年報 2024
Annual Report

匯成國際控股有限公司
Huicheng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1146)

Contents

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. WANG Wei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWONG Wilson Wai Sun
Mr. YEUNG Chi Wai
Mr. HO Ka Wang

COMPANY SECRETARY

Ms. KWAN Sau In

AUTHORISED REPRESENTATIVES

Ms. HUANG Xiaoyun
Ms. KWAN Sau In

AUDIT COMMITTEE

Mr. KWONG Wilson Wai Sun *(Chairman)*
Mr. YEUNG Chi Wai
Mr. HO Ka Wang

REMUNERATION COMMITTEE

Mr. HO Ka Wang *(Chairman)*
Mr. ZHANG Yongli
Mr. KWONG Wilson Wai Sun

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
CMB Wing Lung Bank
China Construction Bank (Asia)

AUDITOR

Ernst & Young, Certified Public Accountants

Chairman's Statement

Dear Shareholders,

I hereby present the annual report and consolidated financial statements of Huicheng International Holdings Limited for the year ended 31 December 2024 ("2024").

The past year presented significant challenges on the Group's operation, driven by a slowdown in China's macroeconomic growth and a decline in retail sales achieved by the top 100 key and large-scale retailers. In this difficult environment, the Group's revenue decreased by RMB51.6 million, or approximately 24.8%, from RMB207.7 million in 2023 to RMB156.1 million in 2024. However, the loss attributable to owners of the parent decreased by RMB33.1 million, or approximately 23.2%, from RMB142.5 million in 2023 to RMB109.4 million in 2024.

In 2024, digital transformation remained a priority of our work. We strengthened our marketing efforts through social media platforms such as Little Red Book, Douyin, and WeChat, successfully transforming a group of in-house sales attendants into digital marketing influencers. Meanwhile, we continued to optimize our VIP customer service process, increasing the proportion of VIP customer sales to approximately 25% of total sales, making it one of the key pillars of the Group's revenue. Our licensing cooperation with Santa Barbara Polo & Racquet Club also progress smoothly, with a significant increase in both the number of sublicensees and royalty income. In addition, the Group appointed renowned artist Mr. Rock Ji as the brand ambassador of MCS to further enhance the image and awareness of the MCS brand.

We also took decisive steps to diversify our business through strategic investments. In 2024, we formed two partnerships with Zhuhai Gree Equity Investment Fund Management Co., Ltd. in Zhuhai, focusing on high-growth sectors such as new generation information technology and intelligent manufacturing. These initiatives aim to create synergies with our core operations while positioning the Group for future opportunities.

To better align with our strategic direction, we changed our company name from China Outfitters Holdings Limited to Huicheng International Holdings Limited during the year. This change reflects our commitment to providing a new corporate image which will benefit the Group's future business development.

Looking ahead to 2025, the Group's key priorities will include optimizing inventory levels and cash flow, further strengthening our presence across digital and social media platforms, and accelerating sales growth through our VIP customer program. We also expect to complete the Lin-Gang property development project and commence sales in the second half of the year, which will contribute additional cash flow to the Group. Furthermore, we will actively explore new opportunities in brand licensing and strategic investments to further diversify our revenue streams.

Finally, I would like to express my sincere gratitude to our shareholders, board members, employees, and partners for their continued support. Despite the challenges, we remain focused on executing our strategy and creating sustainable value for all stakeholders.

ZHANG Yongli
Chairman

Hong Kong
21 March 2025

Management Discussion and Analysis

MARKET OVERVIEW

During the year ended 31 December 2024, China's Gross Domestic Product ("GDP") growth rate decreased by 0.2 percentage points, from 5.2% in 2023 to 5.0% in 2024. The growth rate of total retail sales of consumer products also decreased by 3.7 percentage points from 7.2% in 2023 to 3.5% in 2024. Particularly, retail sales achieved by the top 100 key and large-scale retailers decreased by 4.6% during the year.

Amid the sluggish retail market sentiment, the Group reported a decrease in revenue by RMB51.6 million from RMB207.7 million in 2023 to RMB156.1 million in 2024, and a decrease in loss attributable to owners of the parent by RMB33.1 million from RMB142.5 million in 2023 to RMB109.4 million in 2024.

FINANCIAL REVIEW

Revenue

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

The total revenue of the Group was RMB156.1 million in 2024, representing a decrease by RMB51.6 million, or approximately 24.8% as compared to RMB207.7 million in 2023.

By sales channel

Revenue from sales of products through self-operated retail points decreased by RMB47.4 million, or approximately 27.7%, from RMB171.3 million in 2023 to RMB123.9 million in 2024 and accounted for approximately 79.4% (2023: 82.5%) of the total revenue. Such decrease was mainly attributable to the decrease in number of self-operated retail points as a result of the Group's strategic initiative to close underperforming stores. In particular, the revenue from outlet stores decreased by RMB18.3 million, or approximately 26.2%, from RMB69.8 million in 2023 to RMB51.5 million in 2024.

Revenue from sales of products to third-party retailers decreased by RMB1.8 million, or approximately 16.5%, from RMB10.9 million in 2023 to RMB9.1 million in 2024 and accounted for approximately 5.8% (2023: 5.2%) of the total revenue. The decrease in sales to third-party retailers was mainly attributable to the decrease in number of retail points operated by third-party retailers.

Revenue from sales of products through online channels decreased by RMB2.4 million, or approximately 9.4%, from RMB25.5 million in 2023 to RMB23.1 million in 2024 and accounted for approximately 14.8% (2023: 12.3%) of the total revenue. The decrease in revenue was primarily attributable to a mixed effect of:

(i) a decrease in sales of products through our WeChat stores by RMB2.0 million, or approximately 27.0%, from RMB7.4 million in 2023 to RMB5.4 million in 2024;

(ii) a decrease in sales of products to online third-party retailers by RMB0.7 million, or approximately 18.4%, from RMB3.8 million in 2023 to RMB3.1 million in 2024; and partially offset by;

(iii) stable sales of product through our e-shops on mainstream e-commerce platform such as Tmall.com and JD.com remained at RMB8.0 million in 2024, consistent with the previous year; and

(iv) an increase in sales from online discount platform such as VIP.com by RMB0.3 million, or approximately 4.8%, from RMB6.3 million in 2023 to RMB6.6 million in 2024.

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

	Year ended 31 December			
	2024		2023	
	Revenue RMB million	**% of total revenue**	Revenue RMB million	% of total revenue
Retail sales from self-operated retailers	**123.9**	**79.4%**	171.3	82.5%
Sales to third-party retailers	**9.1**	**5.8%**	10.9	5.2%
Sales through online channels	**23.1**	**14.8%**	25.5	12.3%
Total	**156.1**	**100.0%**	207.7	100.0%

By Brand

Revenue contributed from self-owned brands decreased by RMB29.0 million, or approximately 21.3%, from RMB136.1 million in 2023 to RMB107.1 million in 2024. Percentage of revenue from self-owned brands over total revenue increased from 65.5% in 2023 to 68.6% in 2024.

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

	Year ended 31 December			
	2024		2023	
	Revenue RMB million	**% of total revenue**	Revenue RMB million	% of total revenue
Self-owned brands	**107.1**	**68.6%**	136.1	65.5%
Licensed brands	**49.0**	**31.4%**	71.6	34.5%
Total	**156.1**	**100.0%**	207.7	100.0%

Cost of sales

Our cost of sales decreased by RMB31.3 million, or approximately 29.4%, from RMB106.3 million in 2023 to RMB75.0 million in 2024. The decrease in cost of sales was primarily due to the decrease in sales.

Gross profit and gross profit margin

Our gross profit decreased by RMB20.2 million, or approximately 19.9%, from RMB101.3 million in 2023 to RMB81.1 million in 2024. Our overall gross profit margin increased by 3.2 percentage points from 48.8% in 2023 to 52.0% in 2024. Save for the inventory provisions, our gross profit margin would have been increased from 73.2% in 2023 to 77.0% in 2024. Such increase was mainly due to a higher sales proportion of self-owned brands, which had a higher gross profit margin.

Other income and gains

Our other income and gains increased by RMB13.7 million, or approximately 68.8%, from RMB19.9 million in 2023 to RMB33.6 million in 2024, which was primarily due to (i) an increase in royalty income by approximately RMB6.9 million, from RMB5.3 million in 2023 to RMB12.2 million in 2024, resulting from the sublicensing business of the Santa Barbara Polo & Racquet Club ("SBPRC") trademarks; and (ii) an increase in sales from external order processing services by RMB4.9 million, from RMB3.6 million in 2023 to RMB8.5 million in 2024.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB24.4 million, or approximately 14.9%, from RMB163.5 million in 2023 to RMB139.1 million in 2024.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB15.6 million, or approximately 21.1%, from RMB74.0 million in 2023 to RMB58.4 million in 2024, which was largely in line with the decrease in revenue from self-operated retail points.

The labour costs related to sales and marketing staff and outsourcing costs related to sales and marketing activities decreased from RMB56.0 million in 2023 to RMB44.3 million in 2024 which was primarily attributable to the decrease in number of sales and marketing staff.

We incurred advertising and promotion expenses of RMB3.0 million (2023: RMB2.2 million) during the year for organizing promotion activities and spending on social media marketing to share our brand stories and product knowledge with our customers through Little Red Book（小紅書）, Douyin（抖音）, WeChat and Weibo etc.

Consumables and decoration fees for self-operated retail points decreased from RMB13.3 million in 2023 to RMB12.0 million in 2024 which was primarily attributable to the decrease in number of new retail points opened during the year.

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

Administrative expenses

Our administrative expenses increased by RMB5.0 million, or approximately 9.8%, from RMB50.9 million in 2023 to RMB55.9 million in 2024. The increase in administrative expenses was mainly due to an increase in equity-settled share award expense by RMB4.0 million during the year.

Impairment losses on financial assets, net

These mainly represented an impairment of other receivables and prepayments of RMB8.8 million (2023: RMB7.9 million) and an impairment of trade receivables of RMB2.9 million (2023: a reversal of credit losses arising from trade and bills receivables of RMB0.2 million).

Other expenses

Other expenses mainly included:

(i) impairment on trademarks of RMB14.6 million which mainly included impairment of MCS of RMB13.3 million, London Fog of RMB0.8 million and Marina Yachting of RMB0.5 million, respectively (2023: impairment of Marina Yachting of RMB5.8 million, London Fog of RMB3.1 million and Zoo York of RMB2.4 million, respectively);

(ii) an exchange loss of RMB2.2 million (2023: RMB2.9 million); and

(iii) processing costs for external processing services of RMB8.1 million (2023: RMB2.2 million).

Finance income

Our finance income remained stable at RMB12.7 million in 2024 as compared to that of RMB12.3 million in 2023, despite of the decrease in structured bank deposits and cash and cash equivalents, which was mainly because the relatively higher interest rate on bank deposits and higher return rate on wealth management products in Hong Kong during the year.

Share of profits and losses of associates

Share of profits and losses of associates mainly represented share of losses of the associates – China Mingmen Investment Group Limited of RMB0.7 million (2023: RMB0.5 million) and Shanghai Jegoplay Hongmeng Culture Development Co., Ltd. of RMB0.8 million (2023: RMB0.2 million).

Loss before tax

As a result of the foregoing factors, loss before tax decreased by RMB2.0 million, or approximately 1.8%, from RMB113.8 million in 2023 to RMB111.8 million in 2024.

Income tax expense

Income tax expense decreased by RMB30.4 million, from an expense of RMB30.3 million in 2023 to a tax credit of RMB0.1 million in 2024. No deferred tax assets were recognised on losses available for offsetting against future taxable profits, as the Group does not anticipate generating sufficient taxable income in future to utilise these temporary differences.

Loss for the year

The Group reported a loss for the year of RMB111.8 million in 2024 (2023: RMB144.1 million).

Loss attributable to owners of the parent

As a result of the foregoing, the loss attributable to owners of the parent decreased by RMB33.1 million, or approximately 23.2%, from RMB142.5 million in 2023 to RMB109.4 million in 2024.

Working Capital Management

	31 December 2024	31 December 2023
Inventory turnover days	**548**	541
Trade receivables turnover days	**48**	42
Trade payables turnover days	**45**	31

The turnover days of inventories and trade receivables remained consistent for the both years indicated.

The trade payables turnover days increased by 14 days from 31 days as at 31 December 2023 to 45 days as at 31 December 2024, which was mainly because of the earlier arrival of the 2025 Chinese New Year, with products being concentratedly delivered before year end.

Liquidity, financial position and cash flows

As at 31 December 2024, we had net current assets of approximately RMB548.4 million, as compared to RMB723.2 million as at 31 December 2023. The current ratio of our Group was 4.0 times as at 31 December 2024, as compared to that of 4.9 times as at 31 December 2023.

There was no undrawn banking facility as at 31 December 2024.

As at 31 December 2024, we had an aggregate cash and cash equivalents, time deposits, structured bank deposits, deposits in financial institutes and financial assets at fair value through profit or loss of approximately RMB333.4 million (31 December 2023: RMB475.2 million). The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Year ended 31 December	
	2024	2023
	RMB million	RMB million
Net cash flows used in operating activities	**(24.3)**	(8.6)
Net cash flows used in investing activities	**(31.2)**	(17.8)
Net cash flows used in financing activities	**(66.6)**	(9.5)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(122.1)**	(35.9)
Effect of foreign exchange rate changes, net	**(3.5)**	(1.3)
Cash and cash equivalents at beginning of year	**226.4**	263.6
CASH AND CASH EQUIVALENTS AT END OF YEAR	**100.8**	226.4

Operating activities

Net cash flows used in operating activities increased by RMB15.7 million from RMB8.6 million in 2023 to RMB24.3 million in 2024, which was primarily because of an increase in cash outflows related to increase in inventories from RMB12.2 million in 2023 to RMB29.5 million in 2024.

Investing activities

Net cash flows used in investing activities of RMB31.2 million mainly represented the increase in short-term deposits with original maturity of over three months of RMB220.7 million and an investment in an associate of RMB55.0 million and partially offset by the withdrawal of investments in structured bank deposits and deposits in financial institutes and financial assets at fair value through profit or loss of RMB237.1 million.

Financing activities

Net cash flows used financing activities mainly represented payment of the special final dividends of RMB56.7 million and principal portion of lease payments of RMB9.1 million during the year.

Pledge of group assets

As at 31 December 2024, no asset of the Group was pledged as a security for bank borrowings or any other financing facilities.

Capital commitments and contingent liabilities

As at 31 December 2024, the Group had no significant capital commitments (31 December 2023: Nil) and no significant contingent liabilities (31 December 2023: Nil).

Foreign exchange management

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

OPERATION REVIEW

Retail and distribution network

As at 31 December 2024, our sales network comprised a total of 122 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 38 retail points operated by our third-party retailers.

The following table sets forth the number of our self-operated retail points and retail points operated by our third-party retailers in the PRC and Taiwan by brand as at 31 December 2024 and 31 December 2023:

	As at 31 December 2024			As at 31 December 2023		
Brands	**Self-operated retail points**	**Retail points operated by third-party retailers**	**Total retail points**	Self-operated retail points	Retail points operated by third-party retailers	Total retail points
SBPRC	**50**	**5**	**55**	46	6	52
MCS	**70**	**29**	**99**	82	28	110
Marina Yachting	**2**	**4**	**6**	6	5	11
Total	**122**	**38**	**160**	134	39	173

Self-operated retail points

As at 31 December 2024, we had a network of 118 self-operated concession counters (31 December 2023: 131 self-operated concession counters). A majority of the concession counters are located within mainstream department stores in the first and second tier cities in China, including Bailian (百聯), Golden Eagle (金鷹), MOI (茂業), Intime (銀泰), Inzone (銀座), Wangfujing (王府井) etc., among which a total of 40 were outlet stores as at 31 December 2024 (31 December 2023: 48 outlet stores).

As at 31 December 2024, we had a network of 4 standalone stores (31 December 2023: 3 stores) which were located in shopping malls within major cities in the PRC to ensure a steady flow of consumers as well as to enhance our sales and brand awareness.

Retail points operated by third party retailers

As at 31 December 2024, we had a total of 38 retail points that were operated by third-party retailers, which remained consistent as compared to that of 39 retail points as at 31 December 2023.

Online Channels

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

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

Branding

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

During the year, the Group continued to increase its brand presence by sharing brand stories and product knowledge with target audience through social media platforms such as Little Red Book, Douyin, WeChat and Weibo etc.

On 1 July 2024, a subsidiary of the Company entered into a cooperation agreement with Mr. Rock Ji (紀煥博先生), under which Mr. Ji will serve as the brand ambassador for MCS and collaborate with the Group to promote the MCS brand in the Greater China region.

Business digitalization

We developed an O2O system that is tailored to our retail network and allows our customers to make purchases on demand even if the desired item is out of stock at a particular location, which in turn both enhances customers' shopping experience and drives our sales. Sales contributed by the self-developed O2O system remained stable at RMB13.7 million in 2024 as compared with that of RMB13.8 million in 2023.

We also operate a social network-based commerce and marketing program in collaboration with Weimob and sell and deliver our products in our WeChat stores. Total revenue derived from the WeChat stores decreased by RMB2.0 million from RMB7.4 million in 2023 to RMB5.4 million in 2024.

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

Properties under development

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

The properties under development are indirectly wholly owned by the Company. As at 31 December 2024, the carrying amount of the properties under development is RMB204.6 million. The percentage of stage of completion of the project is approximately 99.9%. Currently, the Group is in the process of applying for the permit for advance sale of commodity houses from the relevant governmental authorities.

The Board expects the construction of the properties under development will be completed in the second half of 2025. When completion and the permit for advance sale of commodity houses is obtained, the properties are expected to be sold to recover funds. After sale of the properties, the Board expects that the Group will no longer engage in the property development business.

Impairment of trademarks

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

During the year, the impairment loss of these trademarks was approximately RMB14.6 million which mainly included impairment of MCS of RMB13.3 million and London Fog of RMB0.8 million and Marina Yachting of RMB0.5 million, respectively (2023: impairment of Marina Yachting of RMB5.8 million, London Fog of RMB3.1 million and Zoo York of RMB2.4 million, respectively).

Share award scheme

The Company adopted a Share Award Scheme to recognise the contributions by certain employees and to give incentives to them in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

On 31 October 2023, the Board granted 162,534,000 shares of the Company (the “Award Shares”) to 11 employees (including 7 directors) for free and the Award Shares granted were exercisable on 31 October 2024.

Formation of partnerships

Formation of partnership 1

On 24 January 2024, Zhuhai Sinosure Joint Investment Co., Ltd.（珠海信保聯合投資有限公司, “Zhuhai Sinosure”, a company indirectly owned as to 49% by the Company and is therefore not regarded as a subsidiary of the Company), as limited partner, entered into a partnership agreement (the “Partnership Agreement 1”) with Zhuhai Gree Equity Investment Fund Management Co., Ltd.（珠海格力股權投資基金管理有限公司, “Gree Equity”), as general partner, in relation to the formation of Zhuhai Gejin Xinbao Joint Investment Partnership (Limited Partnership) 珠海格金信保聯合投資合夥企業（有限合夥）, the “Partnership 1”). Pursuant to the Partnership Agreement 1, the total capital contribution by all partners to the Partnership 1 shall be RMB10,000,000, of which each of Zhuhai Sinosure and Gree Equity shall contribute RMB5,000,000 and RMB5,000,000, respectively.

Formation of partnership 2

On 24 January 2024, Guangdong Junrui Industrial Co., Ltd.(廣東君瑞實業有限公司, "Guangdong Junrui", an indirect wholly-owned subsidiary of the Company), as limited partner, entered into a partnership agreement (the "Partnership Agreement 2") with Zhuhai Xingge Capital Investment Co., Ltd.(珠海興格資本投資有限公司, "Zhuhai Xingge"), as limited partner, and Partnership 1, as general partner, in relation to the formation of Zhuhai Gejin Xinbao Equity Investment Fund Partnership (Limited Partnership)(珠海格金信保股權投資基金合夥企業(有限合夥), the "Partnership 2"). Pursuant to the Partnership Agreement 2, The total capital contribution by all partners to the Partnership 2 shall be RMB100,000,000, of which each of Guangdong Junrui, Zhuhai Xingge and Partnership 1 shall contribute RMB55,000,000, RMB35,000,000 and RMB10,000,000, respectively.

The purpose of formation of the Partnership 2 is to achieve satisfactory return to all partners to the Partnerships 2 by engaging in the business of direct equity investment and fund investment.

The Partnership 2 shall invest in the fields of new generation information technology, new energy, integrated circuits, intelligent manufacturing, biomedicine and health, smart home appliances, equipment manufacturing and fine chemicals and would prioritize investments in areas that can generate synergies with the business of the Company. The Board is confident that, the formation of the Partnership 2 will provide the Group with opportunities to engage with industries and enterprises poised for future growth, thereby creating favorable conditions for the Group's business transformation, development and diversification.

On 23 April 2024, Guangdong Junrui made a capital injection of RMB55,000,000 to Partnership 2.

Change of Company Name

The English name of the Company has been changed from "China Outfitters Holdings Limited" to "Huicheng International Holdings Limited" and the dual foreign name in Chinese of the Company has been changed from "中國服飾控股有限公司" to "匯成國際控股有限公司". The Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in the Cayman Islands on 22 May 2024 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Companies Registry in Hong Kong on 6 June 2024 (the "Change of Company Name").

The Board considers that the Change of Company Name will better reflect the Company's strategic business plan and its future development direction. In addition, the Board believes that the new English and Chinese names of the Company will provide the Company with a new corporate image which will benefit the Company's future business development.

Outsourcing

In order to enable our management team to continuously focus on our core missions, we outsourced substantially all our sales staff in self-operated retail points and the production workers in our manufacturing plant in Dezhou to a third-party outsourcing service company. As at 31 December 2024, approximately 599 sales representatives, store managers and production workers, were employees of the outsourcing service company (31 December 2023: 661).

Employee information

As at 31 December 2024, the Group had approximately 190 full-time employees (31 December 2023: 208). Staff costs, including directors' remuneration, totaled RMB22.8 million in 2024 (2023: RMB23.1 million).

Corporate Social Responsibility

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

Prospects

The Board will prioritize the following objectives and initiatives in 2025:

- Clearing aged inventories and optimizing cash flow, which remains our top priority;
- Enhancing brand presence on social media platforms such as Little Red Book, Douyin, and WeChat;
- Expanding online sales channels by increasing sales through department store and shopping mall-operated online stores, as well as boosting sales from our WeChat stores and e-shops on major e-commerce platforms like Tmall and JD.com;
- Driving sales growth among VIP customers by leveraging our CRM program;
- Completing the construction of the Group's properties under development and initiating property sales; and
- Exploring new business opportunities, including brand licensing, group purchases etc.

FINAL DIVIDENDS

The Board does not recommend any final dividends for the year ended 31 December 2024.

The special final dividends for the year ended 31 December 2023 on ordinary shares of RMB59,501,000 were approved by shareholders of the Company at the annual general meeting held on 17 May 2024 and were subsequently paid on 19 July 2024.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks Relating to the Retail and Apparel Industry

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

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

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

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

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

Risks Relating to the Group

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

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

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

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

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

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

The Group entered into licence agreements with a number of organisations to use their respective brands in the design, manufacturing, marketing and sales of apparel products and sales of products under these licensed brands accounted for approximately 31.4% of total sales.

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

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

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

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

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

The Group is subject to financial risks

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

The Group's business is susceptible to unexpected epidemic

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

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. ZHANG Yongli（**張永力先生**）, aged 65, is the Chairman, Chief Executive Officer and an executive director of our Company. He also serves as a director in most of the subsidiaries of our Company. Mr. Zhang joined our Group in 1999 and is primarily responsible for our Group's overall strategic planning and the management of our Group's business operations. Mr. Zhang has over 20 years of experience in the PRC menswear industry. Mr. Zhang was selected as one of the "25 Influential Chinese in Global Fashion" in 2011 by Forbes China. He was appointed as our Chief Executive Officer and executive director on 8 June 2011 and was appointed as the Chairman on 22 June 2018. Mr. Zhang was a director of Guangdong Rieys Group Co., Ltd.（廣東雷伊（集團）股份有限公司）until May 2009. Mr. Zhang is the father-in-law of Mr. Tang Jia, the Chief E-Commerce Officer of our Company.

Mr. SUN David Lee（**孫如暐先生**）, aged 59, is an executive director of our Company. He also serves as a director in a number of our subsidiaries in Hong Kong. Mr. Sun is primarily responsible for brands sourcing and transaction management. He has been an independent non-executive director of Dynasty Fine Wines Group Limited since November 2012, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was an executive director of Asia Coal Limited until 3 May 2018, the shares of which were listed on the Stock Exchange up to 17 June 2019. Mr. Sun was a director and co-founder of CEC Management Limited, the management company of China Enterprise Capital Limited ("CEC"), a China focused private equity fund. Prior to establishing CEC, he was the managing director of Pacific Alliance Group Limited, an Asia-focused alternative investment management firm. Mr. Sun was the director for strategy and business development in Asia at Interbrew (currently known as Anheuser-Busch InBev). He was also a consultant in the corporate finance and strategy practice of McKinsey & Company, Inc. in Hong Kong. Prior to his position at McKinsey, Mr. Sun practised law as an associate in the corporate group at Linklaters. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law. He is a registered attorney in Illinois of the U.S. Mr. Sun was appointed as our executive director on 8 June 2011.

Ms. HUANG Xiaoyun（**黃曉雲女士**）, aged 53, is the Chief Financial Officer and an executive director of our Company. Ms. Huang joined our Group in 2000. Previously, she was a manager in our Group's financial department from 2000 to 2001. She is responsible for the financial reporting and administration of our Group's PRC operations. She has over 20 years of experience in accounting and financial management. Ms. Huang holds a Master of Business Administration Degree from The South China University of Technology. Ms. Huang was appointed as our executive director on 8 June 2011 and appointed as our Chief Financial Officer on 14 May 2012.

NON-EXECUTIVE DIRECTOR

Mr. WANG Wei（**王瑋先生**）, aged 42, is a non-executive director of our Company. Mr. Wang is a managing director of DCP Capital. Prior to DCP, Mr. Wang was a director of Kohlberg Kravis Roberts & Co. L.P. ("KKR"), focusing on private equity transactions in the Greater China region. Prior to joining KKR, Mr. Wang worked at Orchid Asia Investment Group and McKinsey & Company. Mr. Wang has been actively involved in advising on investments in Sino Prosperity Real Estate Platform, China Cord Blood Corporation, Qingdao Haier and the Company at KKR and Orchid Asia Investment Group. He has been appointed as a director of Tonghua Dongbao Pharmaceutical Co., Ltd.（「通化東寶藥業股份有限公司」）, a company listed on the Shanghai Stock Exchange (stock code: 600867), with effect from 29 September 2020. He also has been appointed as a non-executive director of Venus Medtech (Hangzhou) Inc., a company listed on the Main board of the Hong Kong Stock Exchange (stock code: 2500), with effect from 30 November 2023. Mr. Wang graduated from Shanghai Jiaotong University with a Bachelor of Science degree in Economics in 2005. Mr. Wang was appointed as our non-executive director on 14 May 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWONG Wilson Wai Sun (鄺偉信先生), aged 59, is an independent non-executive director of our Company. He has been appointed as an executive director of China Metal Resources Utilization Limited, a manufacturer of recycled copper products in China and a company listed on the Main Board of the Stock Exchange, since 16 August 2013. He is also an independent non-executive director of C. Banner International Holdings Limited and Shunfeng International Clean Energy Limited, companies listed on the Main Board of the Stock Exchange, since 26 August 2011 and 16 July 2014, respectively. On 20 March 2017, Mr. Kwong was appointed as an independent non-executive director of China New Higher Education Group Limited, a company listed on the Main Board of the Stock Exchange on 19 April 2017. On 15 March 2019, he was also appointed as an independent non-executive director of East Buy Holding Limited, a company listed on the Main Board of the Stock Exchange on 28 March 2019. Mr. Kwong acted as the President of Gushan Environment Energy Limited, a copper products manufacturer and biodiesel producer in China, until 16 August 2013. He has 12 years of experience in corporate finance and equity capital markets in Asia, having previously worked at a number of investment banks in Hong Kong. Prior to joining Gushan Environmental Energy Limited in 2006, he was the managing director of investment banking and he held the position as the head of Hong Kong and China equity capital markets at CLSA Equity Capital Markets Limited since March 2004. From 2002 to 2003, Mr. Kwong was a director and the head of equity capital markets for Cazenove Asia Limited. After graduating from the University of Cambridge, England with a Bachelor's degree in 1987, he qualified as a chartered accountant in the United Kingdom with KPMG in 1990 and as a chartered secretary and administrator in the United Kingdom in 1991. Mr. Kwong is currently an associate member of the Institute of Chartered Accountant in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Kwong was appointed as our independent non-executive director on 8 June 2011.

Mr. YEUNG Chi Wai (楊志偉先生), aged 64, is an independent non-executive director of our Company. Mr. Yeung is the founder and director of Edwin Yeung & Company (CPA) Limited and has been practising as a certified public accountant with the firm since 1991. He has been an associate of the Chartered Association of Certified Accountants since 1988. Mr. Yeung became an associate member and a fellow member of the Hong Kong Institute of Certified Public Accountants in 1989 and 1996, respectively. Mr. Yeung has been a fellow member of the Association of Chartered Certified Accountants since 1993, an associate of the Institute of Chartered Accountants in England and Wales since 2005 and a Fellow Member of CPA Australia since 2010. He was awarded the Medal of Honour by the Government of the Hong Kong Special Administrative Region (the "Government of Hong Kong") in 2010. He was also the president of the Society of Chinese Accountants and Auditors in 2008 and is currently the chairman of its membership and promotion committee. Mr. Yeung was appointed as a vice chairman of Accounting Development Foundation Limited in 2018. He has been a member of the Chinese People's Political Consultative Conference in Shandong Province since January 2013. He is the immediate past chairperson of the Association of China Trend Studies (HK). He served as an independent non-executive director of Capital Estate Limited, a company listed on the Main Board of the Stock Exchange, from 1 April 2022 to 24 January 2025. He also served as an independent non-executive director of Golden Century International Holdings Group Limited and Wah Sun Handbags International Holdings Limited, companies listed on the Main Board of the Stock Exchange, from 6 April 2020 to 22 March 2023 and from 2 January 2018 to 23 January 2024. Mr. Yeung was appointed as the executive council member of The Hong Kong Independent Non-Executive Director Association Limited on 20 September 2019. Mr. Yeung was appointed as our independent non-executive director on 8 June 2011.

Mr. HO Ka Wang (何家宏先生), aged 52, is a shareholder and director of Neumac Company Limited. He has more than 10 years in operating business in the PRC and Hong Kong including textile spinning machinery and automobile accessories. Mr. Ho holds a diploma of Building Science from the British Columbia of Institute and Technology.

SENIOR MANAGEMENT

Mr. LU Yi (呂毅先生), aged 46, is the Vice President, Chief Sales Officer and Regional Sales Controller of our Company. He joined our Group in 2000. Previously, he was Manager of the President's Office from 2003 to 2004 and the assistant to Chief Human Resource Officer of our Group from 2005 to 2013. He is responsible for management of licensed brands of our Group as well as business development planning and management of retail sales activities of Southern PRC.

Mr. YAN Zhong (閆仲先生), aged 55, is the Vice President and Regional Sales Controller of our Company. Mr. Yan joined our Group in 1999. Previously, he was the Manager for Northern Region in 1999 and Deputy General Manager for Northern Region of our Group in 2000. He is primarily responsible for the Group's business development planning and management of retail sales activities of Northern PRC. He has over 20 years of experience in the apparel retail industry. Mr. Yan is the holder of a Bachelor's Degree from 中國青年政治學院 (China Youth University for Political Sciences).

Mr. WONG Hon Wing (王漢嶸先生), aged 56, is the Chief Procurement Officer of our Company. He joined our Group in 1999. Previously, he was the Procurement Manager of our Group in 1999. He is responsible for the purchase planning and manufacturing functions of the Group. He has over 20 years of experience in the purchase and production of apparels.

Mr. LI Zhuoping (李卓平先生), aged 45, is the Chief Technology Officer of our Company. Mr. Li joined the Group in 2003. Previously, he was the Deputy General Manager of a subsidiary of the Group from 2014 to 2016. Mr. Li is primarily responsible for development and implementation of the information technology systems of the Group. He has over 15 years of experience in the information technology industry as well as the retail and apparel industry.

Mr. YAN Yi (嚴逸先生), aged 41, is the Assistant President of our Company. He is primarily responsible for assisting our Chief Executive Officer for our Group's overall strategic planning and the management of our Group's business operations. Previously, he was the assistant to our Chief Financial Officer from 2012 to 2016. Mr. Yan has over 10 years of experience in auditing and accounting. Prior to joining our Group, he worked in the assurance and advisory services department of Ernst & Young from 2005 to 2011 after receiving a Bachelor degree in Business Administration from the Sun Yat-sen University in 2005.

Mr. HUANG Xiaosheng（黃曉晟先生）, aged 40, is the Chief Marketing Officer of our Company. He is primarily responsible for the assessment of the authorisation of third-party retailers of our Group in the PRC and maintaining our business and strategic relationships with them. Mr. Huang joined our Group in 2017. Previously, he was the assistant to our chief sales officer from 2017 to February 2019. Mr. Huang has over 10 years of experience in the retail and apparel industry. Prior to joining our Group. He was the controller responsible for organisation development of the JNBY Group（江南布衣集團）from 2016 to 2017, and was the retail operation controller of the "H+" brand of the IHAPPY Group（海貝集團）from 2013 to 2015. Mr. Huang graduated from the Shanghai University of Finance and Economics with a Bachelor of Business Administration degree in 2007.

Mr. TANG Jia（唐嘉先生）, aged 37, is the Chief E-Commerce Officer of our Company since April 2019. He is primarily responsible for management of the Group's online business and new retail programs. Prior to joining the Group, Mr. Tang was the manager of the corporate banking division at China Everbright Bank Shanghai Branch Putuo Sub Branch（中國光大銀行上海分行普陀支行）. He graduated from the Chengdu University of Technology（成都理工大學）with a Bachelor degree in Science in 2010. Mr. Tang is the son-in-law of Mr. Zhang Yongli, Chairman and Chief Executive Officer of the Company.

Ms. QIN Yue（秦岳女士）, aged 44, is the Chief Design Officer of our Company and is primarily responsible for design of garment and apparel. She joined our Group in 2004. Previously, she was the assistant to the Chief Design Officer from 2012 to 2021. Ms. Qin has approximately 20-year-experience in design of garment and apparel. Ms. Qin graduated from the Beijing Institute of Fashion Technology（北京服裝學院）with a Bachelor degree in Arts in 2004.

Corporate Governance Report

The board (the "Board") of directors (the "Directors") of the Company is pleased to report to the shareholders of the Company on the corporate governance of the Company for the year ended 31 December 2024.

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

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

– satisfactory and sustainable returns to Shareholders;

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

– that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the basis of the Company's corporate governance practices.

The Board is of the view that throughout the year ended 31 December 2024, the Company has complied with all the code provisions in effect during 2024 as set out in the CG Code, except for code provision C.2.1, as disclosed below under the sub-section "Chairman and Chief Executive Officer" of this report.

DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding Directors' dealings in the Company's securities and securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company (the "Code of Conduct") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and Code of Conduct throughout the year ended 31 December 2024.

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

BOARD OF DIRECTORS

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

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

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

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

Non-executive Director:
Mr. WANG Wei

Independent Non-executive Directors:
Mr. KWONG Wilson Wai Sun
Mr. YEUNG Chi Wai
Mr. HO Ka Wang

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 20 to 23 of the annual report for the year ended 31 December 2024.

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

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

During the year ended 31 December 2024, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors, representing at least one-third of the board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Board Independence Evaluation

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

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

Non-executive Directors and Directors' Re-election

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

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

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

BOARD COMMITTEES

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

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

Audit Committee

The main duties of the Audit Committee include the following:

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

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

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

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

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

The Audit Committee held three meetings during the year to review interim and annual financial results and reports in respect of the year ended 31 December 2024 and significant issues on the financial reporting and compliance procedures, effectiveness of risk management and internal control systems and internal audit function, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties.

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

Remuneration Committee

The primary functions of the Remuneration Committee include the following:

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

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

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

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

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

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

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

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

	Number of persons
Nil to RMB1,000,000	12
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	1
RMB3,000,001 to RMB4,000,000	1

Nomination Committee

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

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

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

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

Board Diversity Policy

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

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

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

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

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

Gender Diversity

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

	Female	**Male**
Board	14.3% (1)	85.7% (6)
Senior Management	12.5% (1)	87.5% (7)
Other employees	60.6% (106)	39.4% (69)
Overall workforce	56.8% (108)	43.2% (82)

The Board had targeted to achieve and had achieved at least 14.3% (1) of female Directors, 12.5% (1) of female senior management and 60.6% (106) of female employees of the Group and considers that the above current gender diversity is satisfactory.

Director Nomination Policy

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

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

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

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

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2024, there was no change in the composition of the Board.

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

(a) Appointment of New Director

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

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

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

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

(b) Re-election of Director at General Meeting

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

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

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

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

The Nomination Committee has reviewed the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committees meetings and the general meetings of the Company held during the year ended 31 December 2024 is set out in the table below:

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2024.

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

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

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

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2024, the remuneration paid for services provided by the auditor is roughly as follows:

Service Category	Fees Paid/Payable (RMB'000)
Audit and review services	2,285
Non-audit services	—
	2,285

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

Principles of Risk Management and Internal Control Systems

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

Main Features of Risk Management and Internal Control Systems

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

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

Process Used to Identify, Evaluate and Manage Significant Risk

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

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

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2024.

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

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

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2024, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

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

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

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

COMPANY SECRETARY

The Company has engaged Tricor Services Limited, an external service provider, and Ms. KWAN Sau In had been appointed as the Company's company secretary during the year. Its primary contact person at the Company is Ms. HUANG Xiaoyun, an executive Director of the Company.

For the year ended 31 December 2024, Ms. KWAN Sau In has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

Putting Forward Proposals at General Meetings

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

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

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

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

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

Convening an Extraordinary General Meeting by Shareholders

Any one or more Members holding as at the date of deposit of the requisition in aggregate not less than one-tenth of the voting rights at general meetings (on a one vote per share basis) in the share capital of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, at the Company's principal place of business in Hong Kong at Room 1303, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition and add resolutions to the meeting agenda; and such meeting shall be held within 2 months after the deposit of such requisition.

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

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal meeting place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

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

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

INVESTOR RELATIONS

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

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

Policies relating to Shareholders

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

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

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

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

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

The Board has pleasure in presenting the report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2024.

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

SUSTAINABILITY

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

Environmental Policies and Performance

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

Relationships with Key Stakeholders

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

During the year ended 31 December 2024 and up to the date of this report, the Board was unaware of any non-compliance with relevant laws and regulations that had a significant impact on the business and operations of the Group.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2024 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 76 to 175 of the annual report.

The Board does not recommend any final dividends for the year ended 31 December 2024.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 176 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the Group, and investment properties of the Group during the year ended 31 December 2024 are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2024 are set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF SHARES OF THE COMPANY

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

As at 31 December 2024, there were no treasury shares held by the Company.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2024 are set out in note 36 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2024, the Company's reserves, including contributed surplus less the accumulated losses, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to approximately RMB328.6 million. Under the Companies Law, a company may make distribution to its shareholders out of contributed surplus under certain circumstances.

CHARITABLE CONTRIBUTIONS

During the year, the Group made no charitable contribution.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2024, the aggregate sales attributable to the Group's five largest customers and the sales attributable to the Group's largest customer were approximately 22.02% and 5.26%, respectively, of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers and the purchases attributable to the Group's largest supplier were approximately 45.44% and 11.63%, respectively, of the Group's total purchases during the year ended 31 December 2024.

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

DIRECTORS

During the year ended 31 December 2024 and up to the date of this report, the Directors were:

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

Non-executive Directors:
Mr. WANG Wei
Mr. KWONG Wilson Wai Sun*
Mr. YEUNG Chi Wai*
Mr. HO Ka Wang*

* Independent Non-executive Directors

In accordance with the Articles of Association, Mr. WANG Wei, Mr. KWONG Wilson Wai Sun and Mr. YEUNG Chi Wai will retire from the Board by rotation. All of them will offer themselves for re-election at the Annual General Meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during or at the end of the year ended 31 December 2024.

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

As at 31 December 2024, the interests and short positions of the Directors and chief executives in the shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix C3 to the Listing Rules, were as follows:

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

Name of director	Nature of Interest	Number of Ordinary Shares Owned	Percentage of the Company's issued Share Capital (%, Note 2)
Mr. ZHANG Yongli	Beneficial owner	12,570,000	0.36
	Corporate interest (Note 1)	839,748,000	24.37
Mr. SUN David Lee	Beneficial owner	3,852,000	0.11
Ms. HUANG Xiaoyun	Beneficial owner	497,896,000	14.45
Mr. WANG Wei	Beneficial owner	3,400,000	0.10
Mr. KWONG Wilson Wai Sun	Beneficial owner	3,400,000	0.10
Mr. YEUNG Chi Wai	Beneficial owner	3,400,000	0.10
Mr. HO Ka Wang	Beneficial owner	3,400,000	0.10

Notes:

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

(2) The percentage is calculated based on the total number of issued shares of the Company as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, none of the Directors and chief executives had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2024, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or were otherwise notified to the Company:

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

Name	Notes	**Nature of Interest**	**Number of Shares**	**Percentage of the Company's Issued Share Capital** (%, Note 3)
Mr. ZHANG Yongli	(1)	Corporate interest	839,748,000	24.37
	(1)	Beneficial owner	12,570,000	0.36
Vinglory Holdings Limited	(1)	Corporate interest	839,748,000	24.37
CEC Outfitters Limited	(1)	Beneficial owner	839,748,000	24.37
Ms. HUANG Xiaoyun	(2)	Beneficial owner	497,896,000	14.45
Ms. ZHANG Kailun		Beneficial owner	173,000,000	5.02

Notes:

(1) CEC Outfitters Limited, holding 839,748,000 shares (long position) of the Company, was wholly owned by Vinglory and Vinglory was wholly owned by Mr. ZHANG Yongli. Mr. ZHANG Yongli held interests in a total of 12,570,000 shares (long position) of the Company.

(2) Ms. HUANG Xiaoyun held interests in a total of 497,896,000 shares (long position) of the Company.

(3) The percentage is calculated based on the total number of issued shares of the Company as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE AWARD SCHEME

1. Summary

The Company adopted a share award scheme (the "Share Award Scheme"), approved by the resolutions of the Board passed on 4 November 2014. Detail of the Share Award Scheme may refer to the Company's announcement on the same date.

The specific purposes and objectives of the Share Award Scheme are to:

(a) recognise the contributions by certain employees and to give incentives to them in order to retain them for the continual operation and development of the Group; and

(b) attract suitable personnel for further development of the Group.

To facilitate the implementation of the Share Award Scheme, a trust deed is entered into by the Group and South Zone Holding Limited (the "Trustee") pursuant to which the Trustee shall purchase and hold shares for the benefit of certain employees of the Group and any subsidiary and in such manner as the Board may determine from time to time.

DURATION

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date being 4 November 2014 unless being early terminated by a resolution of the Board.

OPERATION OF THE SCHEME

Grant of award shares

The Board may from time to time at its absolute discretion, select any employee (excluding any excluded employee) for participation in the Share Award Scheme as a selected employee and grant to such selected employee the award shares for free or at a price/consideration per award share determined by the Board at its sole discretion.

The Board may from time to time during the life of the scheme pay to the Trustee such amount of monies it sees fit to enable the Trustee to purchase on the market from time to time shares which will be held upon trust pending the making of any grant.

No payment shall be made to the Trustee and no instructions to acquire shares shall be given to the Trustee under the scheme where such payment or giving of instructions is prohibited under the Listing Rules or other applicable laws from time to time.

Vesting of award shares

Subject to the rules of the Share Award Scheme, the Board shall determine from time to time the vesting conditions or periods for the grant to be vested. For vesting of the grants to the selected employees, the Board may at its absolute discretion to direct and procure the Trustee to release the award shares to the selected employees by transferring the number of Award Shares to the selected employees.

Right attached to the grants

The grants do not carry any right to vote at general meetings of the Company, or any dividend, transfer or other rights (including those arising on the winding-up of the Company).

No selected employee shall enjoy any of the rights of a shareholder of the Company by virtue of the grant under the scheme, unless and until the Shares underlying the grant are actually transferred to the selected employee pursuant to the vesting of such grant.

Lapse of award shares

In the event (i) a selected employee ceases to be an employee, or (ii) the subsidiary by which a selected employee is employed ceases to be a subsidiary of the Company (or of a member of the Group), or (iii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company), or (iv) a selected employee is found to be an excluded employee, the grant shall lapse and all the award shares shall not vest on the relevant Vesting Date but shall become returned shares for the purposes of the scheme.

Non-transferrable

Any grant made shall be personal to the elected employee to whom it is made and shall not be assignable and no selected employee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the Award Shares referable to him pursuant to such Grant under the Scheme.

Voting right of the Trustee

The Trustee shall not exercise the voting rights in respect of any shares held under the Trust.

SCHEME LIMIT

The maximum number of share currently permitted to be granted under the Share Award Scheme is an amount equivalent, to 10% of the issued share capital of the Company as at 4 November 2014. The maximum number of shares issuable under the Share Award Scheme to each eligible participant in the Share Award Scheme is limited to 1% of the issued share capital of the Company at any time.

The Trustee will hold the shares and any income derived from them in accordance with the terms of the trust deed. Details of the Company purchased by the Trustee for the Share Award Scheme shall refer to note 35 under the heading “Share Award Scheme” to the financial statements.

TERMINATION

The scheme terminated on the 10th anniversary date of the Adoption Date.

2. Award Shares Granted

No award shares granted under the Share Award Scheme during the year ended 31 December 2024:

Category of grantees	Name of Director	Date of grant	Purchase price (HK$)	Closing price immediately before the date of grant (HK$)	As at 1.1.2024	Granted during the year	Vested during the year	Cancelled/ Lapsed during the year	As at 31.12.2024	Vesting Period
Executive Director	Mr. ZHANG Yongli	31 October 2023	–	0.033	3,400,000	–	3,400,000	–	–	Note 1
Executive Director	Mr. SUN David Lee	31 October 2023	–	0.033	3,400,000	–	3,400,000	–	–	Note 1
Executive Director	Ms. HUANG Xiaoyun	31 October 2023	–	0.033	34,134,000	–	34,134,000	–	–	Note 1
Non-executive Director	Mr. WANG Wei	31 October 2023	–	0.033	3,400,000	–	3,400,000	–	–	Note 1
Independent non-executive Director	Mr. KWONG Wilson Wai Sun	31 October 2023	–	0.033	3,400,000	–	3,400,000	–	–	Note 1
Independent non-executive Director	Mr. YEUNG Chi Wai	31 October 2023	–	0.033	3,400,000	–	3,400,000	–	–	Note 1
Independent non-executive Director	Mr. HO Ka Wang	31 October 2023	–	0.033	3,400,000	–	3,400,000	–	–	Note 1
Employees in aggregate	–	31 October 2023	–	0.033	108,000,000	–	108,000,000	–	–	Note 1
					162,534,000	–	162,534,000	–	–	

Notes:

1. The vesting period of the award shares granted became exercisable on or after 31 October 2024.
2. Save as disclosed above, no award share under the Share Award Scheme was granted, exercised, forfeited, lapsed or cancelled during the year ended 31 December 2024.
3. The maximum number of shares permitted to be granted is 344,545,000 shares. The Share Award Scheme be valid and effective for a term of 10 years commencing on the adoption date being 4 November 2014 and terminated during the year.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2024.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2024.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS

Save as disclosed under the sections headed "Directors' and chief executives' interests and short positions in shares and underlying shares and debentures" and "Share option schemes" above, at no time during the year ended 31 December 2024 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2024, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

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

DISCLOSURES PURSUANT TO RULES 13.21 AND 13.22 OF THE LISTING RULES

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 December 2024 and up to the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group.

REMUNERATION POLICY

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

PENSION SCHEME

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

EVENT AFTER THE REPORTING PERIOD

Details of the significant event took place subsequent to 31 December 2024 of the Group are set out in note 43 to the financial statements.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Company established the Audit Committee pursuant to the Resolutions in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting and oversee the risk management and internal control systems and internal audit function of the Group. At present, the Audit Committee of the Company consists of three members who are Mr. KWONG Wilson Wai Sun, Mr. YEUNG Chi Wai and Mr. HO Ka Wang. Mr. KWONG Wilson Wai Sun is the chairman of the Audit Committee. The Company's and the Group's financial statements for the year ended 31 December 2024 have been reviewed by the Audit Committee.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2024, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

AUDITORS

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

ON BEHALF OF THE BOARD

ZHANG Yongli
Chairman
Hong Kong

21 March 2025

Environmental, Social and Governance Report

INTRODUCTION

The board (the "Board") of directors (the "Directors") of Huicheng International Holdings Limited (the "Company", together with its subsidiaries, the "Group") is pleased to present its Environmental, Social and Governance ("ESG") report. The report discloses the sustainability initiatives by the Group and is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Unless otherwise specified, this report covers the ESG progresses and performances of the Group's primary business between 1 January 2024 to 31 December 2024 (the "Reporting Year").

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

STATEMENT FROM THE BOARD

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

Going forward into 2025, we will continue to further our ESG initiatives and strategies to pursue a brighter future with all of our stakeholders.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ANALYSIS

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

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

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

Importance of the topics

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

A ENVIRONMENTAL PROTECTION

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

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

Our climate is changing rapidly. In the past decade, there has been a surge in natural disasters and extreme weather events which were caused by climate change. The Group's primary environmental objective for the forthcoming reporting periods is to sustain the current level of emissions including air and water pollutants, solid waste (hazardous and non-hazardous) and GHG emission. In order to effectively implement the goal of carbon neutrality, the Group will continue to adopt a number of green measures at our headquarters in Shanghai, manufacturing plant in Dezhou, Shandong Province, retail points and warehouses to minimise environmental footprints. To this end, the Group introduced several initiatives to improve energy efficiency, better waste management and enhance indoor environmental quality. Nonetheless, the Group will actively monitor its performance in ESG aspects for analysis and may consider establishing achievable quantitative targets in the future.

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

A.1 Emissions

KPI A1.1 Types of emissions and respective emissions data

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

Types of Air Pollutants	2024 Grams	2023 Grams	Increase/ (decrease) in percentage
NO_x emissions	588,051.63	550,833.13	6.76%
SO_x emissions	1,058.89	974.13	8.70%
PM emissions	50,704.91	42,772.42	18.55%

NO_x and PM emissions increment was attributed to increased vehicles' traveling kilometres and SO_x emission increased in vehicles' fuel usage as the management of Group occupied the vehicles more often and had more long distance driving for the business trip and travelling during the Reporting Year.

KPI A1.2 Greenhouse gas (GHG) emissions

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

Types of GHG emissions	2024 Kg CO_2e	2023 Kg CO_2e	Increase/ (decrease) in percentage
Direct emission (Scope 1)	190,551.03	174,848.87	8.98%
Indirect emission (Scope 2)	205,433.39	335,332.80	(38.74%)
Other indirect emission (Scope 3)	21,218.57	31,062.46	(31.69%)
Total GHG emissions	417,202.99	541,244.13	(22.92%)

GHG emissions Intensity	2024 Kg CO_2e	2023 Kg CO_2e	Increase/ (decrease) in percentage
GHG emissions per unit of production	2.13	2.01	5.97%

Note: For the consistency and enhancement of the calculation of energy consumption, the 2023 emission figures were restated.

The overall decrease in GHG emissions was mainly attributed to the reduction of electricity purchased and water consumption. The Group also stives to enhance operational efficiency at the same time. The Group is committed to protect our living environment and reduce greenhouse gas emission from operations. Although air pollutants and GHG emissions generated by the Group's operating activities are limited, the following initiatives have been taken to minimise emissions from our electricity and fuel consumption:

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

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

- We make use of solar energy, which does not generate GHG emissions, as a way to provide major of the heat energy in the boiler for heating water to produce steam in the process of ironing in the manufacturing plant in Dezhou;

- Our part of the heating source come from natural gas instead of other fossil fuel which produces significant amount of GHG emissions; and

- We arrange a professional and qualified third-party organisation to detect the exhaust emissions from the boiler to ensure the result is complied with relevant laws and regulations in relation to environment protection.

The Group will continuously adopt the following initiatives in the coming years to ensure a more efficient paper usage:

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

KPI A1.3 Hazardous waste

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

Our hazardous waste in 2024 consists mainly of paint drums and white latex. Hence, the drop in hazardous waste in 2024 compared to 2023 was attributable to the Group's increased awareness of environmental protection and minimizing the impact of hazardous pollution on the environment as well as the contraction in production operation. All hazardous waste is transferred to organizations which qualified to handle hazardous waste in accordance with the relevant laws and regulations.

During the Reporting Year, we recorded the following hazardous waste figures:

Type of waste	2024 Kg	2023 Kg	Increase/ (decrease) in Percentage
Hazardous waste	90.00	110.00	(18.18%)

Hazardous waste intensity	2024 Kg	2023 Kg	Increase /(decrease) in Percentage
Hazardous waste per unit of production	0.00046	0.00041	12.20%

KPI A1.4 Non-hazardous waste

Our non-hazardous waste from the Shandong factory operation is mainly attributed to boards, clothes, metals, paper boxes and other domestic wastes. Boards, clothes, metals and papers boxes are recyclable waste which we sell to waste recycling companies. Waste separation in the workplace has also been implemented to improve the recycling process and to reduce our overall impact on the environment. There was a decrease of 14.73% in non-hazardous waste compared to the previous year that it was attribute to the contraction in production operation.

During the Reporting Year, we recorded the following non-hazardous waste figures:

Type of waste	2024 Kg	2023 Kg	Increase/ (decrease) in percentage
Non-hazardous waste	29,566.00	34,672.17	(14.73%)

Hazardous waste intensity	2024 Kg	2023 Kg	Increase/ (decrease) in percentage
Non-hazardous waste per unit of production	0.15	0.13	15.38%

A.2 Use of Resources

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

KPI A2.1 Energy consumption

Types of energy consumption	2024 kWh	2023 kWh	Increase/ (decrease) in percentage
Non-renewable fuels consumed	933,317.29	1,742,085.69	(46.43%)
Renewable energy consumed	541,572.00	614,264.00	(11.83%)
Purchases of energy consumed	336,720.85	549,635.80	(38.74%)
Self-generated energy consumed	815,028.43	850,764.29	(4.20%)
Sale of energy	(534,048.00)	(555,040.00)	(3.78%)
Total energy consumption	2,092,590.57	3,201,709.78	(34.64%)

Energy consumption intensity	2024 kWh	2023 kWh	Increase/ (decrease) in Percentage
Energy consumption per unit of production	10.68	11.87	(10.03%)

Note: For the consistency and enhancement of the calculation of energy consumption, the 2023 emission figures were restated.

The non-renewable fuels include petrol, diesel and natural gas. The renewable energy consumed is the conversion of solar power into electrical energy in manufacturing plant in Dezhou. In the meanwhile, the excess of electricity is sold to the electric power company. The purchases of energy consumed include electricity. The self-generated energy is steam flow produced by boiler. The decline of total energy consumption was mainly because of the contraction in production operation during the Reporting Year.

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

- gradual replacement of all air conditioners with latest-generation systems with advanced energy-saving functions;
- gradual replacement of store and office lighting with energy-saving lighting systems such as LED technology etc.;

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

KPI A2.2 Water consumption

Type of resource consumption	**2024 m^3**	**2023 m^3**	**Increase/ (decrease) in percentage**
Water consumption	18,542.15	22,671.50	(18.21%)

Water consumption intensity	**2024 m^3**	**2023 m^3**	**Increase/ (decrease) in percentage**
Water consumption per unit of production	0.09	0.08	12.50%

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

There is an around 18% decrease from 2023 to 2024 due to wise usage of water by taking the following measures.

The Group continued to follow below measures to ensure water is using in an efficient manner:

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

Raw materials consumption

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

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

KPI A2.5 Packaging material used for finished products

Type of packaging material	2024 Kg	2023 Kg	Increase/ (decrease) in percentage
Plastic	9,466.00	12,236.00	(22.64%)
Total packaging material used	9,466.00	12,236.00	(22.64%)

Packaging material used intensity	2024 Kg	2023 Kg	Increase/ (decrease) in percentage
Packaging material used per unit of production	0.05	0.05	–

With regards to the product package, our packaging materials are primarily plastics. We reduced the total packaging material by 22.64% and it was attribute to the contraction in production operation. The Group never excessively packs our products. Most of the shopping bags are made from environment-friendly bags. Periodic review has been made on level of inventories kept by the Group and the Group evaluates the usage of material regularly to avoid over-stocking.

A.3 The Environment and Natural Resources

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

A.4 Climate Change

(I) Governance

The Board is aware of the impact of climate change on the operation, for example, extreme weather events, global warming by increasing GHG emissions globally, etc. and plays a crucial role in overseeing climate-related risks and opportunities, ensuring that sustainable practices are deeply embedded throughout the Group's supply chain. To enhance accountability, the Board is consistently monitoring environmental performance and ensuring compliance with climate-related objectives. It regularly reviews progress on sustainability initiatives and engages with stakeholders to refine strategies. Management actively integrates climate risk controls into production processes, utilizing comprehensive tracking systems to monitor advancements toward emissions reduction and resource efficiency targets. The Group promotes the culture of climate change awareness to all the staff so as to enhance the identification chance of impact on the frontline operation. The timely report of such impact is crucial, so that the management can act promptly on the issue.

(II) Strategy

The Group assesses climate resilience by evaluating risks such as extreme weather disrupting cotton supply and opportunities like adopting sustainable materials, while addressing uncertainties about raw material availability and shifting consumer preferences. Climate scenario analysis is used to test resilience under various futures, including physical risks (e.g., flooding) and transition risks (e.g., regulatory changes), supported by relevant data and models. Insights from these scenarios guide strategic actions like diversifying suppliers, relocating facilities, and adopting renewable energy. The Group also tracks vulnerabilities and adapts through energy-efficient machinery, water conservation programs, and partnerships, providing updates on resilience advancements and emissions reduction progress.

The Group identifies several key risks, including supply chain disruptions caused by extreme weather events and potential regulatory changes concerning carbon emissions.

Risk Type		Risk Description
Physical Risks	Short-Term	• Supply chain disruptions caused by extreme weather events, such as floods affecting cotton supply • Worker productivity affected by temperature extremes (e.g., heatwaves)
	Medium-Term	• Continued extreme weather events impacting logistics and operational stability • Limited water availability due to droughts • Resource scarcity affecting raw materials like organic cotton
	Long-Term	• Long-term degradation of natural resources essential for production (e.g., cotton farming) • Biodiversity loss affecting the availability of raw materials like natural dyes or fibers
Transition Risks	Short-Term	• Demands for greener practices may lead to costly upgrades for energy-efficient or eco-friendly production • Rising raw material costs driven by climate impacts
	Medium-Term	• Adapting operations to comply with stricter environmental regulations (e.g., carbon emission caps) • High upfront investment in eco-friendly technologies and renewable energy • Greater scrutiny on sustainability efforts to meet ESG commitments is increasing
	Long-Term	• Shifts in consumer demand toward eco-friendly products requiring transformation to sustainable practices

The impact is prioritized by a risk-based approach that the Group aims to implement the mitigation control to the larger impact imposed on the business. In contrast, opportunities for growth lie in developing sustainable product lines that appeal to environmentally conscious consumers and investing in renewable energy sources for factory operations.

Opportunities	Description
Sustainability as a Competitive Edge	• Becoming the preferred partner for brands that emphasize ESG goals by adopting carbon-neutral practices or utilizing sustainable materials • Offering flexible manufacturing options, such as small-batch and low-waste production, to attract sustainability-focused brands
Energy Efficiency	• Optimizing energy consumption in production to lower costs and appeal to eco-conscious customers • Utilizing renewable energy sources to meet global brand sustainability standards
Revenue Diversification	• Exploring partnerships with customers for co-branding or creating sustainable product lines • Providing consulting services to brands aimed at enhancing sustainability in their designs and materials
Strengthened Relationships	• Building trust through transparent reporting of ESG progress and aligning with customer objectives • Establishing long-term partnerships with sustainable material suppliers to ensure a reliable supply chain

(III) Risk Management

Climate-related risks are assessed at both production and supply chain levels, analyzing supplier data on emissions and material use to mitigate risks. Scenario analysis considers impacts of rising global temperatures and stricter trade laws on textile production, enabling the Group to develop effective contingency plans.

(IV) Metrics and Targets

The Group has established qualitative climate-related targets to steer its environmental strategy and enhance sustainability across operations. These targets focus on prioritizing renewable energy adoption, reducing overall energy consumption, and minimizing waste generation through improved operational efficiency and recycling initiatives. Although quantitative targets are still under evaluation due to data limitations, the Group is dedicated to developing measurable goals as its tracking and reporting capabilities advance. Progress toward these qualitative targets is regularly monitored through internal assessments and stakeholder feedback to ensure alignment with strategic sustainability objectives.

B SOCIAL

B.1 Employment and Labour Practices

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

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

Categories		2024 Number of employees	2023 Number of employees	Increase/ (decrease) in percentage
Total number of employees		190	208	(8.65%)
Gender	Male	82	88	(6.82%)
	Female	108	120	(10.00%)
Employment type	Full time	190	208	(8.65%)
	Part time	–	–	–
Age group	Below 31	24	20	20.00%
	Between 31 and 50	147	162	(9.26%)
	Above 50	19	26	(26.92%)
Geographical region	Hong Kong	4	5	(20.00%)
	Mainland China	186	203	(8.37%)

The Group recruits qualified talents through campus and social recruitment as well as internal referral, regardless of nationality, gender, age or religion, and strictly prohibits discrimination of any kind. The employees were stationed at our retail points, offices, warehouses and manufacturing plant. The reduction in number of full-time employees was a result of retirement of some aging staff and active labour market during the Reporting Year.

KPI B1.2 Employee turnover rate

Categories		2024 Employee turnover rate	2023 Employee turnover rate	Increase/ (decrease) in percentage point
Total employee turnover		24%	29%	(5 p.p.t.)
Gender	Male	22%	25%	(3 p.p.t.)
	Female	25%	32%	(7 p.p.t.)
Age group	Below 31	86%	42%	+44 p.p.t.
	Between 31 and 50	14%	27%	(13 p.p.t.)
	Above 50	31%	29%	+2 p.p.t.
Geographical region	Hong Kong	22%	0%	+22 p.p.t.
	Mainland China	24%	30%	(6 p.p.t.)

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

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

The Group strictly adheres to all applicable labour laws and regulations in the PRC and Hong Kong. No violation was recorded during the Reporting Year.

B.2 Health and Safety

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

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

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

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

Categories		Number of employees
Work-related fatalities	Year 2024	–
	Year 2023	–
	Year 2022	–

KPI B2.2 Lost days due to work injuries

	2024 Number of days	2023 Number of days	Increase/ (decrease) in percentage
Lost days due to work injuries	34	3	1,033.33%

B.3 Development and Training

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

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

During the Reporting Year, we recorded the following training figures:

KPI B3.1 Employee trained by gender and employee category

Categories		2024 Percentage	2023 Percentage	Increase/ (decrease) in percentage point
Total number of employees		100%	100%	–
Gender category	Male	17%	41%	(24 p.p.t.)
	Female	83%	59%	+24 p.p.t.
Employment category	Senior management	3%	5%	(2 p.p.t.)
	Middle management	7%	37%	(30 p.p.t.)
	General employees	90%	58%	+32 p.p.t.

KPI B3.2 Average training hours completed per employee

Categories		2024 Hours	2023 Hours	Increase/ (decrease) in percentage
Total number of employees		5.96	8.01	(25.59%)
Gender category	Male	6.22	9.15	(32.02%)
	Female	5.91	7.22	(18.14%)
Employment category	Senior management	13.71	7.82	75.32%
	Middle management	4.88	5.32	(8.27%)
	General employees	5.93	9.75	(39.18%)

B.4 Labour Standards

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

B.5 Supply Chain Management

As at 31 December 2024, the Group had been outsourcing suppliers, such as for raw materials.

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

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

KPI B5.1 Suppliers by geographical region

Geographical region	2024 Number of suppliers	2023 Number of suppliers	Increase/ (decrease) in percentage
Mainland China	85	73	16.44%

B.6 Product responsibility

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

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

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

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

Percentage of total products sold or shipped subject to recalls for safety and health reasons	2024 Percentage	2023 Percentage	Increase/ (decrease) in percentage
Products subject to recalls	–	–	–

KPI B6.2 Products and service-related complaints received

	2024 Number of complaints	2023 Number of complaints	Increase/ (decrease) in percentage
Products and service-related complaints	–	–	–

Intellectual Property Rights

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

All staff members are well aware of the respect of third parties' intellectual property rights and pay extreme attention to ensure the proper usage of these intellectual properties.

Customer Data Protection

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

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

B.7 Anti-Corruption policy

KPI B7.1 Concluded legal cases regarding corrupt practices

	2024 Number of cases	2023 Number of cases	Increase/ (decrease) in percentage
Concluded legal cases	–	–	–

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

The Group also signs commitment letters with suppliers and service providers that strictly prohibits employees from receiving private benefits including gifts, commissions or any form of remuneration to eradicate corruption or bribery. If there are signs of unethical behavior, employees can report the case through the whistleblowing channel. All issues will be kept confidential.

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

B.8 Community Investment

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

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

Independent Auditor's Report

EY 安永

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To the shareholders of Huicheng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Huicheng International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 175, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy 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 IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Inventory provision	
The Group is principally engaged in the business of design, manufacturing and sale of apparel products. As at 31 December 2024, the inventory balance of the Group amounted to RMB96,707,000. The Group makes provision for inventories by comparing the cost to net realisable value which is subject to changing customer demands and fashion trends. This involves significant judgement and increases the level of estimation uncertainty, which might have a significant impact on the consolidated financial statements. The accounting policies, significant accounting judgements and estimates, and recognition of inventories provision are included in notes 2.4, 3 and 8 to the consolidated financial statements.	We assessed the process and methods used by management to make allowance for inventories. Our assessment included reviewing the impairment test schedule prepared by management, evaluating management's inventory ageing reports, selecting samples covering each ageing period of the ageing reports and tracing back to the original goods receipts and invoices to evaluate the ageing period in the ageing reports. We performed financial analytical review on inventory turnover days and compared the turnover days with those for other listed entities of the same industry where available. We assessed management's determination of inventory's net realisable value by performing subsequent sales review on the inventory consumptions. We reviewed and assessed the adequacy of the related disclosures in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets with indefinite lives	
The Group classified the trademarks of "MCS", "Marina Yachting" and others as intangible assets with indefinite lives. The Group performs impairment test on each trademark as at each year end, based on forecast of operating performance and cash flows of the cash-generating unit to which the trademark is allocated. The impairment loss of these trademarks amounting to RMB14,636,000 was recognised in the consolidated statement of profit or loss during the year ended 31 December 2024. Management made impairment assessment based on the forecast and estimation on the future development of each cash-generating unit, which involved significant judgement and estimates including long-term growth rate, discount rate and underlying future operating cash flows. The judgement and estimations may be affected by unexpected changes in future market or economic conditions or significant events or circumstance related to the cash-generating units. The accounting policies, significant accounting judgements and estimates, and disclosures of impairment of intangible assets with indefinite lives are included in notes 2.4, 3, 8 and 18 to the consolidated financial statements.	We obtained management's approved five-year forecasts and budgets, compared forecasts to business plans, and compared previous forecasts to actual results to assess management's forecasts. We tested key assumptions used in the calculations by conducting research of China's apparel retail market and industrial figures from available public external data. We involved our internal valuation specialist to assist us in evaluation of discount rate, long-term growth rate and impairment assessment model. We reviewed and assessed the adequacy of the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Lok Man Ho.

Ernst &Young
Certified Public Accountants
Hong Kong
21 March 2025

Consolidated Statement of Profit or Loss

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	**156,082**	207,660
Cost of sales		**(74,966)**	(106,346)
Gross profit		**81,116**	101,314
Other income and gains	5	**33,571**	19,892
Selling and distribution expenses		**(139,114)**	(163,451)
Administrative expenses		**(55,870)**	(50,875)
Impairment losses on financial assets, net		**(11,730)**	(7,661)
Other expenses		**(30,280)**	(24,248)
Operating loss		**(122,307)**	(125,029)
Finance income	6	**12,707**	12,282
Finance costs	7	**(533)**	(616)
Share of profits and losses of:			
Associates		**(1,683)**	(452)
LOSS BEFORE TAX	8	**(111,816)**	(113,815)
Income tax expense	11	**60**	(30,292)
LOSS FOR THE YEAR		**(111,756)**	(144,107)
Attributable to:			
Owners of the parent		**(109,413)**	(142,522)
Non-controlling interests		**(2,343)**	(1,585)
		(111,756)	(144,107)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For loss for the year	13	**RMB(3.33) cents**	RMB(4.34) cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
LOSS FOR THE YEAR		**(111,756)**	(144,107)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**6,957**	9,476
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**6,957**	9,476
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**(548)**	(2,760)
Equity investments designated at fair value through other comprehensive loss:			
Changes in fair value		**(1,351)**	(2,663)
Income tax effect	22	**–**	–
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(1,899)**	(5,423)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**5,058**	4,053
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(106,698)**	(140,054)
Attributable to:			
Owners of the parent		**(104,365)**	(138,476)
Non-controlling interests		**(2,333)**	(1,578)
		(106,698)	(140,054)

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**226,542**	242,600
Investment properties	15	**41,109**	44,036
Right-of-use assets	16(a)	**38,623**	40,945
Other intangible assets	18	**24,930**	39,763
Investments in associates	19	**65,391**	11,942
Equity investments designated at fair value through other comprehensive income	20	**24,940**	26,291
Other non-current assets	21	**9,288**	9,702
Deferred tax assets	22	**2,768**	2,768
Total non-current assets		**433,591**	418,047
CURRENT ASSETS			
Inventories	23	**96,707**	128,420
Properties under development	24	**204,598**	204,024
Trade receivables	25	**17,032**	23,711
Prepayments and other receivables	26	**77,169**	75,218
Financial assets at fair value through profit or loss	27	**11,880**	31,812
Structured bank deposits and deposits with financial institutions	27	**74**	217,013
Time deposits		**220,720**	–
Cash and cash equivalents	28	**100,816**	226,350
Total current assets		**728,996**	906,548
CURRENT LIABILITIES			
Trade payables	29	**9,249**	9,083
Other payables and accruals	30	**47,823**	49,977
Lease liabilities	16(b),31	**3,309**	4,069
Tax payable		**120,205**	120,190
Total current liabilities		**180,586**	183,319
NET CURRENT ASSETS		**548,410**	723,229
TOTAL ASSETS LESS CURRENT LIABILITIES		**982,001**	1,141,276

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	16(b),31	**891**	857
Other borrowing	32	**5,126**	5,894
Deferred tax liabilities	22	**3,414**	3,536
Total non-current liabilities		**9,431**	10,287
Net assets		**972,570**	1,130,989
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**280,661**	280,661
Shares held for share award scheme		**–**	(30,946)
Reserves		**690,399**	877,431
		971,060	1,127,146
Non-controlling interests		**1,510**	3,843
Total equity		**972,570**	1,130,989

Director *Director*

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Attributable to owners of the parent													
	Share capital RMB'000 (note 33)	Share Premium RMB'000	Shares held for the share award scheme RMB'000 (note 35)	Capital Redemption reserve RMB'000	Merger reserve RMB'000 (note 36(a))	Acquisition reserve RMB'000 (note 36(b))	Share award reserve RMB'000 (note 34)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory surplus reserve RMB'000 (note 36(c))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024	280,661	–	(30,946)	543	389,848	(182,362)	995	(39,168)	53,562	23,018	630,995	1,127,146	3,843	1,130,989
Loss for the year	–	–	–	–	–	–	–	–	–	–	(109,413)	(109,413)	(2,343)	(111,756)
Other comprehensive loss for the year:														
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	(1,351)	–	–	–	(1,351)	–	(1,351)
Exchange differences on translation of financial statements	–	–	–	–	–	–	–	–	–	6,399	–	6,399	10	6,409
Total comprehensive loss for the year	–	–	–	–	–	–	–	(1,351)	–	6,399	(109,413)	(104,365)	(2,333)	(106,698)
Share Award Scheme arrangements	–	–	–	–	–	–	4,973	–	–	–	4,973	–	–	4,973
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	(65)	–	65	–	–	–
Vesting of shares under the Share Award Scheme	–	(24,978)	30,946	–	–	–	(5,968)	–	–	–	–	–	–	–
Special dividend declared	–	–	–	–	–	–	–	–	–	–	(56,694)	(56,694)	–	(56,694)
At 31 December 2024	280,661	(24,978)*	–*	543*	389,848*	(182,362)*	–*	(40,519)*	53,497*	29,417*	464,953*	971,060*	1,510	972,570

* These reserve accounts comprise the consolidated reserves of RMB690,399,000 (2023: RMB877,431,000) in the consolidated statement of financial position.

	Attributable to owners of the parent												
	Share capital RMB'000 (note 33)	Shares held for the share award scheme RMB'000 (note 35)	Capital redemption reserve RMB'000	Merger reserve RMB'000 (note 36(a))	Acquisition reserve RMB'000 (note 36(b))	Share option reserve RMB'000 (note 34)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory surplus reserve RMB'000 (note 36(c))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	280,661	(30,946)	543	389,848	(182,362)	18,423	(36,505)	53,562	16,309	755,094	1,264,627	4,421	1,269,048
Loss for the year	–	–	–	–	–	–	–	–	–	(142,522)	(142,522)	(1,585)	(144,107)
Other comprehensive loss for the year:													
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(2,663)	–	–	–	(2,663)	–	(2,663)
Exchange differences on translation of financial statements	–	–	–	–	–	–	–	–	6,709	–	6,709	7	6,716
Total comprehensive loss for the year	–	–	–	–	–	–	(2,663)	–	6,709	(142,522)	(138,476)	(1,578)	(140,054)
Equity-settled share option arrangements	–	–	–	–	–	995	–	–	–	–	995	–	995
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	–	(18,423)	–	–	–	18,423	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1,000	1,000
At 31 December 2023	280,661	(30,946)	543	389,848	(182,362)	995	(39,168)	53,562	23,018	630,995	1,127,146	3,843	1,130,989

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:		**(111,816)**	(113,815)
Adjustments for:			
Finance income	6	**(12,707)**	(12,282)
Finance costs	7	**533**	616
Share of losses of associates		**1,683**	452
Dividend income from equity investments at fair value through other comprehensive income	5	**(22)**	(77)
Loss on disposal of items of property, plant and equipment	8	**55**	10
Gain on disposal of right-of-use assets		**–**	(986)
Fair value gains, net:			
Financial assets at fair value through profit or loss		**(268)**	(208)
Depreciation of property, plant and equipment	14	**17,924**	18,498
Depreciation of investment properties	15	**2,927**	3,117
Depreciation of right-of-use assets	16	**9,473**	14,553
Amortisation of other intangible assets	18	**184**	160
Impairment of other intangible assets	18	**14,636**	12,322
Impairment of items of property, plant and equipment	14	**–**	122
Impairment of right-of-use assets		**930**	860
Write-down of inventories to net realisable value		**60,582**	70,482
Impairment/(reversal of impairment) of trade receivables, net	25	**2,915**	(208)
Impairment of other receivables and prepayments	26	**8,815**	7,869
Equity-settled share option expense	34	**4,973**	995
		817	2,480
Increase in inventories		**(29,543)**	(12,233)
Increase in properties under development		**–**	–
Decrease in trade receivables		**757**	153
Decrease in prepayments and other receivables		**2,707**	4,467
Increase/(decrease) in trade payables		**164**	(121)
Increase/(decrease) in other payables and accruals		**812**	(3,287)
Cash used in operations		**(24,286)**	(8,541)
PRC corporate income tax paid		**–**	(53)
Net cash flows used in operating activities		**(24,286)**	(8,594)

	Notes	2024 RMB'000	2023 RMB'000
Net cash flows used in operating activities		**(24,286)**	(8,594)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from listed investments		**444**	77
Purchases of items of property, plant and equipment		**(1,863)**	(3,023)
Proceeds from disposal of items of property, plant and equipment		**233**	–
Additions to other intangible assets		**–**	(1,000)
Increase in short term deposits with original maturity of over three months		**(220,720)**	–
Interest received from bank deposits		**6,889**	5,125
Interest received from structured bank deposits and investment income on wealth management products		**5,446**	6,185
Decrease/(increase) in structured bank deposits and deposits with financial institutions and financial assets at fair value through profit or loss		**237,140**	(15,438)
Repayment of loan from a related party		**1,905**	2,265
Loans to related party entities		**–**	(7,475)
Loans to an associate		**(6,500)**	–
Interest received from related parties		**879**	509
Investment in an associate		**(55,000)**	(5,025)
Net cash flows generated from/(used in) investing activities		**(31,147)**	(17,800)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**–**	–
Dividends declared and paid by a subsidiary to its then existing shareholder		**(56,694)**	–
Capital injected by non-controlling interests		**–**	1,000
Loan from a related party		**–**	6,400
Repayment of loan to related parties		**(768)**	(506)
Principal portion of lease payments		**(9,107)**	(16,441)
Net cash flows used in financing activities		**(66,569)**	(9,547)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(122,002)**	(35,941)
Cash and cash equivalents at beginning of year		**226,350**	263,615
Effect of foreign exchange rate changes, net		**(3,532)**	(1,324)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**100,816**	226,350

	Notes	2024 RMB'000	2023 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**97,945**	164,974
Time deposits		**223,591**	61,376
Cash and cash equivalents as stated in the statement of financial position	28	**321,536**	226,350
Less: Time deposits with original maturity of over three months		**(220,720)**	–
Cash and cash equivalents as stated in the statement of cash flows		**100,816**	226,350

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

Particulars of the Company's major subsidiaries are as follows:

Company name	Registration place	Registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Faith Enterprise Limited	Hong Kong	HK$100	–	100	Investment holding
London Fog (China) Limited	Hong Kong	RMB9,000,000	100	–	Holding trademarks and investment holding
Shanghai Doright Fashion Co., Ltd. (上海同瑞服飾有限公司)#*(1)	PRC/Mainland China	RMB8,500,000	–	100	Manufacture and sale of menswear, womenswear and accessories
Dezhou Sino-Union Garment Co., Ltd. (德州中合服飾有限公司)#*(1)	PRC/Mainland China	RMB600,000	–	100	Manufacture and sale of menswear and accessories
Shanghai Ruiguo Fashion Co., Ltd. (上海瑞國服飾有限公司)#(1)	PRC/Mainland China	RMB1,000,000	100	–	Sale of menswear, womenswear and accessories
Guangdong Leaderway Garment Co., Ltd. (廣東利威製衣有限公司)#*(2)	PRC/Mainland China	RMB3,000,000	–	100	Manufacture and sale of menswear and accessories

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(Continued)*

Company name	Registration place	Registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shanghai Jiancheng Trading Co., Ltd. (上海簡成商貿有限公司)# * (2)	PRC/Mainland China	RMB3,000,000	–	100	Sale of menswear and accessories
London Fog (Shanghai) Fashion Co., Ltd. (倫頓弗格(上海)服飾有限公司)# (2)	PRC/Mainland China	RMB10,000,000	–	100	Sale of menswear, womenswear and accessories
MCS Apparel Hong Kong Limited	Hong Kong	HK$35,645,730	50	50	Purchase and sale of menswear and accessories
Marina Yachting Hong Kong Limited	Hong Kong	HK$400	50	50	Sale of menswear and accessories
Shanghai Ruiguo Real Estate Co., Ltd. (上海瑞国置業有限公司)# (2)	PRC/Mainland China	RMB10,000,000	–	100	Property development, operation and management
Hangzhou Muye Brand Management Co., Ltd. (杭州沐野品牌管理有限公司)# (2)	PRC/Mainland China	RMB10,000,000	–	51	Management and operation of children's clothing brands
Panland Investment Co., Ltd. (普德投資有限公司)	Macao	MOP30,000	–	100	Trademark holding
Artway Design Co., Ltd. (雅薈設計有限公司)	Macao	MOP30,000	–	100	Apparel design
Shanghai Hongmeng Cultural Development Co., Ltd. (上海紅盟文化發展有限公司)# (2)	PRC/Mainland China	RMB5,000,000	–	60	Sales of daily necessities
Shanghai Yihui Technology Co., Ltd. (上海依會科技有限公司)# (2)	PRC/Mainland China	RMB1,000,000	–	100	Technical service

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(Continued)*

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

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

Notes:

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

(2) Limited liability companies under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (which include all IFRS Accounting Standards, International Accounting Standards ("IAS") and Interpretations) issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, wealth management products and equity investments which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION *(CONTINUED)*

Basis of consolidation *(Continued)*

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised IFRS Accounting Standards are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

    The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, which have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements* [3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures* [3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments* [2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
Amendments to IAS 21	*Lack of Exchangeability* [1]
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 [2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

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

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS *(CONTINUED)*

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS *(CONTINUED)*

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- *IFRS 7 Financial Instruments:* Disclosures: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing IFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing IFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- *IFRS 9 Financial Instruments:* The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- *IFRS 10 Consolidated Financial Statements:* The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- *IAS 7 Statement of Cash Flows:* The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Investments in associates and joint ventures *(Continued)*

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

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

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

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

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

Business combinations and goodwill

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill *(Continued)*

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

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

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

Fair value measurement

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

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

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

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Impairment of non-financial assets

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment and depreciation

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

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment and depreciation *(Continued)*

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs.

Investment properties are accounted for using the cost model and stated in the statement of financial position at cost less accumulated depreciation and impairment loss. The cost of investment properties, less their estimated residual value and accumulated impairment loss, is depreciated using the straight-line method over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% to 10%

Properties under development

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets (other than goodwill)

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

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

Licensing agreements

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

Retail networks

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

Trademarks

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	20 to 50 years
Plant and properties	2 to 3 years

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

(b) Lease liabilities

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities (Continued)

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

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

(c) Short-term leases

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

Group as a lessor

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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.

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(Continued)*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(Continued)*

General approach

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

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

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

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

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(Continued)*

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Derecognition of financial liabilities

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Offsetting of financial instruments

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

Treasury shares

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Income tax

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

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

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(Continued)*

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

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

Revenue from other sources

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

Other income

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

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

Contract liabilities

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the binomial option pricing model, further details of which are given in note 34 and note 35 to the financial statements.

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Share-based payments *(Continued)*

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

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

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

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

Shares held for the Share Award Scheme

As disclosed in note 35 to the financial statements, the Group has set up the Share Award Scheme Trust for the Share Award Scheme, where the Share Award Scheme Trust purchases shares issued by the Group, the consideration paid by the Company, including any directly attributable incremental costs, is presented as "Shares held for Share Award Scheme" and deducted from the Group's equity.

Other employee benefits

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Borrowing costs

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

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

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

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

Foreign currencies

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

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(Continued)*

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

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

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Property lease classification – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

Tax

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

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

Judgements *(Continued)*

Tax *(Continued)*

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

Estimation uncertainty

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

Write-down of inventories to net realisable value

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

Impairment of non-financial assets (other than goodwill)

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

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

Estimation uncertainty *(Continued)*

Leases – Estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2024	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	156,082	–	156,082
Reconciliation:			
Elimination of intersegment sales			–
Revenue			156,082
Segment results	(97,236)	8	(97,228)
Reconciliation:			
Elimination of intersegment results			(4,930)
Interest income			12,707
Dividend income and unallocated gains			10,165
Corporate and other unallocated expenses			(32,530)
Loss before tax from continuing operations			(111,816)
Segment assets	913,162	263,836	1,176,998
Reconciliation:			
Elimination of intersegment receivables			(238,671)
Elimination of capitalized interest expense			(38,873)
Corporate and other unallocated assets			263,133
Total assets			1,162,587
Segment liabilities	32,218	272,847	305,065
Reconciliation:			
Elimination of intersegment payables			(238,671)
Corporate and other unallocated liabilities			123,623
Total liabilities			190,017
Other segment information			
Impairment of trade receivables, net	2,915	–	2,915
Impairment of other intangible assets	14,636		14,636
Impairment of right-of-use assets	930		930
Depreciation and amortisation	30,508		30,508
Capital expenditure*	1,863	574	2,437

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

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2023	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	207,660	–	207,660
Reconciliation:			
Elimination of intersegment sales			–
Revenue			207,660
Segment results	(108,313)	45	(108,268)
Reconciliation:			
Elimination of intersegment results			(4,859)
Interest income			12,282
Dividend income and unallocated gains			14,668
Corporate and other unallocated expenses			(27,638)
Loss before tax from continuing operations			(113,815)
Segment assets	781,045	258,107	1,039,152
Reconciliation:			
Elimination of intersegment receivables			(261,952)
Elimination of capitalized interest expense			(33,944)
Corporate and other unallocated assets			581,339
Total assets			1,324,595
Segment liabilities	69,122	262,710	331,832
Reconciliation:			
Elimination of intersegment payables			(261,952)
Corporate and other unallocated liabilities			123,726
Total liabilities			193,606
Other segment information			
Impairment of trade receivables, net	(208)	–	(208)
Impairment of other intangible assets	12,322	–	12,322
Impairment of right-of-use assets	860	–	860
Impairment of property, plant and equipment	122	–	122
Depreciation and amortisation	33,211	–	33,211
Capital expenditure	4,023	2,435	6,458

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Geographical information

(a) Revenue from external customers

	2024 RMB'000	2023 RMB'000
Mainland China	**151,811**	203,803
Taiwan	**4,271**	3,857
Total	**156,082**	207,660

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

(b) Non-current assets

	2024 RMB'000	2023 RMB'000
Hong Kong	**45,085**	45,770
Mainland China	**359,216**	343,469
Total	**404,301**	389,239

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

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	**156,082**	207,660

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year

	2024 RMB'000	2023 RMB'000
Type of goods		
Sale of apparel and accessories	**156,082**	207,660
Timing of revenue recognition		
Goods transferred at a point in time	**156,082**	207,660

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

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of apparel and accessories	**11,049**	5,050

(ii) Performance obligations

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

Sale of apparel and accessories

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

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

	2024 RMB'000	2023 RMB'000
Other income		
Government subsidies*	1,766	1,456
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	8,256	6,473
Royalty income	12,211	5,269
Dividend income from equity investments at fair value through other comprehensive income	22	77
Sundry income	1,135	1,465
Service and processing income	8,548	3,600
Total other income	31,938	18,340
Gains		
Fair value gains, net:		
Financial assets at fair value through profit or loss	268	208
Others	1,365	1,344
Total gains	1,633	1,552
Total other income and gains	33,571	19,892

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

6. FINANCE INCOME

	2024 RMB'000	2023 RMB'000
Interest income on bank deposits	6,889	5,125
Interest income on structured bank deposits, deposits with financial institutions and wealth management products	5,446	6,185
Others	372	972
Total	12,707	12,282

7. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on other loans	**231**	154
Interest on lease liabilities	**302**	462
Total	**533**	616

8. LOSS BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold		**35,471**	55,676
Depreciation of property, plant and equipment	14	**17,924**	18,498
Depreciation of investment properties	15	**2,927**	3,117
Depreciation of right-of-use assets	16	**9,473**	14,553
Amortisation of other intangible assets	18	**184**	160
Auditor's remuneration		**2,285**	2,273
Employee benefit expense (including directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**16,290**	19,647
Share award scheme expense		**4,973**	995
Pension scheme contributions*		**1,541**	2,503
		22,804	23,145

8. LOSS BEFORE TAX *(CONTINUED)*

	Notes	2024 RMB'000	2023 RMB'000
Outsourced labour costs		**34,653**	42,871
Impairment of other intangible assets**	18	**14,636**	12,322
Impairment of property, plant and equipment**	14	**–**	122
Impairment of right-of-use assets**	16	**930**	860
Impairment/(Reversal of impairment)of trade receivables, net***	25	**2,915**	(208)
Impairment of other receivables and prepayments#	26	**8,815**	7,869
Write-off of inventories provisions^		**(21,087)**	(19,812)
Write-down of inventories to net realisable value, net^		**60,582**	70,482
Financial assets at fair value through profit or loss-wealth management products	5	**(268)**	(208)
Dividend income from equity investments at fair value through other comprehensive income		**(22)**	(77)
Lease payments not included in the measurement of lease liabilities	16(c)	**35,558**	40,171
Loss on disposal of items of property, plant and equipment		**55**	10
Exchange differences, net		**2,180**	2,921

* As at 31 December 2024, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2023: Nil).

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

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

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

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

9. DIRECTORS' REMUNERATION

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

	2024 RMB'000	2023 RMB'000
Fees	**2,935**	2,910
Other emoluments:		
Salaries, allowances and benefits in kind	**3,531**	3,473
Equity-settled share award expense	**1,815**	334
Pension scheme contributions	**16**	15
Subtotal	**5,362**	3,822
Total	**8,297**	6,732

During the year, certain directors were awarded shares, in respect of their services to the Group, under the share award scheme of the Company, further details of which are set out in note 35 to the financial statements. The fair value of these share awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

9. DIRECTORS' REMUNERATION *(CONTINUED)*

(a) Independent non-executive directors

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

	Fees RMB'000	Equity-settled share award expense RMB'000	Total remuneration RMB'000
2024			
KWONG Wilson Wai Sun (鄺偉信)	**242**	**113**	**355**
YEUNG Chi Wai (楊志偉)	**242**	**113**	**355**
HO Ka Wang (何家宏)	**220**	**113**	**333**
Total	**704**	**339**	**1,043**
2023			
KWONG Wilson Wai Sun (鄺偉信)	238	20	258
CUI Yi (崔義)#	99	–	99
YEUNG Chi Wai (楊志偉)	238	20	258
HO Ka Wang (何家宏)#	144	20	164
Total	719	60	779

\# Ho Ka Wang (何家宏) was appointed on May 19 2023 and CUI Yi (崔義) resigned on 19 May 2023.

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

9. DIRECTORS' REMUNERATION *(CONTINUED)*

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share award expense RMB'000	Pension Scheme contributions RMB'000	Total remuneration RMB'000
2024					
Executive directors:					
ZHANG Yongli (張永力)	1,099	2,535	113	–	3,747
SUN David Lee (孫如暐)	456	–	113	16	585
HUANG Xiaoyun (黃曉雲)	456	996	1,137	–	2,589
Total	2,011	3,531	1,363	16	6,921
Non-executive director:					
WANG Wei (王瑋)	220	–	113	–	333
Total	2,231	3,531	1,476	16	7,254

9. DIRECTORS' REMUNERATION *(CONTINUED)*

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share award expense RMB'000	Pension Scheme contributions RMB'000	Total remuneration RMB'000
2023					
Executive directors:					
ZHANG Yongli (張永力)	1,080	2,492	21	1	3,594
SUN David Lee (孫如暐)	448	–	21	13	482
HUANG Xiaoyun (黃曉雲)	448	981	211	1	1,641
Total	1,976	3,473	253	15	5,717
Non-executive director:					
WANG Wei (王瑋)	215	–	21	–	236
Total	2,191	3,473	274	15	5,953

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2023: three), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2023: two) highest paid employees who are neither the director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	**901**	959
Equity-settled share option expense	**2,933**	208
Pension scheme contributions	**55**	37
Total	**3,889**	1,204

10. FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

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

	Number of employees	
	2024	2023
Nil to RMB1,000,000	**1**	2
RMB1,000,001 to RMB2,000,000	**2**	–

During the year, shares were granted to one non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 35 to the financial statements. The fair value of these share awards, which was recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above five highest paid employee's remuneration disclosures.

11. INCOME TAX EXPENSE

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

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

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

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries registered in the PRC were subject to Corporate Income Tax ("CIT") at a statutory rate of 25% on their respective taxable income for the year ended 31 December 2024.

	2024	2023
	RMB'000	RMB'000
Current – PRC		
Charge for the year	**62**	51
Deferred (note 22)	**(122)**	30,241
Total	**(60)**	30,292

11. INCOME TAX EXPENSE *(CONTINUED)*

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

	2024		2023	
	RMB'000	%	RMB'000	%
Loss before tax from continuing operations	(111,816)		(113,815)	
Tax at the statutory tax rate	(27,955)	25	(28,454)	25
Entities subject to lower statutory income tax rates	450	–	508	–
Effect of withholding tax on distributable profits of certain PRC subsidiaries	–	–	(2,296)	2
Losses attributable to associates	421	–	(9)	–
Adjustments in respect of current tax of previous periods	10	–	(4)	–
Tax losses utilised from previous periods	(3,300)	3	(3,385)	3
Tax losses not recognised	16,900	(15)	23,839	(21)
Deductible temporary differences not recognised	13,414	(13)	40,093	(35)
Tax charge at the Group's effective rate	(60)	–	30,292	(27)

12. DIVIDENDS

The Board does not recommend any final dividends for the years ended 31 December 2024.

On 22 March 2024, the directors recommended a special final dividend of HK$2 cents per share for the year ended 31 December 2023.

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

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the parent of RMB109,413,000 (2023: the loss of RMB142,522,000) and the weighted average number of ordinary shares of 3,337,094,000 (2023: 3,282,916,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2024 and 31 December 2023 in respect of a dilution as the impact of the share options outstanding under the Share Option Scheme had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	2024 **RMB'000**	2023 RMB'000
Losses		
Loss attributable to owners of the parent, used in the basic loss per share calculation	**(109,413)**	(142,522)

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**3,445,450,000**	3,445,450,000
Less: Weighted average number of shares purchased for the Share Award Scheme	**(108,356,000)**	(162,534,000)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	**3,337,094,000**	3,282,916,000

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office and other equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023, net of accumulated depreciation and impairment	250,768	2,486	2,302	2,120	257,676
Additions	2,520	4	363	136	3,023
Disposals	–	(14)	(31)	(16)	(61)
Depreciation provided during the year	(15,930)	(819)	(313)	(1,436)	(18,498)
Impairment	–	(4)	–	(118)	(122)
Exchange realignment	579	–	–	3	582
At 31 December 2023 and 1 January2024, net of accumulated depreciation	237,937	1,653	2,321	689	242,600
Additions	878	18	601	43	1,540
Disposals	–	–	(269)	(270)	(539)
Depreciation provided during the year	(16,519)	(153)	(790)	(462)	(17,924)
Exchange realignment	865	–	–	–	865
At 31 December 2023					
Cost	380,386	15,725	17,699	15,580	429,390
Accumulated depreciation and impairment	(142,449)	(14,072)	(15,378)	(14,891)	(186,790)
Net carrying amount	237,937	1,653	2,321	689	242,600
At 31 December 2024					
Cost	382,480	15,743	17,368	15,284	430,875
Accumulated depreciation and impairment	(159,319)	(14,225)	(15,505)	(15,284)	(204,333)
Net carrying amount	223,161	1,518	1,863	–	226,542

As at 31 December 2024, certificate of ownership in respect of a warehouse with a net carrying amount of approximately RMB2,714,000 (2023: RMB3,071,000) has not been issued by the relevant PRC authority. The Group is in the process of obtaining the relevant certificate.

15. INVESTMENT PROPERTIES

	2024 RMB'000	2023 RMB'000
Cost at 1 January, net of accumulated depreciation	**44,036**	47,153
Depreciation provided during the year	**(2,927)**	(3,117)
Impairment	**–**	–
At 31 December	**41,109**	44,036
At 31 December:		
Cost	**72,601**	72,601
Accumulated depreciation	**(29,314)**	(26,387)
Impairment	**(2,178)**	(2,178)
Net carrying amount	**41,109**	44,036

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

The Group's investment properties were revalued on 31 December 2024 by Dezhou Tianqu Assets Appraisals Co., Ltd.(德州天衢資產評估有限公司)and Shanghai Licang Assets Evaluation Co., Ltd.(上海利滄資產評估有限公司), independent professionally qualified valuers, at RMB109,175,000(31 December 2023: RMB93,560,000) on the market approach and cost approach, existing use basis.

16. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Leasehold land RMB'000	**Plant and properties** RMB'000	**Total** RMB'000
As at 1 January 2023	37,223	8,978	46,201
Additions	–	10,647	10,647
Depreciation charge	(1,044)	(13,509)	(14,553)
Disposal	–	(490)	(490)
Impairment	–	(860)	(860)
As at 31 December 2023 and 1 January 2024	36,179	4,766	40,945
Additions	–	8,113	8,113
Depreciation charge	(1,053)	(8,420)	(9,473)
Disposal	–	(32)	(32)
Impairment	–	(930)	(930)
As at 31 December 2024	35,126	3,497	38,623

Retail stores cash-generating unit

The recoverable amount of the retail stores cash-generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets covering lease period approved by senior management. For the year ended 31 December 2024, the discount rate applied to the cash flow projections was 10% (2023: 10%).

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

16. LEASES *(CONTINUED)*

The Group as a lessee *(Continued)*

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

Discount rates

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

Other assumption

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

Based on the result of the impairment test, the recoverable amount of retail stores cash-generating unit was lower than its carrying amount. Accordingly, management had determined that there was an impairment of the right-of-use assets and recognised an impairment charge of RMB930,000 (2023: RMB860,000).

(b) ***Lease liabilities***

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

	2024 **RMB'000**	2023 RMB'000
Carrying amount at 1 January	**4,926**	11,734
New leases	**8,113**	10,647
Accretion of interest recognised during the year	**302**	462
Payments	**(9,107)**	(16,441)
Disposal	**(34)**	(1,476)
Carrying amount at 31 December	**4,200**	4,926
Analysed into:		
Current portion	**3,309**	4,069
Non-current portion	**891**	857

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

16. LEASES *(CONTINUED)*

The Group as a lessee *(Continued)*

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

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**302**	462
Depreciation charge of right-of-use assets	**9,473**	14,553
Expense relating to short-term leases (included in selling expenses)	**3,321**	3,354
Variable lease payments not included in the measurement of lease liabilities (included in selling expenses)	**32,237**	36,817
Gain/(loss) on disposal of right-of-use assets	**–**	986
Impairment of right-of-use assets	**930**	860
Total amount recognised in profit or loss	**46,263**	57,032

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

The Group leased a number of the retail stores and units in shopping malls which contain variable lease payment terms that are based on the Group's turnover generated from the retail stores. The amount of variable lease payments recognised in profit or loss for the current year for these leases was RMB32,237,000.

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

16. LEASES *(CONTINUED)*

The Group as a lessor

The Group leases its investment properties (note 15) consisting of five properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB8,256,000 (2023: RMB6,473,000), details of which are included in note 5 to the financial statements.

At 31 December 2024, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024	2023
	RMB'000	RMB'000
Within one year	**5,573**	4,612
After one year but within two years	**3,962**	4,137
After two years but within three years	**3,187**	3,187
After three years but within four years	**3,073**	3,073
After four years but within five years	**3,063**	3,123
After five years	**11,863**	12,341
Total	**30,721**	30,473

17. GOODWILL

	RMB'000
At 31 December 2023 and 2024:	
Cost	76,636
Accumulated impairment	(76,636)
Net carrying amount	–

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

18. OTHER INTANGIBLE ASSETS

	Licensing agreements RMB'000	Retail networks RMB'000	Trademarks RMB'000	Software RMB'000	Total RMB'000
At 1 January 2023, net of accumulated amortisation and impairment	–	–	50,356	659	51,015
Additions	1,000	–	–	–	1,000
Disposal	–	–	–	–	–
Amortisation provided during the year	(50)	–	(26)	(85)	(161)
Impairment during the year	–	–	(12,322)	–	(12,322)
Exchange realignment	–	–	231	–	231
At 31 December 2023 and 1 January 2024, net of accumulated amortisation and impairment	950	–	38,239	574	39,763
Additions	–	–	–	–	–
Disposal	–	–	–	–	–
Amortisation provided during the year	(100)	–	–	(84)	(184)
Impairment during the year	–	–	(14,636)	–	(14,636)
Exchange realignment	–	–	(13)	–	(13)
At 31 December 2024, net of accumulated amortisation and impairment	850	–	23,590	490	24,930
At 31 December 2023:					
Cost	98,460	4,981	206,035	842	310,318
Accumulated amortisation and impairment	(97,510)	(4,981)	(167,796)	(268)	(270,555)
Net carrying amount	950	–	38,239	574	39,763
At 31 December 2024:					
Cost	98,460	4,981	206,035	842	310,318
Accumulated amortisation and impairment	(97,610)	(4,981)	(182,445)	(352)	(285,388)
Net carrying amount	850	–	23,590	490	24,930

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

18. OTHER INTANGIBLE ASSETS *(CONTINUED)*

The Group has performed impairment reviews of the carrying values of trademarks as at 31 December 2024 based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the year ended 31 December 2024, the discount rates applied to the cash flow projection were 26.4% (2023: 28.6%) for “London Fog”, 24.0% (2023: 23.5%) for “MCS”, 24.0% (2023: 23.5%) for “Marina Yachting” and cash flows beyond the five-year period were extrapolated using a growth rate of 2% (2023: 3%) which does not exceed the projected long term average growth rate for the relevant industry in Mainland China. Based on the result of the impairment test, the recoverable amounts of the trademarks of “London Fog”, “Zoo York”, “MCS”, “Henry Cotton’s” and “Marina Yachting” were lower than their carrying amounts as at 31 December 2024. Accordingly, management determined that there was impairment of these trademarks and recognised RMB825,000, RMB9,000, RMB13,243,000, RMB12,000, and RMB548,000 for “London Fog”, “Zoo York”, “MCS”, “Henry Cotton’s” and “Marina Yachting”, respectively. (2023: RMB3,128,000, RMB2,449,000, RMB953,000, RMB29,000, and RMB5,763,000 for “London Fog”, “Zoo York”, “MCS”, “Henry Cotton’s” and “Marina Yachting”, respectively.), which were recorded within other expenses in the consolidated statement of profit or loss.

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

Budgeted gross profit margins

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

Discount rates

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

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

19. INVESTMENT IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Share of net assets	**63,899**	10,758
Goodwill on acquisition	**1,065**	1,065
Exchange realignment	**427**	119
Total	**65,391**	11,942

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

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
China Mingmen Investment Group Limited	Ordinary shares	Hong Kong	40	Development, manufacture and sale of alcohol and drink products
Shanghai Jegoplay Hongmeng Culture Development Co., Ltd	Ordinary shares	Shanghai	35	Amusement park operation
Zhuhai Sinosure Joint Investment Co., Ltd	Ordinary shares	Zhuhai	49	Investment, management consulting
Zhuhai Gejin Xinbao Equity Investment Fund Partnership (Limited Partnership)	Ordinary shares	Zhuhai	55	Investment, management consulting

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

19. INVESTMENT IN ASSOCIATES *(CONTINUED)*

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

	2024 **RMB'000**	2023 RMB'000
Cash and cash equivalents	**255**	131
Current assets	**255**	131
Non-current assets	**15,199**	15,801
Other current liabilities	**(3,396)**	(3,017)
Current liabilities	**(3,396)**	(3,017)
Net assets	**12,058**	12,915
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**40%**	40%
Group's share of net assets of the associate	**4,823**	5,166
Goodwill on acquisition	**1,065**	1,065
Carrying amount of the investment	**5,888**	6,231
Revenue	**–**	1
Other comprehensive loss	**(7,113)**	(2,575)
Loss and total comprehensive loss for the year	**(1,198)**	(1,203)

19. INVESTMENT IN ASSOCIATES *(CONTINUED)*

The following table illustrates the summarised financial information of Zhuhai Sinosure Joint Investment Co., LTD reconciled to the carrying amount in the consolidated financial statements:

	2024 RMB'000
Cash and cash equivalents	29,449
Current assets	89,449
Non-current assets	10,000
Current liabilities	–
Non-current liabilities	–
Net assets	99,449
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	55%
Group's share of net assets of the associate	54,697
Carrying amount of the investment	54,697
Total comprehensive loss for the year	(303)

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RMB'000	2023 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Guangdong Shaoneng Group Co., Ltd.	24,940	26,291
Unlisted equity investments, at fair value		
CCF Investment Limited	–	–
Total	24,940	26,291

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2024, the Group received dividends in the total amount of Nil (2023: Nil) from Guangdong Shaoneng Group Co., Ltd.

21. OTHER NON-CURRENT ASSETS

	2024 RMB'000	2023 RMB'000
Prepayments for purchase of properties	9,288	9,288
Prepayments for leasehold improvements*	–	414
Total	9,288	9,702

* These represent prepayments for leasehold improvements for the Group's properties held for self-use.

22. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	Fair value adjustments from financial instruments RMB'000	Lease Liabilities RMB'000	Total RMB'000
At 1 January 2023	24,413	11,015	–	2,245	37,673
Deferred tax charged to the consolidated statement of profit or loss and the consolidated statement of comprehensive income during the year (note 11)	(23,831)	(8,829)	–	(1,053)	(33,713)
At 31 December 2023 and 1 January 2024	582	2,186	–	1,192	3,960
Deferred tax charged to the consolidated statement of profit or loss and the consolidated statement of comprehensive income during the year (note 11)	–	–	–	(317)	(317)
At 31 December 2024	582	2,186	–	875	3,643

Deferred tax assets have not been recognised in respect of the following items:

	2024 RMB'000	2023 RMB'000
Tax losses	318,639	336,813
Deductible temporary differences	990,374	936,910
Total	1,309,013	1,273,723

The Group had tax losses arising in the PRC of approximately RMB361,599,000 and RMB325,961,000 as at 31 December 2024 and 2023, respectively, that will expire in one to five years for offsetting against future taxable profits.

22. DEFERRED TAX *(CONTINUED)*

Deferred tax assets *(Continued)*

The above tax losses arising in jurisdictions other than PRC are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Deferred tax liabilities

	Fair value adjustments arising from acquisitions RMB'000	Withholding tax on distributable profits of the PRC subsidiaries RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2023	3,659	2,296	2,245	8,200
Deferred tax credited to the consolidated statement of profit or loss and the consolidated statement of comprehensive income during the year (restated) (note 11)	(123)	(2,296)	(1,053)	(3,472)
At 31 December 2023 and 1 January 2024	3,536	–	1,192	4,728
Deferred tax credited to the consolidated statement of profit or loss and the consolidated statement of comprehensive income during the year (note 11)	(122)	–	(317)	(439)
At 31 December 2024	3,414	–	875	4,289

Pursuant to the PRC Corporate Income Tax Law (the "New CIT Law") which was approved and became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective on 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding tax on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2024, the Group has not recognised deferred tax liabilities of RMB18,864,605 (2023: RMB18,991,000) in respect of temporary differences relating to the unremitted profits of the Group's subsidiaries established in the PRC amounting to RMB377,292,091 (2023: RMB379,817,000), that would be payable on the distribution of these profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

22. DEFERRED TAX *(CONTINUED)*

Deferred tax liabilities *(Continued)*

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 **RMB'000**	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**2,768**	2,768
Net deferred tax liabilities recognised in the consolidated statement of financial position	**3,414**	3,536

23. INVENTORIES

	2024 **RMB'000**	2023 RMB'000
Raw materials	**3,744**	4,041
Work in progress	**2,744**	911
Finished goods	**90,219**	123,468
Total	**96,707**	128,420

24. PROPERTIES UNDER DEVELOPMENT

	2024 **RMB'000**	2023 RMB'000
Properties under development	**204,598**	204,024

The Group's properties under development are located in the PRC and situated on leasehold land with long term leases. Properties under development are classified under current assets as they are expected to be realised in the Group's normal operating cycle.

25. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**28,182**	32,006
Impairment	**(11,150)**	(8,295)
Total	**17,032**	23,711

The Group's trading terms with its customers are mainly on credit, except for third-party retailers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance are as follows:

	2024 RMB'000	2023 RMB'000
Within 1 month	**11,070**	20,529
1 to 2 months	**2,047**	2,785
2 to 3 months	**1,855**	72
Over 3 months	**2,060**	325
Total	**17,032**	23,711

25. TRADE RECEIVABLES *(CONTINUED)*

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	**8,295**	9,048
Amount written off as uncollectible	**(60)**	(545)
Impairment losses/(reversal of impairment losses), net	**2,915**	(208)
At end of year	**11,150**	8,295

An impairment analysis is performed at each reporting date using a provision matrix or individually assessed to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

25. TRADE RECEIVABLES *(CONTINUED)*

As at 31 December 2024

	Gross carrying amount RMB'000	Expected credit losses RMB'000	Expected credit loss rate
Individually assessed	**928**	**928**	**100.00%**
Based on provision matrix	**27,254**	**10,222**	**23.52%**
Total	**28,182**	**11,150**	

	Ageing as at 31 December 2024		
	Within one year	Over one year	Total
Expected credit loss rate	**7.30%**	**100.00%**	
Gross carrying amount (RMB'000)	**18,373**	**9,809**	**28,182**
Expected credit losses (RMB'000)	**1,341**	**9,809**	**11,150**

As at 31 December 2023

	Gross carrying amount RMB'000	Expected credit losses RMB'000	Expected credit loss rate
Individually assessed	1,002	1,002	100.00%
Based on provision matrix	31,004	7,293	37.51%
Total	32,006	8,295	

	Ageing as at 31 December 2023		
	Within one year	Over one year	Total
Expected credit loss rate	4.31%	100.00%	
Gross carrying amount (RMB'000)	24,779	7,227	32,006
Expected credit losses (RMB'000)	1,068	7,227	8,295

26. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2024 RMB'000	2023 RMB'000
Prepayments		**17,876**	19,662
Deposits and other receivables		**66,192**	52,525
Deposit and other receivables from related parties	39(b)(iii),(iv), (v),(vi),(vii)	**20,985**	22,100
		105,053	94,287
Impairment allowance		**(27,884)**	(19,069)
Total		**77,169**	75,218

Included in Deposits and other receivables as at 31 December 2024 are loans and related interest receivables from two third parties at amounts of RMB9,311,000 (31 December 2023: RMB9,112,000) and RMB5,553,000 (31 December 2023: RMB5,553,000) respectively, which are interest-bearing at 2.5% (31 December 2023: 2.5%), 5.22% (31 December 2023: 5.22%) per annum, respectively. The carrying amounts of deposits and other receivables net of impairment allowance of the above two third parties are RMB nil and nil respectively (31 December 2023: RMB1,371,000 and nil respectively). The loans are unsecured and repayable in one year.

The Group's loans to third parties are subject to approval by the executive committee or the board of directors, depending on their amounts lent.

Except for the loans receivable and interest receivables, other receivables are unsecured, non-interest-bearing and repayment on demand.

Management makes periodic collective assessments for prepayments and other receivables as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and other factors.

As at 31 December 2024, a provision for impairment of RMB2,775,785 (31 December 2023: RMB13,294,000) for the above loans receivable and interest receivables was made with loss rates applied ranging from 41% to 100% (31 December 2023: 83% to 100%).

As at 31 December 2024, a provision for impairment of RMB930,000 (31 December 2023: RMB910,000) for the royalty receivable past due from a third-party debtor.

The carrying amount of the remaining prepayments and other receivables that were neither past due nor impaired relates to other debtors for whom there was no recent history of default.

Details of impairment assessment of financial assets included in prepayments and other receivables for the year ended 31 December 2024 are set out in note 40.

26. PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

The movement in the loss allowance for impairment of prepayments and other receivables is as follows:

	2024	2023
	RMB'000	RMB'000
At beginning of year	**19,069**	12,001
Impairment losses, net	**8,815**	7,869
Amount written off as uncollectable	**–**	(903)
Exchange realignment	**–**	102
At end of year	**27,884**	19,069

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, STRUCTURED BANK DEPOSITS AND DEPOSITS WITH FINANCIAL INSTITUTIONS

	2024	2023
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
Wealth management products, at fair value	**11,880**	31,812
Structured bank deposits and deposits with financial institutions		
Structured bank deposits and deposits with financial institutions, at amortised cost	**74**	217,013

The above financial assets at fair value at 31 December 2024 were wealth management products issued by securities companies in the PRC and Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The structured deposits and deposits in financial institutions have terms of less than one year and are denominated in RMB, Hong Kong Dollar ("HK$"), United States Dollar ("US$").

28. CASH AND CASH EQUIVALENTS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**97,945**	164,974
Time deposits	**223,591**	61,376
	321,536	226,350
Less: Time deposit with original maturity of over three months	**(220,720)**	–
Cash and cash equivalents	**100,816**	226,350

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in HK$, US$, Euro ("€") and Macau Pataca ("MOP$"), amounted to RMB220,720,000, RMB2,871,000, RMB Nil, and RMB131,000, respectively (2023: RMB61,695,000, RMB28,007,000, RMB215,000, and RMB177,000, respectively). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between seven days and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and short term deposits are deposited with creditworthy banks with no recent history of default.

29. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Trade payables		
Within 30 days	**6,112**	6,043
31 to 90 days	**15**	9
91 to 180 days	**–**	–
181 to 360 days	**3,122**	3,031
Total	**9,249**	9,083

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days.

30. OTHER PAYABLES AND ACCRUALS

	Notes	2024 RMB'000	2023 RMB'000
Contract liabilities	(a)	**12,394**	11,049
Other payables	(b)	**11,195**	13,689
Accruals		**6,973**	6,571
Other taxes payable		**17,042**	18,270
Payables to related parties	39(b)	**219**	398
Total		**47,823**	49,977

Notes:

(a) Details of contract liabilities as at 31 December 2024 and 31 December 2023 are as follows:

	31 December 2024 RMB'000	31 December2023 RMB'000
Short-term advances received from customers		
Sale of goods	**12,394**	11,049

(b) Other payables are non-interest-bearing and are due within one year.

31. LEASE LIABILITIES

	31 December 2024			31 December2023		
	Effective Interest rate (%)	**Maturity**	**RMB'000**	Effective Interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities (note 16(b))	**3.10-3.60**	**2025**	**3,309**	3.45-4.35	2,024	4,069
Non-current						
Lease liabilities (note 16(b))	**3.10-3.60**	**2026-2027**	**891**	3.45-4.35	2025-2026	857

31. LEASE LIABILITIES *(CONTINUED)*

Analysed into:

	2024 RMB'000	2023 RMB'000
Within one year	**3,309**	4,069
In the second year	**101**	395
In the third year, inclusive	**790**	462
	891	857
Total	**4,200**	4,926

32. OTHER BORROWING

The Group borrowed RMB6,400,000 from Shanghai Pancoat Trading Co., Ltd., ("Shanghai Pancoat"), which is the non-controlling shareholder of a subsidiary of the Group, on 8 Jnue 2023. The loan is unsecured and due on 7 June 2025, and bears interest at 4.5% per annum. As at 31 December 2024, the Group had repaid RMB1,274,000 of the principal to Shanghai Pancoat.

33. SHARE CAPITAL

	2024 HK$'000	2023 HK$'000
Issued and fully paid: 3,445,450,000 (2023: 3,445,450,000) ordinary shares	**3,445,450**	3,445,450
Equivalent to RMB'000	**280,661**	280,661

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 34 to the financial statements.

34. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme"), approved by the written resolutions of the shareholders passed on 25 November 2011 (the "Resolutions").

The Company operates the "Share Option Scheme" for the purpose of providing incentives and/or rewards to eligible participants for their contribution to and continuing efforts to promote the interest of the Company. Eligible participants of the Share Option Scheme include a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; b) a director or proposed director (including an independent non-executive director) of any member of the Group; c) a direct or indirect shareholder of any member of the Group; d) a supplier of goods or services to any member of the Group; e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and g) an associate of any of the foregoing persons. The Share Option Scheme became effective on 9 December 2011 and, unless otherwise cancelled or amended, remained in force for 10 years from that date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share options granted and yet to be exercised under any other scheme of the Company shall not, in aggregate, exceed 6% of the total number of shares in issue on the Listing Date (assuming that the over-allotment option is not exercised) until the expiration of the period from the listing date to the fourth anniversary of the Listing Date and 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or a substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors, excluding the independent non-executive director who or whose associates are the grantee. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

34. SHARE OPTION SCHEME *(CONTINUED)*

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of grant of the share options.

The exercise price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the exercise price shall be at least the highest of: (a) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; (b) the average of the closing prices of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (c) the nominal value of a share.

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

The movement in share options during the year is presented below:

	2024		2023	
	Weighted average exercise price per share HK$ per share	**Number of options**	Weighted average exercise price per share HK$ per share	Number of options
At 1 January	–	–	0.2114	221,500
Forfeited during the year	–	–	0.2114	–
Lapsed during the year	–	–	0.2114	(221,500)
At 31 December	–	–	0.2114	–

During the year ended 31 December 2023, 221,500,000 share options became lapsed as three of the grantees resigned and two of the grantees retired. No share option expense was recognised during the year ended 31 December 2024 (2023: Nil).

34. SHARE OPTION SCHEME *(CONTINUED)*

The fair value of the share options under the Share Option Scheme granted was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.00
Expected volatility (%)	58.41
Risk-free interest rate (%)	2.77
Weighted average share price (HK$ per share)	0.21

The expected volatility may not necessarily reflect the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

No share option was exercised during the year. As at 31 December 2024, no share options were outstanding under the Share Option Scheme.

35. SHARE AWARD SCHEME

The Company adopted a share award scheme (the "Share Award Scheme"), approved by the resolutions of the Board passed on 4 November 2014.

The specific purposes and objectives of the Share Award Scheme are to:

(a) recognise the contributions by certain employees and to give incentives to them in order to retain them for the continual operation and development of the Group; and

(b) attract suitable personnel for further development of the Group.

To facilitate the implementation of the Share Award Scheme, a trust deed is entered into by the Group and South Zone Holding Limited (the "Trustee") pursuant to which the Trustee shall purchase and hold shares for the benefit of certain employees of the Group and any subsidiary and in such manner as the Board may determine from time to time.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date being 4 November 2014 unless being early terminated by a resolution of the Board.

The Board may from time to time at its absolute discretion, select any employee (excluding any excluded employee) for participation in the Share Award Scheme as a selected employee and grant to such selected employee the award shares for free or at a price/consideration per award share determined by the Board at its sole discretion.

35. SHARE AWARD SCHEME *(CONTINUED)*

The maximum number of share currently permitted to be granted under the Share Award Scheme is an amount equivalent, to 10% of the issued share capital of the Company as at 4 November 2014. The maximum number of shares issuable under the Share Award Scheme to each eligible participant in the Share Award Scheme is limited to 1% of the issued share capital of the Company at any time.

The Trustee will hold the shares and any income derived from them in accordance with the terms of the trust deed.

From 4 November 2014 to 31 December 2024, the Company purchased 162,534,000 shares, amounting to RMB30,946,000.

	Number of shares	**Total cost**	**Total Cost**
	'000	HK$'000	RMB'000
2014	4,762	4,525	3,669
2015	5,134	4,167	3,740
2016	506	215	182
2017	9,360	2,642	2,190
2018	1,372	292	250
2019	101,400	18,288	16,203
2020	40,000	5,424	4,712
Total	162,534	35,553	30,946

No shares of the Company were purchased by the Trustee during the year ended 31 December 2024 (2023: Nil).

The Board granted 162,534,000 shares to 11 employees for free on 31 October 2023. The exercise period of the share award granted is determinable by the Board, and commences after a vesting period of one year. Totalling 162,534,000 awarded shares have vested during the year ended 31 December 2024.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on page 80 of the financial statements.

(a) The merger reserve represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the corporate reorganisation (the "Reorganisation") and the nominal value of the Company's shares issued in exchange therefor.

(b) The acquisition reserve represents the differences between considerations paid and the book value of the share of net assets acquired in respect of the acquisition of non-controlling interests.

(c) In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses), determined in accordance with generally accepted accounting principles in the PRC, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase the registered capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the registered capital after these usages.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB8,113,000 (2023: RMB10,647,000) and RMB8,113,000 (2023: RMB10,647,000), respectively, in respect of lease arrangements for plant and properties.

(b) Changes in liabilities arising from financing activities

2024

	Lease liabilities RMB'000
At 1 January 2024	4,926
Changes from financing cash flows	(9,107)
New leases	8,113
Disposal	(34)
Interest expense	302
At 31 December 2024	4,200

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

(b) Changes in liabilities arising from financing activities *(Continued)*

2023

	Lease liabilities RMB'000
At 1 January 2023	11,734
Changes from financing cash flows	(16,441)
New leases	10,647
Disposal	(1,476)
Interest expense	462
At 31 December 2023	4,926

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	**35,558**	40,171
Within financing activities	**9,107**	16,441
Total	**44,665**	56,612

38. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
Contracted, but not provided for:		
Buildings	**–**	91
Total	**–**	91

39. RELATED PARTY TRANSACTIONS

(a) Other transactions with related parties:

	Notes	2024 RMB'000	2023 RMB'000
Purchases of product tags			
Wuxi Hengye Software Technology Co., Ltd	(i) & (ii)	**203**	242
Purchases of products			
China Brands Group	(ii) & (iii)	**–**	73
Shanghai Pancoat	(ii)	**119**	16
		119	89
Royalty fees			
Shanghai Pancoat	(ii)	**121**	1,000
Rental expenses			
Huang Xiaoyun	(ii) & (iv)	**292**	286
Sales of products			
Zhejiang Manqu Technology Co., Ltd	(ii) & (v)	**276**	641
Shanghai Jegoplay Hongmeng Culture Development Co., Ltd	(ii) & (vi)	**2,883**	1,226
		3,159	1,867
Rental income			
Wuxi Hengye Software Technology Co., Ltd	(i) & (ii)	**467**	456
Maintenance income for elevators			
Wuxi Hengye Software Technology Co., Ltd	(i) & (ii)	**–**	2
(Repayments from)/loans granted to:			
Shanghai Jegoplay Hongmeng Culture Development Co., Ltd	(vi)	**(1,920)**	5,475
Zhejiang Dianshi Technology Co., Ltd	(vii)	**–**	2,000
		(1,920)	7,475
(Repayments to)/loans from:			
Shanghai Pancoat	(viii)	**(768)**	6,400

39. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Other transactions with related parties: *(Continued)*

Notes:

(i) The key management member of Wuxi Hengye Software Technology Co., Ltd. ("Wuxi Hengye") is Zhang Yongli, the chairman and the chief executive officer of the Group. Sun Jing, the spouse of Zhang Yongli, is a non-controlling shareholder and holds 21.71% equity interest in Wuxi Hengye. The purchases were made on mutually agreed terms.

(ii) The transaction was made on mutually agreed terms.

(iii) China Brands Group is the parent company of Shanghai Pancoat, which is the non-controlling shareholder of a subsidiary of the Group.

(iv) Huang Xiaoyun is an executive director and the chief financial officer of the Group.

(v) Zhejiang Manqu Technology Co., Ltd. ("Zhengjiang Manqu") is the subsidiary of the non-controlling shareholder of a subsidiary of the Group.

(vi) As at 31 December 2024, the principal of the Group's loan granted to Shanghai Jegoplay Hongmeng Culture Development Co., Ltd. ("Jegoplay Hongmeng"), an associate of the Group, was RMB16,290,000. The loan is unsecured and repayable on demand, and bears interest at 4.5% per annum.

(vii) As at 31 December 2024, the principal of the Group's loan granted to Zhejiang Dianshi Technology Co., Ltd. ("Zhejiang Dianshi"), the non-controlling shareholder of a subsidiary of the Group was RMB1,900,000. The loan is unsecured and repayable on demand, and bears interest at 5% per annum. As at 31 December 2024, an impairment provision of RMB835,000 (31 December 2023:RMB866,000) is provided for the above loans receivable.

(viii) The Group borrowed RMB6,400,000 from Shanghai Pancoat, and had repaid a principal amount of RMB1,274,000 as at 31 December 2024. The loan is unsecured and due on 7 June 2025, and bears interest at 4.5% per annum.

(b) Outstanding balances with related parties:

	Notes	2024 RMB'000	2023 RMB'000
Other payable			
Huang Xiaoyun	(i)	**–**	144
Wuxi Hengye	(ii)	**100**	100
Other receivable			
Wuxi Hengye	(iii)	**2**	2
China Brands Group	(iv)	**100**	100
Jegoplay Hongmeng	(v)	**17,252**	18,702
Zhejiang Dianshi	(vi)	**1,209**	1,134
Zhejiang Manqu	(vii)	**2,422**	2,162
Other borrowings			
Shanghai Pancoat	(viii)	**5,126**	5,894
Interest payable			
Shanghai Pancoat	(viii)	**119**	154

39. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Outstanding balances with related parties: *(Continued)*

Notes:

(i) Huang Xiaoyun is an executive director and the chief financial officer of the Group. The balance at 31 December 2024 was related to the Group's procurement of rental services from Huang Xiaoyun.

(ii) The key management member of Wuxi Hengye is Zhang Yongli, the chairman and the chief executive officer of the Group. The balance was related to the rental deposit received for providing rental services to Wuxi Hengye. The balance is unsecured, interest-free and due in eighteen months.

(iii) The balance was related to the elevator maintenance services to Wuxi Hengye. The balance is unsecured, interest-free and due in two months.

(iv) China Brands Group is the parent company of Shanghai Pancoat, which is the non-controlling shareholder of a subsidiary of the Group. The balance is unsecured, interest-free and due in three months.

(v) Jegoplay Hongmeng is an associate of the Group. The balance was related to a loan granted by the Group. The loan bears interest at 4.5% per annum and is repayable on demand.

(vi) Zhejiang Dianshi is the non-controlling shareholder of a subsidiary of the Group. The balance was related to a loan granted by the Group. The loan bears interest at 5% per annum. The balance is unsecured and repayable on demand.

(vii) Zhejiang Manqu Technology Co., Ltd. is a subsidiary of the non-controlling shareholder of a subsidiary of the Group. The balance is unsecured, interest-free and has no fixed terms of repayment.

(viii) Shanghai Pancoat is the non-controlling shareholder of a subsidiary of the Group. The balance was related to a loan granted to the Group. The loan bears interest at 4.5% per annum and is due on 7 June 2025.

(c) Compensation of key management personnel of the Group, including directors' remuneration as detailed in note 9 above, is as follows:

	2024 RMB'000	2023 RMB'000
Fees	**2,935**	2,910
Salaries, allowances and benefits in kind	**5,411**	3,473
Equity-settled share option expenses	**4,284**	334
Pension scheme contributions	**202**	15
Total compensation paid to key management personnel	**12,832**	6,732

Rental expenses from Huang Xiaoyun mentioned in 39(a) constituted connected transactions as defined in Chapter 14A of the Listing Rules. The Company is of the view that both transactions were de minimis transactions and were therefore fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules ("Fully Exempt CT").

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2024

Financial assets	Financial assets at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income		
	Held for trading RMB'000	Equity instruments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	24,940	–	24,940
Trade receivables	–	–	17,032	17,032
Financial assets included in prepayments and other receivables (note 26)	–	–	59,293	59,293
Financial assets at fair value through profit or loss	11,880	–	–	11,880
Structured bank deposits and deposits with financial institutions	–	–	74	74
Cash and cash equivalents	–	–	100,816	100,816
Total	11,880	24,940	177,215	214,035

40. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets	Financial assets at fair value through profit or loss	Financial assets designated at fair value through other comprehensive income		
	Held for trading RMB'000	Equity instruments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	26,291	–	26,291
Trade receivables	–	–	23,711	23,711
Financial assets included in prepayments and other receivables (note 26)	–	–	55,556	55,556
Financial assets at fair value through profit or loss	31,812	–	–	31,812
Structured bank deposits and deposits with financial institutions	–	–	217,013	217,013
Cash and cash equivalents	–	–	226,350	226,350
Total	31,812	26,291	522,630	580,733

Financial liabilities	**Financial liabilities at amortised cost**	
	2024 RMB'000	2023 RMB'000
Trade payables	**9,249**	9,083
Lease liabilities	**4,200**	4,926
Financial liabilities included in other payables and accruals (note 30)	**11,582**	14,087
Total	**25,031**	28,096

41. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**24,940**	26,291	**24,940**	26,291
Financial assets at fair value through profit or loss	**11,880**	31,812	**11,880**	31,812
Total	**36,820**	58,103	**36,820**	58,103

Management has assessed that the fair values of cash and cash equivalents, structured bank deposits, deposits with financial institutions, trade receivables, trade payables, financial assets included in prepayments and other receivables, financial assets included in other non-current assets, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices.

The Group invests in unlisted investments, which represent wealth management products issued by banks in the PRC and HK. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

41. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2024

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income – listed	24,940	–	24,940
Financial assets at fair value through profit or loss	11,880	–	11,880
Total	36,820	–	36,820

As at 31 December 2023

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income – listed	26,291	–	26,291
Financial assets at fair value through profit or loss	–	31,812	31,812
Total	26,291	31,812	58,103

41. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy *(Continued)*

Assets measured at fair value *(Continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	2024	2023
	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income – unlisted		
At 1 January	**26,291**	28,954
Total losses recognised in other comprehensive income	**(1,351)**	(2,663)
At 31 December	**24,940**	26,291

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 31 December 2024 (2023: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, structured bank deposits and deposits with financial institutions. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below:

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Foreign currency risk

All of the Group's turnover and substantially all of the Group's cost of sales and operating expenses are denominated in RMB. Accordingly, the transactional currency exposures of the Group are not significant. However, the Group's financial assets and liabilities including certain cash and cash equivalents denominated in Hong Kong dollars ("HK$") and United States dollars ("US$") are subject to foreign currency risk. Therefore, the fluctuations in the exchange rates of RMB against these foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in the PRC to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risks. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ against RMB exchange rate, with all other variables held constant, of the Group's equity (due to changes in the fair values of monetary assets and liabilities):

	Increase/ (decrease) in HK$ exchange rate %	Increase/ (decrease) in equity* RMB'000
2024		
If RMB weakens against HK$	**5**	**(18,939)**
If RMB strengthens against HK$	**(5)**	**18,939**
If RMB weakens against US$	**5**	**(193)**
If RMB strengthens against US$	**(5)**	**193**
2023		
If RMB weakens against HK$	5	(14,145)
If RMB strengthens against HK$	(5)	14,145
If RMB weakens against US$	5	(1,549)
If RMB strengthens against US$	(5)	1,549

* Excluding retained profits

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging as at 31 December 2024

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	28,182	28,182
Financial assets included in prepayments, other receivables and other assets					
– Normal**	70,171	–	–	–	70,171
– Doubtful**	–	10,523	6,483	–	17,006
– Not yet past due	100,816	–	–	–	100,816
Total	170,987	10,523	6,483	28,182	216,175

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Maximum exposure and year-end staging as at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	32,006	32,006
Financial assets included in prepayments, other receivables and other assets					
– Normal**	56,250	–	–	–	56,250
– Doubtful**	–	11,912	6,463	–	18,375
Cash and cash equivalents					
– Not yet past due	226,350	–	–	–	226,350
Total	282,600	11,912	6,463	32,006	332,981

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 25 to the financial statements.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The Group's policy is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2024			
Group	**On demand**	**Less than 1 year**	**Over 1 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Lease liabilities	**–**	**3,309**	**891**	**4,200**
Trade payables	**–**	**9,249**	**–**	**9,249**
Financial liabilities included in other payables and accruals	**–**	**11,582**	**–**	**11,582**
Total	**–**	**24,140**	**891**	**25,031**

	31 December 2023			
	On demand	Less than 1 year	Over 1 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	–	4,069	857	4,926
Trade payables	–	9,083	–	9,083
Financial liabilities included in other payables and accruals	–	14,087	–	14,087
Total	–	27,239	857	28,096

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade payables and financial liabilities included in other payables and accruals less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2024 RMB'000	2023 RMB'000
Other borrowing	**5,126**	5,894
Trade payables	**9,249**	9,083
Financial liabilities included in other payables and accruals	**11,582**	14,087
Less: Cash and cash equivalents	**(100,816)**	(226,350)
Net debt	**(74,859)**	(197,286)
Capital	**971,060**	1,127,146
Capital and net debt	**896,201**	929,860
Gearing ratio	**-8.35%**	-21.22%

43. EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the year end which require adjustment of or disclosure in the financial statements or notes thereto.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024	2023
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property	**27,610**	27,714
Investments in subsidiaries	**800,761**	800,761
Other intangible assets	**1,864**	1,833
Total non-current assets	**830,235**	830,308
CURRENT ASSETS		
Amounts due from subsidiaries	**106,054**	108,999
Prepayments and other receivables	**6,623**	2,002
Structured bank deposits and deposits with financial institutions	**74**	217,013
Cash and cash equivalents	**4,729**	62,690
Total current assets	**338,200**	390,704
CURRENT LIABILITIES		
Amounts due to subsidiaries	**473,864**	466,668
Other payables and accruals	**3,055**	234
Total current liabilities	**476,919**	466,902
NET CURRENT LIABILITIES	**(138,719)**	(76,198)
TOTAL ASSETS LESS CURRENT LIABILITIES	**691,516**	754,110
EQUITY		
Issued capital	**280,661**	280,661
Shares held for share award scheme (note)	**–**	(30,946)
Reserves (note)	**410,855**	504,395
Total equity	**691,516**	754,110

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Shares held for Share Award Scheme RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2023	–	543	2,648,210	18,423	(30,946)	109,887	(2,257,787)	488,330
Total comprehensive loss for the year	–	–	–	–	–	(2,760)	(13,116)	(15,876)
Equity-settled share option arrangements	–	–	–	995	–	–	–	995
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	(18,423)	–	–	18,423	–
At 31 December 2023 and 1 January 2024	–	543	2,648,210	995	(30,946)	107,127	(2,252,480)	473,449
Total comprehensive loss for the year^	–	–	–	–	–	(405)	(10,468)	(10,873)
The Share Award Scheme arrangements	–	–	–	4,973	–	–	–	4,973
Vesting of shares under the Share Award Scheme	(24,978)	–	–	(5,968)	30,946	–	–	–
Proposed special final 2023 dividends	–	–	(56,694)	–	–	–	–	(56,694)
At 31 December 2024	(24,978)	543	2,591,516	–	–	106,722	(2,262,948)	410,855

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation detailed in the prospectus of the Company dated 29 November 2011, over the nominal value of the Company's shares issued in exchange therefor.

The share option reserve comprises the fair value of share awards granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in Note 2.4 to the financial statements. The amount will either be transferred to the share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 21 March 2025.

Financial Summary

	2024 **RMB'000**	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Results					
REVENUE	**156,082**	207,660	206,516	323,509	727,755
Cost of sales	**(74,966)**	(106,346)	(125,160)	(128,898)	(250,689)
Gross profit	**81,116**	101,314	81,356	194,611	477,066
Other income and gains	**33,571**	19,892	11,810	17,230	21,437
Selling and distribution expenses	**(139,114)**	(163,451)	(195,972)	(275,725)	(409,338)
Administrative expenses	**(55,870)**	(50,875)	(46,261)	(52,522)	(59,562)
Impairment losses on financial assets, net	**(11,730)**	(7,661)	(4,965)	(2,115)	(2,673)
Other expenses	**(30,280)**	(24,248)	(54,198)	(9,304)	(103,187)
Finance income	**12,707**	12,282	5,950	14,476	15,894
Finance costs	**(533)**	(616)	(888)	(2,041)	(3,222)
Share of profits and losses of:					
Associates	**(1,683)**	(452)	(77)	(927)	(1,613)
LOSS BEFORE TAX	**(111,816)**	(113,815)	(203,245)	(116,317)	(65,198)
Income tax expense	**60**	(30,292)	(50,413)	(35,546)	(54,456)
LOSS FOR THE YEAR	**(111,756)**	(144,107)	(253,658)	(151,863)	(119,654)
Attributable to:					
Owners of the parent	**(109,413)**	(142,522)	(252,179)	(151,815)	(122,154)
Non-controlling interests	**(2,343)**	(1,585)	(1,479)	(48)	2,500

	2024 **RMB'000**	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Assets, Liabilities and Non-controlling interests					
TOTAL ASSETS	**1,162,587**	1,324,595	1,469,399	1,745,801	1,984,611
TOTAL LIABILITIES	**190,017**	193,606	200,351	258,129	326,850
Non-controlling interests	**1,510**	3,843	4,421	(84)	2,070