**	**386,127**
Net book value:				
At 31 December 2024	**–**	**417,436**	**158,022**	**575,458**
At 31 December 2023	–	461,519	169,406	630,925

15. Intangible Assets (Continued)

Amortisation of HK$52,122,000 (2023: HK$56,396,000) 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.

During the year ended 31 December 2021, 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 ended 31 December 2022.

During the last year ended 31 December 2023, an impairment loss on intangible asset of HK$46,055,000 (2024:HK$Nil) for a loss-making brand business was charged to other net loss to reduce its carrying amount to the recoverable amount. The recoverable amount of HK$284,051,000 was based on the value in use net of relevant liabilities. The pre-tax discount rate adopted was 16.5%.

During the year ended 31 December 2024, the Group entered into a 10-year licence agreement to use certain trademarks and domain names related to the MASSIMO OSTI brand in the manufacturing, advertising and distribution of related branded products. The addition of licence rights during the year represents the capitalisation of the minimum contractual obligation payable to the licensor at the inception of the licence agreement. Licence fees payable also recorded a corresponding increase during the year.

The Group has recently performed a strategic review of the Group's licensed brands portfolio and business objectives. The Group, in consultation with the licensor, has been assessing how best we could allocate our resources across the licensed brands portfolio to support the long-term growth of the Group. As part of this review, the Group has taken into consideration adjustments to its Reebok business strategy, which may include changes to, or shortening of the licence term of, this brand's licensing arrangement. These discussions and review reflected the evolving market dynamics and a shared commitment with the licensor to ensuring sustainable brand performance.

(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 year ended 31 December 2024, the value in use calculations use cash flow projections based on latest forecasts covering a 5-year period. Cashflows beyond the 5-year period were extrapolated using the estimated rate of 1%. The cash flow were discounted using a pre-tax discount rate of 15.0%. Management concluded that the recoverable amount of this CGU was higher than its carrying amount and no impairment loss is recognised.

During the year ended 31 December 2023, 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.

The value in use calculations for the year ended December 2020 used 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

	2024 *HK$'000*	2023 *HK$'000*
Advance to an employee *(Note 35(b)(ii))*	**–**	345
Long-term rental, utilities and other deposits	**8,983**	17,164
Club debentures	**7,490**	7,490
Other long-term assets	**435**	2,084
	16,908	27,083

17. Interest in an Associate

Particulars of the associate, which is an unlisted corporate entity, as at 31 December 2024 and 2023 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 2024 and 2023. 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 2024 and 2023.

18. Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2024 **HK$'000**	2023 *HK$'000*
Raw materials	**74,862**	79,305
Work-in-progress	**159,291**	132,690
Finished goods	**517,785**	496,008
Goods in transit	**29,264**	33,105
	781,202	741,108

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2024 **HK$'000**	2023 *HK$'000*
Carrying amount of inventories sold	**2,407,714**	2,390,028
Write down of inventories *(Note 4)*	**88,549**	82,445
Reversal of write-down of inventories *(Note 4)*	**(27,885)**	(39,821)
	2,468,378	2,432,652

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

	2024 **HK$'000**	2023 *HK$'000*
Accounts receivable at amortised cost, net of loss allowance	**330,538**	421,889
Accounts receivable to be sold at fair value through other comprehensive income (recycling)	**122,507**	147,066
	453,045	568,955

As of the end of the reporting period, the ageing of accounts receivable and bills receivable based on invoice date is as follows:

	2024 **HK$'000**	2023 *HK$'000*
Less than 3 months	**412,595**	523,316
3 months to 6 months	**36,551**	46,129
Over 6 months	**14,046**	4,109
	463,192	573,554
Less: Loss allowance	**(10,147)**	(4,599)
	453,045	568,955

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 (2023: 45 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 may and 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.

At 31 December 2024, the effective interest rates of the accounts receivable at fair value through other comprehensive income (recycling) ranged from 5.73% to 6.90% per annum (2023: 5.62% to 7.75%). Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in Note 33.3. At 31 December 2024, the fair value changes on accounts receivable at FVOCI are insignificant and accordingly, no fair value changes are recognised in equity as fair value through other comprehensive income reserve.

The carrying amounts of accounts receivable and bills receivable are denominated in the following currencies:

	2024 **HK$'000**	2023 *HK$'000*
United States dollars	**201,455**	278,740
Renminbi	**133,339**	153,655
Euro	**115,244**	130,570
Others	**3,007**	5,990
	453,045	568,955

20. Forward Foreign Exchange Contracts

	2024 **HK$'000**	2023 *HK$'000*
Cash flow hedges *(Note 33.1(a)(i)(A))*		
Included in:		
– Current assets	**–**	266
	–	266
Included in:		
– Current liabilities	**576**	432
	576	432

The maximum exposure to credit risk is the fair value as stated above of the forward foreign exchange contracts under 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

	2024 HK$'000	2023 HK$'000
Advance payments for purchases of inventories	**12,928**	9,302
Rental deposits	**26,728**	21,047
Value added tax and custom duties recoverable	**11,156**	9,817
Prepayments and other receivables	**32,841**	29,160
	83,653	69,326

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

	2024 HK$'000	2023 HK$'000
Short-term bank deposits	**159,114**	161,248
Cash at bank and on hand	**296,804**	291,634
Cash and cash equivalents in the consolidated cash flow statement	**455,918**	452,882
Pledged bank deposits *(Note (i))*	**10,636**	9,773
Cash and bank balances in the consolidated statement of financial position	**466,554**	462,655

Note:

(i) Bank deposits of HK$10,636,000 (2023: HK$9,773,000) were pledged to secure bank facilities granted to the Group.

The carrying amounts of cash and bank balances are denominated in the following currencies:

	2024 HK$'000	2023 HK$'000
United States dollars	**196,883**	216,593
Renminbi	**88,435**	129,256
Hong Kong dollars	**10,057**	13,029
Euro	**106,254**	59,225
Pound Sterling	**45,767**	24,232
Others	**19,158**	20,320
Total	**466,554**	462,655

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:

	2024 HK$'000	2023 HK$'000
Less than 3 months	**289,622**	399,126
3 months to 6 months	**19,757**	26,133
Over 6 months	**19,633**	19,224
	329,012	444,483

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:

	2024 HK$'000	2023 HK$'000
United States dollars	**115,932**	176,902
Euro	**120,761**	92,476
Hong Kong dollars	**14,268**	15,074
Renminbi	**72,059**	155,194
Others	**5,992**	4,837
	329,012	444,483

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$21,996,000 as at 31 December 2024 (2023: HK$27,367,000) 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 payable for other operating expenses. All of the accruals and other payables are expected to be settled within one year.

25. Bank Borrowings

	2024 HK$'000	2023 HK$'000
Renminbi	–	32,752

At 31 December 2023, the Group's bank borrowings were unsecured and covered by corporate guarantees given by the Company. All bank borrowings were due for repayment within three months at the end of the reporting period.

Bank borrowings were denominated in Renminbi at 31 December 2023 and bore interest at fixed rate of 4.65% per annum.

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

	2024 HK$'000	2023 HK$'000
Defined benefit plans *(Note (b))*	**(1,270)**	(4,160)
Long service payment liabilities *(Note (c))*	**20,752**	19,509
	19,482	15,349
Included in non-current assets	**(11,439)**	(10,561)
Included in non-current liabilities	**30,921**	25,910
	19,482	15,349

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 Switzerland 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, at 31 December 2024, using the projected unit credit method. Based on the actuarial reports, the aggregate market value of the plan assets at 31 December 2024 was HK$40,543,000 (2023: HK$34,721,000), representing approximately 103% (2023: 114%) of the actuarial accrued liabilities at that date.

The amounts recognised in the consolidated statement of financial position are as follows:

	2024 HK$'000	2023 HK$'000
Present value of funded obligations	**39,273**	30,561
Fair value of plan assets	**(40,543)**	(34,721)
Net defined benefit plan assets	**(1,270)**	(4,160)

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:

	2024 HK$'000	2023 HK$'000
Current service cost	**2,069**	1,334
Net interest (income)/expenses on defined benefit plan	**(22)**	9
Net past service benefit	**(216)**	–
Administration cost	**229**	193
Total, included in employee benefit expenses	**2,060**	1,536

Changes in the present value of the defined benefit obligations are as follows:

	2024 HK$'000	2023 HK$'000
At 1 January	**30,561**	21,852
Current service cost	**2,069**	1,334
Employee and plan participants contribution	**5,529**	2,646
Past service benefit	**(216)**	–
Interest expense	**416**	406
Remeasurement – actuarial loss arising from changes in demographic assumptions	**3,198**	2,015
Remeasurement – actuarial loss arising from changes in financial assumptions	**2,453**	1,575
Exchange differences	**(2,530)**	1,776
Benefits paid by the plans	**(2,436)**	(1,236)
Administration cost	**229**	193
At 31 December	**39,273**	30,561

Changes in the fair value of plan assets are as follows:

	2024 HK$'000	2023 HK$'000
At 1 January	**34,721**	28,979
Interest income	**438**	397
Employer contribution	**3,563**	2,389
Employee and plan participants contribution	**5,529**	2,646
Remeasurement – return on plan assets, excluding amounts included in interest income	**1,544**	29
Exchange differences	**(2,816)**	1,517
Benefits paid by the plan	**(2,436)**	(1,236)
At 31 December	**40,543**	34,721

The principal actuarial assumptions used are as follows:

	2024	2023
Discount rate	**1% to 2%**	1% to 2%
Expected rate of future salary increase	**1% to 3%**	1% to 3%

At 31 December 2024, the Group expects to contribute HK$3,296,000 to its defined benefit plans in 2025 (At 31 December 2023: HK$2,831,000). The weighted average duration of the defined benefit obligations is 10 years (2023: 9 years).

The major categories of plan assets as a percentage of total plan assets are as follows:

	2024	2023
Deposits with financial institutions	**6.3%**	7.8%
Bonds	**6.0%**	6.3%
Stocks	**15.4%**	17.8%
Other assets	**72.3%**	68.1%
Represented by:		
– Assets have a quoted market price	**20%**	23%
– Assets do not have a quoted market price	**80%**	77%

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 6.6% (2023: Decrease by 5.9%)	Increase by 7.6% (2023: Increase by 6.8%)
Salary growth rate	0.50%	Increase by 1.0% (2023: Increase by 1.1%)	Decrease by 1.3% (2023: Decrease by 1.4%)

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. In June 2022 the Hong Kong SAR Government gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1 May 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund scheme to reduce the long service payment in respect of an employee's service from the Transition Date – the abolition of the "offsetting mechanism".

(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 at 31 December 2024 were carried out by BMI Appraisals Limited, an independent professional valuation firm, using the projected unit credit method.

	2024 ***HK\$'000***	2023 *HK\$'000*
Liability in the statement of financial position: – Present value of unfunded obligations	**20,752**	19,509

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2024 ***HK\$'000***	2023 *HK\$'000*
Current services cost	**395**	622
Past service cost	**–**	348
Interest cost	**523**	555
Total, included in employee benefit expenses	**918**	1,525

Movement in the present value of unfunded obligations:

	2024 ***HK\$'000***	2023 *HK\$'000*
At 1 January	**19,509**	17,714
Current service cost	**395**	622
Past service cost	**–**	348
Interest expense	**523**	555
Benefit directly paid by the Group	**(336)**	(430)
Remeasurement – actuarial loss arising from changes in demographic assumptions	**462**	456
Remeasurement – actuarial loss arising from changes in financial assumptions	**232**	89
Exchange difference	**(33)**	155
At 31 December	**20,752**	19,509

The principal actuarial assumptions used are as follows:

	2024	2023
Discount rate	**2% to 4%**	2% to 4%
Expected rate of future salary increase	**2% to 4%**	2% to 4%

The weighted average duration of the long service payment liabilities is 8 years (2023: 9 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 3.7% (2023: Decrease by 3.8%)	Increase by 3.9% (2023: Increase by 4.1%)
Salary growth rate	0.50%	Increase by 1.8% (2023: Increase by 1.8%)	Decrease by 1.8% (2023: Decrease by 1.7%)

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

	2024 HK$'000	2023 HK$'000
Within 1 year	**123,986**	103,823
After 1 year but within 2 years	**111,707**	99,686
After 2 years but within 5 years	**338,951**	348,523
After 5 years	**299,366**	391,851
	874,010	943,883
Less: Imputed interest on licence fees payable	**(204,696)**	(247,652)
Present value	**669,314**	696,231
Less: Current portion included in accruals and other payables	**(123,986)**	(103,823)
Non-current portion	**545,328**	592,408

Note:

Licence fees payable represented the present value of contractual obligations of the license agreements and recognised/modified upon inception and subsequent amendments. Licence fee payable is subsequently stated at amortised cost using the effective interest method.

The carrying amounts of licence fees payable are mostly denominated in USD.

The estimated fair value of the licence fees payable as at 31 December 2024 and 2023 was approximate to the carrying value.

28. Lease Liabilities

At 31 December 2024, the lease liabilities were repayable as follows:

	2024 HK$'000	2023 HK$'000
Within 1 year	**108,418**	101,603
After 1 year but within 2 years	**47,854**	64,845
After 2 years but within 5 years	**52,261**	50,496
After 5 years	**24,359**	29,855
Non-current portion	**124,474**	145,196
	232,892	246,799

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		Lease liabilities		Tax relief on migration step-up for intangible asset		Total	
	2024 HK$'000	2023 HK$'000	2024 HK$'000	2023 HK$'000	2024 HK$'000	2023 HK$'000	2024 HK$'000	2023 HK$'000	2024 HK$'000	2023 HK$'000
At 1 January	**3,323**	4,155	**1,518**	1,742	**54,302**	48,387	**12,572**	12,177	**71,715**	66,461
Exchange differences	**31**	45	**–**	–	**(7)**	3	**(845)**	395	**(821)**	443
Credited/(charged) to profit or loss	**4,680**	(978)	**(14)**	(224)	**(2,911)**	5,912	**–**	–	**1,755**	4,710
Credited to other comprehensive income	**126**	101	**–**	–	**–**	–	**–**	–	**126**	101
At 31 December	**8,160**	3,323	**1,504**	1,518	**51,384**	54,302	**11,727**	12,572	**72,775**	71,715

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. At 31 December 2024, the Group did not recognise deferred tax assets of HK$182,768,000 (2023: HK$203,043,000) for tax losses that can be carried forward against future taxable income. Cumulative tax losses of HK$117,232,000 (2023: HK$96,586,000) can be carried forward indefinitely; cumulative tax losses of HK$571,541,000 (2023: HK$658,629,000) will expire within the next five years; and cumulative tax losses of HK$71,026,000 (2023: HK$80,578,000) 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		Right-of-use assets		Fair value adjustments on business combination		Total	
	2024 HK$'000	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000
At 1 January	**161**	143	**33,547**	32,080	**52,348**	46,382	**9,644**	9,460	**95,700**	88,065
Exchange differences	**–**	–	**–**	–	**–**	–	**5**	110	**5**	110
(Credited)/charged to profit or loss	**201**	18	**2,308**	1,504	**(2,678)**	5,966	**77**	74	**(92)**	7,562
Credited to other comprehensive income	**–**	–	**(50)**	(37)	**–**	–	**–**	–	**(50)**	(37)
At 31 December	**362**	161	**35,805**	33,547	**49,670**	52,348	**9,726**	9,644	**95,563**	95,700

(b) Reconciliation to the consolidated statement of financial position:

	2024 HK$'000	2023 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**19,844**	16,998
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(42,632)**	(40,983)
	(22,788)	(23,985)

30. Share Capital

	2024 HK$'000	2023 HK$'000
Authorised: 500,000,000 (2023: 500,000,000) shares of HK$0.10 each	**50,000**	50,000

Issued and fully paid ordinary share capital:

	2024		2023	
	Number of shares	**HK$'000**	Number of shares	HK$'000
At 1 January	**271,607,253**	**27,161**	271,607,253	27,161
Shares issued under share option scheme	**994,000**	**99**	–	–
At 31 December	**272,601,253**	**27,260**	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 2024	**14,449**	**113,373**	**105,157**	**48,248**	**3,272**	**–**	**(166)**	**265,630**	**115,486**	**487,591**	**1,153,040**
Comprehensive income											
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**156,015**	**156,015**
Other comprehensive income											
Net fair value gains on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**–**	**(410)**	**–**	**–**	**–**	**(410)**
Remeasurements of defined benefit plans and long service payment liabilities	**–**	**–**	**–**	**–**	**–**	**(4,801)**	**–**	**–**	**–**	**–**	**(4,801)**
Deferred tax credited to other comprehensive income *(Note 29)*	**–**	**–**	**–**	**–**	**–**	**176**	**–**	**–**	**–**	**–**	**176**
Currency translation differences	**–**	**–**	**–**	**(37,568)**	**–**	**–**	**–**	**–**	**–**	**–**	**(37,568)**
Total comprehensive income	**–**	**–**	**–**	**(37,568)**	**–**	**(4,625)**	**(410)**	**–**	**–**	**156,015**	**113,412**
Transactions with owners											
Transfer	**–**	**–**	**–**	**–**	**–**	**4,625**	**–**	**–**	**–**	**(4,625)**	**–**
Issue of shares	**867**	**–**	**–**	**–**	**(250)**	**–**	**–**	**–**	**–**	**–**	**617**
Share option scheme – value of employee services	**–**	**–**	**–**	**–**	**724**	**–**	**–**	**–**	**–**	**–**	**724**
Share options granted to employee lapsed	**–**	**–**	**–**	**–**	**(835)**	**–**	**–**	**–**	**–**	**835**	**–**
Dividends paid to equity shareholders of the Company *(Note 9)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(68,150)**	**(68,150)**
Unclaimed dividends forfeited	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**548**	**548**
Total transactions with owners	**867**	**–**	**–**	**–**	**(361)**	**4,625**	**–**	**–**	**–**	**(71,392)**	**(66,261)**
Balance at 31 December 2024	**15,316**	**113,373**	**105,157**	**10,680**	**2,911**	**–**	**(576)**	**265,630**	**115,486**	**572,214**	**1,200,191**

	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 2023	14,449	113,373	104,513	37,657	3,180	–	2,080	265,630	115,486	336,622	992,990
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	–	–	171,232	171,232
Other comprehensive income											
Net fair value gains on cash flow hedges	–	–	–	–	–	–	(2,246)	–	–	–	(2,246)
Remeasurements of defined benefit plans and long service payment liabilities	–	–	–	–	–	(4,106)	–	–	–	–	(4,106)
Deferred tax credited to other comprehensive income *(Note 29)*	–	–	–	–	–	138	–	–	–	–	138
Realisation of exchange reserve upon liquidation and disposal of subsidiaries	–	–	–	(766)	–	–	–	–	–	–	(766)
Currency translation differences	–	–	–	11,357	–	–	–	–	–	–	11,357
Total comprehensive income	–	–	–	10,591	–	(3,968)	(2,246)	–	–	171,232	175,609
Transactions with owners											
Transfer	–	–	644	–	–	3,968	–	–	–	(4,612)	–
Share option scheme – value of employee services	–	–	–	–	737	–	–	–	–	–	737
Share options granted to employee lapsed	–	–	–	–	(645)	–	–	–	–	645	–
Dividends paid to equity shareholders of the Company *(Note 9)*	–	–	–	–	–	–	–	–	–	(16,296)	(16,296)
Total transactions with owners	–	–	644	–	92	3,968	–	–	–	(20,263)	(15,559)
Balance at 31 December 2023	14,449	113,373	105,157	48,248	3,272	–	(166)	265,630	115,486	487,591	1,153,040

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 2024, subsidiaries in Taiwan have transferred HK$Nil (2023: HK$644,000) 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 2024, subsidiaries in the Mainland China have transferred HK$Nil (2023: HK$Nil) to statutory reserves.

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

The share option scheme of the Company (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 pursuant to which share options may be granted to eligible participants 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 at the end of the year have the following vesting and expiry dates:

		Number of share options			
Date of grant	**Participant**	**At 31 December 2024**	At 31 December 2023	**Subscription price per share**	**Exercisable period**
3 June 2019	Employees (in aggregate)	**-**	359,000	HK$1.58	3 June 2019 – 2 June 2024
		-	359,000	HK$1.58	3 June 2020 – 2 June 2024
		-	359,000	HK$1.58	3 June 2021 – 2 June 2024
		-	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**	533,000	HK$0.91	6 June 2022 – 5 June 2027
		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
19 June 2023	Employees (in aggregate)	**253,000**	750,000	HK$0.72	19 June 2023 – 18 June 2028
		253,000	750,000	HK$0.72	19 June 2024 – 18 June 2028
		750,000	750,000	HK$0.72	19 June 2025 – 18 June 2028
		750,000	750,000	HK$0.72	19 June 2026 – 18 June 2028
24 June 2024	Employees (in aggregate)	**177,000**	–	HK$2.82	24 June 2024 – 23 June 2029
		177,000	–	HK$2.82	24 June 2025 – 23 June 2029
		177,000	–	HK$2.82	24 June 2026 – 23 June 2029
		177,000	–	HK$2.82	24 June 2027 – 23 June 2029
	Total	**8,114,000**	9,836,000		

For each of such grants, the relevant options shall vest in four equal tranches, with each tranche accounting for 25% of the total options granted, on (i) the date of grant; (ii) the first anniversary of the date of grant; (iii) the second anniversary of the date of grant; and (iv) the third anniversary of the date of grant respectively. All these options are not subject to any perfromance target on vesting.

Detailed movements of the share options granted pursuant to the 2016 Share Option Scheme during the year ended 31 December 2024 are as follows:

	2024		2023	
	Average subscription price per share ***HK$***	**Number of options**	Average subscription price per share *HK$*	Number of options
At 1 January	**1.04**	**9,836,000**	1.26	7,892,000
Granted	**2.82**	**708,000**	0.72	3,000,000
Exercised	**0.72**	**(994,000)**	–	–
Lapsed	**1.58**	**(1,436,000)**	1.75	(1,056,000)
At 31 December	**1.14**	**8,114,000**	1.04	9,836,000
Exercisable at 31 December	**1.11**	**5,550,000**	1.18	6,070,000

The options outstanding at 31 December 2024 had a weighted average remaining contractual life of 2.28 years (2023: 2.83 years).

The fair value of options granted during the year of 2024 determined using the Hull White Trinomial model was HK$0.98 per option (2023: HK$0.25 per option). The significant inputs used in the model are as follows:

	Year in which share options granted	
	2024	2023
Share price at the grant date	**HK$2.82**	HK$0.72
Subscription price	**HK$2.82**	HK$0.72
Expected dividend yield	**8.87%**	4.97%
Volatility	**62.98%**	51.95%
Annual risk-free interest rate	**3.36%**	3.51%

The volatility at the grant date, which measured the standard deviation of expected share price returns, was based on the 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$691,000 (2023: HK$756,000) 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 2024 in relation to the 2016 Share Option Scheme amounted to HK$724,000 (2023: HK$737,000).

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 2024 and 2023, 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, 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 Renminbi manufacturing costs 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.

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:

	2024 ***HK$'000***	2023 *HK$'000*
Notional amount		
– United States dollars	**–**	93,738
– Pound Sterling	**24,308**	29,834

The forward foreign exchange contracts have a maturity within 1 year (2023: 1 year) from the reporting date and have an average forward exchange rate as follows:

	2024	2023
– United States dollars to Renminbi	**–**	7.0000
– Euro to Pound Sterling	**0.8497**	0.8666

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

	2024 ***HK$'000***	2023 *HK$'000*
Balance at 1 January	**(166)**	2,080
Effective portion of the cash flow hedge recognised in other comprehensive income *(Note (i))*	**(4,134)**	(10,216)
Amounts reclassified to profit or loss	**3,724**	7,970
Balance at 31 December *(Note (ii))*	**(576)**	(166)

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.

33. Financial Risk Management (Continued)

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 2024, 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 increased/decreased by HK$29,351,000 mainly as a result of foreign exchange difference on translation of Renminbi denominated net monetary assets of certain Hong Kong subsidiaries (2023: post-tax profit for the year would be decreased/increased by HK$4,528,000 mainly as a result of foreign exchange difference on translation of Hong Kong dollar denominated net monetary assets of certain PRC subsidiaries). There was no forward foreign exchange contract for Renminbi outstanding at 31 December 2024. At 31 December 2023, if Renminbi against Hong Kong dollars had strengthened/weakened by 5% with all other variables held constant, other comprehensive income would be increased/decreased by HK$3,725,000, representing the impact of the change in fair value of forward foreign exchange contracts at the end of the reporting period.

At 31 December 2024, if Euro against Hong Kong dollars had strengthened/weakened by 5% with all other variables held constant, the post-tax profit for the year would be increased/decreased by HK$126,000 (2023: post-tax profit for the year would be increased/decreased by HK$60,000) mainly as a result of foreign exchange difference on translation of Euro denominated monetary assets of certain PRC subsidiaries; while the other comprehensive income would be increased/decreased by HK$986,000 (2023: increased/decreased by HK$1,214,000), representing the impact of the change in fair value of forward foreign exchange contracts at the end of the reporting period.

If Pound Sterling, 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 loss for the year would not be significant.

(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 2024					
Accounts payable and bills payable	**329,012**	**–**	**–**	**–**	**329,012**
Accruals and other payables	**329,594**	**–**	**–**	**–**	**329,594**
Licence fees payable	**123,986**	**111,707**	**338,951**	**299,366**	**874,010**
Lease liabilities	**115,206**	**51,577**	**56,461**	**29,319**	**252,563**
	897,798	**163,284**	**395,412**	**328,685**	**1,785,179**
At 31 December 2023					
Accounts payable and bills payable	444,483	–	–	–	444,483
Accruals and other payables	341,786	–	–	–	341,786
Bank borrowings and interest payments	33,684	–	–	–	33,684
Licence fees payable	103,823	99,686	348,523	391,851	943,883
Lease liabilities	109,372	68,855	55,068	35,697	268,992
	1,033,148	168,541	403,591	427,548	2,032,828

All the Group's forward foreign exchange contracts outstanding at 31 December 2024 are net settlement contracts in hedge relationships. Contracts due to settle within 12 months is expected to have undiscounted contractual cash outflows of HK$576,000 (2023: cash outflows of HK$166,000). There is no gross settlement contract at 31 December 2024 and 2023.

(iii) Interest rate risk

The Group's interest rate risk arises primarily from cash at bank, bank deposits and floating rate borrowings.

The Group has no bank borrowing outstanding at 31 December 2024. The effective interest rate of the Group's bank loan at 31 December 2023 was 4.65%.

At 31 December 2024, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variable held constant, would have increased/decreased the Group's profit after taxation and retained earnings by approximately HK$846,000 (2023: increased/decreased by HK$577,000).

33. Financial Risk Management (Continued)

(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 2024 and 2023, receivables from customers of garment manufacturing segment are substantially covered by credit insurance. At the end of the reporting period, 5% (2023: 9%) and 32% (2023: 37%) 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:

	2024		
	Expected loss rate *%*	**Gross carrying amount** *HK$'000*	**Loss allowance** *HK$'000*
Less than 3 months	**–**	**412,595**	**–**
3 months to 6 months	**1**	**36,551**	**225**
Over 6 months	**71**	**14,046**	**9,922**
		463,192	**10,147**

	2023		
	Expected loss rate *%*	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*
Less than 3 months	–	523,316	–
3 months to 6 months	2	46,129	1,056
Over 6 months	86	4,109	3,543
		573,554	4,599

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.

Movement in the loss allowance account in respect of accounts receivable during the year is as follows:

	2024 *HK$'000*	2023 *HK$'000*
At 1 January	**4,599**	3,914
Receivables written off during the year as uncollectible	**(1,105)**	(238)
Provision for impairment losses during the year	**6,653**	923
At 31 December	**10,147**	4,599

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 2024 and 2023, 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

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.

33. Financial Risk Management (Continued)

Forward foreign exchange contracts are measured at fair value and classified as level 2 valuations at 31 December 2024 and 2023. 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.

Financial assets measured at fair value through profit or loss – option to acquire equity interest of a company, is measured at fair value and classified at level 2 valuation at 31 December 2024. The fair value of the option at 31 December 2024 is determined by a valuation carried out by an independent valuer by employing the binomial model.

Accounts receivable at FVOCI (recycling) are measured at fair value and classified at level 2 valuations at 31 December 2024.

Information about Level 2 fair value measurements:

	Fair value as at 31 December		Valuation technique and significant inputs
	2024 HK$'000	2023 HK$'000	
Accounts receivable at fair value through other comprehensive income (recycling)	**122,507**	147,066	Risk-adjusted discount rates ranged from 5.73% to 6.90% per annum (2023: 5.62% to 7.75% per annum) quoted by the banks
Option for acquisition of the equity interest in MO IP Srl	**6,033**	–	Binomial Lattice Model with annualised expected volatility of 32.22% (2023:Nil)

The fair value of the accounts receivable at FVOCI (recycling) is determined using the risk-adjusted rates per annum quoted by the banks.

The fair value of option for acquisition of the equity interest in MO IP Srl is determined using the binomial lattice model and the significant unobservable input used in the fair value measurement is annualised expected volatility. The fair value measurement is positively correlated to the annualised expected volatility.

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2024 and 2023. Their fair values are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

There was no transfer of financial assets between fair value hierarchy classifications for the years ended 31 December 2024 and 2023. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

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

	2024 HK$'000	2023 HK$'000
Contracted but not provided for in respect of leasehold improvement	**–**	1,131

35. Related Party Transactions

(a) Lease arrangements with a related company

In 2024, the following significant related party transactions were carried out in the normal course of the Group's business:

	Amounts owed by the Group to a related company		Related interest expense	
	At 31 December		Year ended 31 December	
	2024 HK$'000	2023 HK$'000	**2024 HK$'000**	2023 HK$'000
Lease liabilities due to a related company	**955**	4,644	**(152)**	(322)

	2024 HK$'000	2023 HK$'000
Rental payment to TDB under new tenancy agreement	**3,840**	2,880
Rental payment to TDB under former tenancy agreement	**–**	1,590

In February 2023, 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$320,000 per month commencing from 1 April 2023 after the previous lease ("**former tenancy agreement**") ended on 31 March 2023. 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.

35. Related Party Transactions (Continued)

The entire issued share capital of TDB, a related company, was held by a discretionary trust of which two directors of the Company were eligible beneficiaries at 31 December 2024.

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 the paragraph headed "Connected Transaction" in the "Report of the Directors" of this annual report.

(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:

	2024 HK$'000	2023 HK$'000
Salaries, allowances and bonuses	**25,999**	26,936
Defined contribution plans	**613**	601
Share-based compensation expense – share options granted	**522**	511
	27,134	28,048

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 related agreement and amendment agreements entered into in 2013 and 2014, the cash advance was unsecured, bearing interest at the Group's cost of borrowing. HK$3,500,000 of the cash advance plus related interest had been fully repaid in 2016. The remaining amount of HK$8,500,000 (the "**long-term portion**") will 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 and is amortised over twelve years from the date of the cash advance. The prepaid staff benefit was fully amortised during the year ended 31 December 2024.

36. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of profit before tax to cash generated from operations:

	2024 HK$'000	2023 HK$'000
Profit before tax	**246,656**	247,417
Adjustments for:		
Depreciation on property, plant and equipment	**76,178**	76,390
Depreciation of right-of-use assets	**122,193**	108,321
Amortisation of intangible assets	**52,122**	56,396
Net (gain)/loss on disposals of property, plant and equipment	**(17,739)**	3,983
Net gain on liquidation and disposal of subsidiaries	**–**	(790)
Net gain on derecognition of right-of-use assets and lease liabilities	**(2,161)**	(2,383)
Write-down of inventories to net realisable value, net	**60,664**	42,624
Share-based compensation expense	**724**	737
Provision for impairment of receivables, net	**6,653**	923
Finance income	**(3,853)**	(3,516)
Finance costs	**61,792**	64,301
Effect of foreign exchange rate changes	**(9,456)**	15,979
Impairment losses of property, plant and equipment	**24,543**	6,176
Impairment losses of intangible assets	**–**	46,055
Changes in working capital:		
(Increase)/decrease in inventories	**(100,758)**	70,438
Decrease/(increase) in accounts receivable and bills receivables	**109,257**	(77,828)
(Increase)/decrease in prepayment and other receivables	**(3,829)**	25,472
(Decrease)/increase in accounts payable and bills payable	**(115,471)**	7,162
Decrease in accruals and other payables and contract liabilities	**(96,867)**	(97,415)
Decrease in retirement benefits and other post retirement obligations	**(921)**	(838)
Cash generated from operations	**409,727**	589,604

36. Notes to the Consolidated Cash Flow Statement (Continued)

(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 2023	330,296
Changes from financing cash flows:	
Proceeds from new bank borrowings	291,252
Repayment of bank borrowings	(365,508)
Capital element of lease rentals paid	(109,738)
Interest element of lease rentals paid	(9,886)
Interest paid	(3,834)
Other changes:	
Increase in lease liabilities from new leases entered and lease modification during the period, net	133,249
Finance costs *(Note 7)*	13,720
At 31 December 2023	279,551

	HK$'000
At 1 January 2024	**279,551**
Changes from financing cash flows:	
Proceeds from new bank borrowings	**256,176**
Repayment of bank borrowings	**(288,928)**
Capital element of lease rentals paid	**(133,595)**
Interest element of lease rentals paid	**(10,087)**
Interest paid	**(3,075)**
Other changes:	
Increase in lease liabilities from new leases entered and lease modification during the period, net	**119,688**
Finance costs *(Note 7)*	**13,162**
At 31 December 2024	**232,892**

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following and wholly represent lease rentals paid.

	2024 ***HK$'000***	2023 *HK$'000*
Within operating cash flows	**39,586**	38,521
Within financing cash flows	**143,682**	119,624
	183,268	158,145

37. Company-Level Financial Information

(a) Company-level statement of financial position

	Note	**31 December 2024** ***HK$'000***	31 December 2023 *HK$'000*
Non-current assets			
Property, plant and equipment		**–**	–
Interests in subsidiaries		**837,571**	822,684
Deferred tax assets		**7**	29
		837,578	822,713
Current assets			
Amounts due from subsidiaries		**379,345**	350,206
Prepayments and other receivables		**716**	610
Cash and bank balances		**7,916**	9,042
		387,977	359,858
Current liabilities			
Accruals and other payables		**9,840**	11,561
Amounts due to subsidiaries		**14,888**	37,595
Current tax payable		**7**	80
		24,735	49,236
Net current assets		**363,242**	310,622
Net assets		**1,200,820**	1,133,335
Capital and reserves			
Share capital	30	**27,260**	27,161
Reserves	37(b)	**1,173,560**	1,106,174
Total equity		**1,200,820**	1,133,335

Approved and authorised for issue by the Board of Directors on 25 March 2025.

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*
At 1 January 2024	**14,449**	**3,272**	**321,020**	**110,000**	**657,433**	**1,106,174**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**–**	**133,647**	**133,647**
Total comprehensive income	**–**	**–**	**–**	**–**	**133,647**	**133,647**
Transactions with owners						
Share option scheme						
- value of employee services	**–**	**724**	**–**	**–**	**–**	**724**
Issue of shares under share option scheme	**617**	**–**	**–**	**–**	**–**	**617**
Share options granted to employee lapsed	**–**	**(835)**	**–**	**–**	**835**	**–**
Unclaimed dividends forfeited	**–**	**–**	**–**	**–**	**548**	**548**
Dividends paid to equity shareholders *(Note 9)*	**–**	**–**	**–**	**–**	**(68,150)**	**(68,150)**
Total transactions with owners	**617**	**(111)**	**–**	**–**	**(66,767)**	**(66,261)**
At 31 December 2024	**15,066**	**3,161**	**321,020**	**110,000**	**724,313**	**1,173,560**

	Share premium *HK$'000*	Share option reserve *HK$'000*	Contributed surplus *HK$'000*	General reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2023	14,449	3,180	321,020	110,000	554,819	1,003,468
Comprehensive income						
Profit for the year	–	–	–	–	118,265	118,265
Total comprehensive income	–	–	–	–	118,265	118,265
Transactions with owners						
Share option scheme						
- value of employee services	–	737	–	–	–	737
Share options granted to employee lapsed	–	(645)	–	–	645	–
Dividends paid to equity shareholders *(Note 9)*	–	–	–	–	(16,296)	(16,296)
Total transactions with owners	–	92	–	–	(15,651)	(15,559)
At 31 December 2023	14,449	3,272	321,020	110,000	657,433	1,106,174

38. Immediate and Ultimate Holding Company

At 31 December 2024, the directors consider the immediate 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 2024

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 2024 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
Amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*	1 January 2025
Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

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, at 31 December 2024

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
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%
廣州環亞製衣有限公司 (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%

40. Particulars of Principal Subsidiaries, all of which are Unlisted, at 31 December 2024

(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
賽頌(上海)商業有限公司 (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.	Republic of the Philippines	Republic of the Philippines	Investment holding	P59,562,500 (common)	–	100%	100%
				P192,930,189 (preferred) *(Note (ii))*	–	100%	100%
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%
廣州賢法服裝設計有限公司 (Guangzhou Excellent Fashion Design Company Limited *) *(Note (i))*	PRC	PRC	Garment design and provision of technical services	RMB1,500,000	–	100%	100%
廣州聯亞製衣有限公司 (Guangzhou Tristate Industrial Co., Ltd.*) *(Note (i))*	PRC	PRC	Garment manufacturing	HK$18,500,000	–	100%	100%
合肥聯亞製衣有限公司 (Hefei Tristate Garment Manufacturing Company Limited*) *(Note (i))*	PRC	PRC	Garment manufacturing	RMB105,000,000	–	100%	100%
合肥聯亞智能科技有限公司 *(Note (i))*	PRC	PRC	General trading and development of intelligence system	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%

40. Particulars of Principal Subsidiaries, all of which are Unlisted, at 31 December 2024

(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
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%
上海聯亞商業有限公司 (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	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%
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 DE GmbH	Germany	Germany	Retail store operation	EUR25,000	–	95%	95%
Tristate Digital SA	Switzerland	Switzerland	E-commerce trading	CHF100,000	–	95%	95%
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 trademark holding	CHF1,600,000	–	95%	95%
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 Netherlands B.V.	The Netherlands	The Netherlands	Retail store operation	EUR200,000	–	95%	95%
Tristate Trading (Hong Kong) Limited	Hong Kong	Hong Kong	Garment trading and manufacturing	HK$1	–	100%	100%

40. Particulars of Principal Subsidiaries, all of which are Unlisted, at 31 December 2024

(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 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 UK Ltd	England	England	Retail and store operation	GBP1,000	–	95%	95%
Tristate US Inc.	State of New York, United States of America	United States of America	Branded product distribution	US$1	–	100%	100%
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%

* *English transliteration of official Chinese names only.*

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 but 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.

The above list of principal subsidiaries contains only the particulars of those subsidiaries which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length. None of the subsidiaries had any loan capital in issue at any time during the years ended 31 December 2024 and 2023.