Since 1956

Pegasus International Holdings Limited

創 信 國 際 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

(Stock Code 股份代號：676)

ANNUAL REPORT 2024 年報

CONTENTS

CORPORATE INFORMATION

DIRECTORS **Executive Directors**	Wu Chen San, Thomas Wu Jenn Chang, Michael Wu Jenn Tzong, Jackson Ho Chin Fa, Steven Wu Meng Lung (appointed as an executive director on 28 March 2024)
Independent Non-Executive Directors	Huang Hung Ching Lai Jenn Yang, Jeffrey Wu Wen Yen
COMPANY SECRETARY	Lee Yiu Ming
AUDIT COMMITTEE	Huang Hung Ching, Chairman Lai Jenn Yang, Jeffrey Wu Wen Yen
REMUNERATION COMMITTEE	Lai Jenn Yang, Jeffrey, Chairman Huang Hung Ching Wu Wen Yen
NOMINATION COMMITTEE	Wu Wen Yen, Chairman Lai Jenn Yang, Jeffrey Huang Hung Ching
REGISTERED OFFICE	Clarendon House, 2 Church Street, Hamilton HM11, Bermuda
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS	Unit 807, 8/F, New Kowloon Plaza, 38 Tai Kok Tsui Road, Kowloon, Hong Kong
AUDITORS	Deloitte Touche Tohmatsu, Certified Public Accountants 35th Floor, One Pacific Place, 88 Queensway, Hong Kong
PRINCIPAL SHARE REGISTRARS	Conyers Corporate Services (Bermuda) Limited Clarendon House, 2 Church Street, Hamilton HM11, Bermuda
HONG KONG BRANCH SHARE REGISTRARS	Tricor Investor Services Limited 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
STOCK CODE	676
PRINCIPAL BANKERS	China Construction Bank Chinatrust Commercial Bank, Ltd Hang Seng Bank Limited Standard Chartered Bank (Hong Kong) Limited
WEBSITE	http://www.pegasusinternationalholdings.com

CHAIRMAN'S STATEMENT

BUSINESS REVIEW AND PROSPECTS

The global landscape remained complex during 2024 under review, as geopolitical tensions continued and international conflicts remained unresolved, with frictions further intensifying. Following the resurgence of trade protectionism, import tariffs have become an instrument for competition among major powers. Furthermore, with high interest rates and inflationary pressures hindering economic recovery, the underperforming European and American markets weakened consumers' purchasing power for durable goods, leading to sluggish market demand.

As a professional exporter of footwear products, the Group faced increasingly cautious inventory management requirements and more conservative ordering from customers. However, owing to the solid cooperative relationships cultivated with customers over the years and our rigorous quality control, the Group successfully maintained customer confidence, stabilizing our order volumes throughout the year. Furthermore, the domestic rental business of idle factories remained steady, providing a stable source of cash income for the Group and contributing to its overall financial stability.

Nevertheless, due to the sluggish property market in Mainland China, the Group recorded a loss for the year due to a decrease in the fair value of our investment properties. The management considers such impairment as an adjustment under the accounting standards, which caused no material impacts on the Group's actual operations or cash flow. Thus, the Group continued to have robust financial conditions.

Looking into 2025, concerns about a global recession continue to rise as the international business environment remains uncertain, and escalations in tariff policies and trade restrictions have severely impacted export order volumes. For responding severe and volatile market environment with cautious optimism, the Group will uphold the principle of prudent financial management and adhere to the core business operations to cope with various risks and challenges and ensure the sustainable and stable development of the enterprise.

APPRECIATION

I would like to express my heart-felt appreciation to all members of the Board, the executives, and all employees of the Group for their dedication and contribution and thank all business partners and shareholders on behalf of the Group for their trust and long-standing support.

By Order of the Board
Wu Chen San, Thomas
Chairman

Hong Kong, 28 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Since the year ended 31 December 2020, in addition to the original business of manufacture and sales of footwear product, the Group commenced the business engaging in lease of properties in the PRC. For the year ended 31 December 2024, the Group recorded a revenue of US$5,867,000 (2023: US$6,039,000) representing 2.8% decrease comparing to 2023.

Loss before taxation of the Group for the year ended 31 December 2024 was US$1,756,000 (2023: profit before taxation of US$120,000), a decrease of US$1,876,000 as compared to the corresponding period in 2023. After accounting for income taxes credit of US$696,000 (2023: income tax credit of US$331,000), resulted a loss after taxation of US$1,060,000 (2023: profit after taxation of US$451,000). Basic loss per share for the year ended 31 December 2024 was 0.15 US cents (2023: basic earning per share 0.06 US cents). Gross margin changed to 62.1% in this year. In addition, the Group continued to exercise tight cost control and implemented policies to improve efficiency.

The Group will continue to observe this conservative approach, to stay in low gearing ratio, in formulating resources allocation.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its business needs with internal cash flows. Since the global finance crisis couple of years ago, the Group put great effort to maintain a healthy and strong financial position, and the main focus was cash flow management. Trade receivables were reviewed regularly to ensure that were neither past due nor impaired, and trade payables were scheduled to match our cash flow pattern. Spending, capital expenditure, other than necessary, were greatly controlled. As at 31 December 2024, the Group had cash and cash equivalent of US$8,651,000 (2023: US$9,858,000). As at 31 December 2024, the Group did not have any bank borrowing, the management considered that current ratio is a better indicator to reflect the Group's financial position. The current ratio of 5.4 (2023: 3.8) times was derived by the total current assets of US$12,384,000 (2023: US$12,064,000) divided by the total current liabilities of US$2,310,000 (2023: US$3,202,000) as at 31 December 2024.

CAPITAL EXPENDITURE

For the year ended 31 December 2024, the Group did not incur any capital expenditure used in acquisition and replacement of plant and machinery.

EMPLOYEES AND REMUNERATION POLICIES

The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on performance related basis. There are incentives in the form of discretionary performance bonus and offer equal opportunities to all staff.

CORPORATE GOVERNANCE REPORT

The Group recognizes the value and importance to achieving high corporate governance standards to enhance corporate performance and accountability.

The Company has applied the principles and has fully complied with all requirements set out in Code on Corporate Governance Practices contained in the Listing Rules throughout the year ended 31 December 2024.

The Company periodically reviews its corporate governance practices to ensure that the practices continue to meet the requirements of the Code.

PURPOSE, VALUES, STRATEGY AND CULTURE

The core purpose of the Company is to create value for its shareholders. It strives to become the leading pioneer in the manufactory and sales of footwear products industry that is trusted by its consumers, and a place where its employees are proud to work for. Its mission is to lead the development of the industry and set the industry bench-marks. In this connection, it endeavours to maintain accountability to its employees, consumers, shareholders, the society, and the environment. These purpose and values shape the Company's strategy, which are geared towards building a trusted and beloved footwear product and leasing of investment properties enterprise hereby values for shareholders are created.

The Company's purpose, values and strategy form the foundations of the Company's corporate culture. Its corporate culture is centered on adherence to high ethical standards and practices, and striving for sustainable development.

CORPORATE GOVERNANCE REPORT

A. DIRECTORS

A.1 The Board

Principle

An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

The overall management of the Company's business is vested in the Board.

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The directors have to take decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

The Board is composed of five executive directors (including the Chairman and the Managing Director of the Company) and three independent non-executive directors, whose biographical details are set out in "Biographical Data of Directors and Senior Management" section of the Annual Report. Mr. Wu Chen San, Thomas, Mr. Wu Jenn Chang, Michael and Mr. Wu Jenn Tzong, Jackson are brothers. Ms. Wu Meng Lung is a daughter of Mr. Wu Jenn Tzong, Jackson, and the niece of Mr. Wu Chen San, Thomas and Mr. Wu Jenn Chang, Michael. Save as disclosed herein, none of the members of the Board are related to one another.

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

A. DIRECTORS (CONTINUED)

A.1 The Board (Continued)

In addition, the Company has received from each of the independent non-executive director an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. These directors' independence have been verified.

Code Provisions	Compliance	Actions by the Company
A.1.1		
The board should meet regularly and board meetings should be held at least 4 times a year at approximately quarterly intervals.	Yes	The Board met four times during the year and all of them were regular board meetings.
A.1.2		
Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.	Yes	Directors were invited to include any matters which they thought appropriate in the agenda for regular board meetings.
A.1.3		
Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend.	Yes	14 days prior notice was normally given for regular board meetings.
A.1.4		
Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.	Yes	Minutes are kept by appointed secretary and open for inspection by any directors.
A.1.5		
Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached. Draft and final versions of minutes should be sent to all directors for their comment and records respectively, within a reasonable time after the board meeting is held.	Yes	Sufficient details were recorded in the board minutes. All draft minutes would be sent to directors for review and comment within one month after each meeting. Final version of minutes would be sent to directors for their record.

A. DIRECTORS (CONTINUED)

A.1 The Board (Continued)

Code Provisions	Compliance	Actions by the Company
A.1.6 There should be a procedure for directors to seek independent professional advice at the issuer's expense.	Yes	Directors are permitted to seek independent professional advice, if required, at the Company's expenses.
A.1.7 If a substantial shareholder/director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, a board meeting should be held. Independent non-executive directors and whose associates, have no material interests in the transaction, should be present at such board meeting.	Yes	The Company will continue to ensure that such matters that require board meetings be held instead of by way of circulation.
A.1.8 An issuer should arrange appropriate insurance cover in respect of legal action against its directors.	Yes	All directors are covered by insurance in respect of legal action against them.

A.2 Chairman and Chief Executive

Principle

There are two key aspects of the management of every issuer – the management of the board and the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

The positions of the Chairman and the Managing Director (the chief executive) are held by Mr. Wu Chen San, Thomas and Mr. Wu Jenn Chang, Michael, respectively.

In order to reinforce their respective independence, accountability and responsibility, the role of the Chairman is separate from that of the Managing Director. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice and ensure the effectiveness of the Board. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

A. DIRECTORS (CONTINUED)

A.2 Chairman and Chief Executive (Continued)

The Managing Director focuses on managing the Company and its subsidiaries, developing and implementing objectives, policies and strategies approved and delegated by the Board. The Managing Director is in charge of the Group's day-to-day management and operations and is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Code Provisions	Compliance	Actions by the Company
A.2.1		
The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.	Yes	Division of responsibilities between the Chairman and the Managing Director is clearly defined and set out in writing. Chairman and Managing Director are served by different persons.
A.2.2 & A.2.3		
The chairman should ensure that all directors are properly briefed on issues arising at board meetings and they receive adequate information in a timely manner.	Yes	The Chairman has a clear responsibility to ensure all the directors are properly briefed and given accurate information.
A.2.4		
One of the important roles of the chairman is to provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. He should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.	Yes	The Chairman has a clear responsibility to ensure the Board works effectively and perform responsibilities. The Chairman works with the company secretary in drawing up the agenda for each board meeting.

A. DIRECTORS (CONTINUED)

A.2 Chairman and Chief Executive (Continued)

Code Provisions	Compliance	Actions by the Company
A.2.5		
The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.	Yes	The Chairman has a clear responsibility to ensure good corporate governance practices and procedures are in place and effective.
A.2.6		
The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.	Yes	The Chairman has a clear responsibility to encourage all directors contribute actively to the Board's affairs for the best interests of the Company.
A.2.7		
The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.	Yes	The Chairman will hold 2 meetings in a year to discuss with independent non-executive directors without presence of other directors.
A.2.8		
The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.	Yes	Effective communication channels are in place and their views are considered by the Board.
A.2.9		
The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.	Yes	The Chairman has a clear responsibility to promote open discussions between executive and non-executive directors.

A. DIRECTORS (CONTINUED)

A.3 Board composition

Principle

The board should have a balance of skills and experience and diversity of perspectives appropriate for the requirements of the issuer's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weigh.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. The Board has reviewed its own structure, size and composition to ensure that it has a balance of expertise, skills, independence and experience and diversity of perspectives appropriate to the requirements of the business of the Group.

Code Provisions	Compliance	Actions by the Company
A.3.1		
The independent non-executive directors should be identified in all corporate communications that disclose the names of directors.	Yes	Composition of the Board, by category of Directors, is disclosed in all corporate communications.
A.3.2		
An issuer should maintain on its website and on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	Yes	An updated list of executive directors and independent non-executive directors identifying their role and function is maintained on the Stock Exchange's website and the Company's website.

A. DIRECTORS (CONTINUED)

A.4 Appointments, re-election and removal

Principle

There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

Code Provisions	Compliance	Actions by the Company
A.4.1		
Non-executive directors should be appointed for a specific term, subject to re-election.	Yes	The independent non-executive directors of the Company were appointed for specific terms, and are subject to retirement by rotation in accordance with the Bye-laws of the Company.
A.4.2		
All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	Yes	Every director is subject to retirement by rotation at least once every three years.
A.4.3		
Serving more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected.	Yes	Upon further appointment of independent non-executive director serves more than 9 years, details will be given to shareholders accompanying that resolution to explain the independence.

A. DIRECTORS (CONTINUED)

A.5 Nomination Committee

The Nomination Committee currently comprises all independent non-executive Directors. The Chairman of the Nomination Committee is Mr. Wu Wen Yen.

Code Provisions	Compliance	Actions by the Company
A.5.1		
Issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.	Yes	All members (including the chairman of the Committee) in the Nomination Committee are independent non-executive directors.
A.5.2		
The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. It should perform the following duties: (a) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy; (b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships; (c) assess the independence of independent non-executive directors; and (d) make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.	Yes	Specific written terms of reference have been set up and the committee members understand clearly their authority and duties.

A. DIRECTORS (CONTINUED)

A.5 Nomination Committee (Continued)

Code Provisions	Compliance	Actions by the Company
A.5.3		
The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on the Exchange's website and issuer's website.	Yes	Terms of reference has been published on the Stock Exchange's website and the Company's website.
A.5.4		
Issuers should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the issuer's expense, to perform its responsibilities.	Yes	The Company will pay for the fee for all professional advice and other assistance as required by the Nomination Committee.
A.5.5		
Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting.	Yes	Proper circular has been sent to shareholders and explanatory statement accompanying the notice of the relevant general meeting for the election of independent non-executive director.

Board Diversity

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The current Board Diversity Policy provides that the Company should not have a single gender Board. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural, race, educational background, professional experience, skills, knowledge and independence under the Board Diversity Policy. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

A. DIRECTORS (CONTINUED)

A.5 Nomination Committee (Continued)

Board Diversity (Continued)

The Board appointed a new female director on 28 March 2024. We believe a different gender board will give a balanced view, save for the working experience and academic background, in formulating decisions at the strategic level. With the proposed appointment of the female director to the Board, the Board considers that gender diversity will be achieved at Board level and provide the Board a balanced view from different perspectives. The Company also endeavours to provide an equal working environment and provide same opportunities to our people. In the future, we will continue to encourage our female staff to participate in organising staff activities and express their ideas in different staff panels.

A.6 Responsibilities of directors

Principle

Every director must always know his responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

There is satisfactory attendance at Board meetings, Board Committees meetings, the meetings between the Chairman and the Independent Non-executive Directors and the annual general meeting during the year.

Extent of participation and contribution should be viewed both quantitatively and qualitatively.

During the year, 4 Board meetings, 2 Audit Committee meetings, 2 Remuneration Committee and 2 Nomination Committee meetings were held.

A. DIRECTORS (CONTINUED)

A.6 Responsibilities of directors (Continued)

The attendance record of each director at the aforesaid meetings in 2024 is set out below:

	Attendance of Meetings			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Wu Chen San, Thomas	4/4	N/A	N/A	N/A
Mr. Wu Jenn Chang, Michael	4/4	N/A	N/A	N/A
Mr. Wu Jenn Tzong, Jackson	4/4	N/A	N/A	N/A
Mr. Ho Chin Fa, Steven	4/4	N/A	N/A	N/A
Ms. Wu Meng Lung*	3/4	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Huang Hung Ching	2/2	2/2	2/2	2/2
Mr. Lai Jenn Yang, Jeffrey	2/2	2/2	2/2	2/2
Mr. Wu Wen Yen	2/2	2/2	2/2	2/2

* Ms. Wu was appointed as an executive director on 28 March 2024

The Directors have the options to attend Board meetings in person, by phone or through means of electronic communication or proxies in accordance with the Company's Articles of Association.

Code Provisions	Compliance	Actions by the Company
A.6.1		
Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the Exchange Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.	Yes	A comprehensive information package containing an introduction to the Group's operations, directors' responsibilities and duties and other statutory requirements will be provided to new directors upon their appointment. They can also elect to receive briefing from the Company Secretary or Company's legal advisor on the content of the information package.

A. DIRECTORS (CONTINUED)

A.6 Responsibilities of directors (Continued)

Code Provisions	Compliance	Actions by the Company
A.6.2		
The functions of non-executive directors should include: – bring an independent judgement at the board meeting; – take the lead where potential conflicts of interests arise; – serve on the audit, remuneration, nomination and other governance committees, if invited; and – scrutinise the issuer's performance.	Yes	Independent Non-executive directors are well aware of their functions and have been actively performing their functions.
A.6.3		
Every director should ensure that he can give sufficient time and attention to the issuer's affairs and should not accept the appointment if he cannot do so.	Yes	There is reasonably satisfactory attendance rate.
A.6.4		
The board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the issuer's securities. "Relevant employee" includes any employee or a director or employee of a subsidiary or holding company who, because of his office or employment, is likely to possess inside information in relation to the issuer or its securities.	Yes	The Company has adopted the Model Code set out in the Listing Rules regarding directors' dealings in securities. Directors have confirmed compliance with the Model Code throughout the year. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. No incident of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company.

A. DIRECTORS (CONTINUED)

A.6 Responsibilities of directors (Continued)

Code Provisions	Compliance	Actions by the Company
A.6.5 All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.	Yes	The Company will arrange and pay for the fee of professional trainings to all directors. During the year, the types of training provided to each director as shown below: **Executive Directors** — **Types of training provided** Mr. Wu Chen San, Thomas — Regulatory update/Business operation related Mr. Wu Jenn Chang, Michael — Regulatory update/Business operation related Mr. Wu Jenn Tzong, Jackson — Regulatory update/Business operation related Mr. Ho Chin Fa, Steven — Business operation related Ms. Wu Meng Lung — Business operation related **Independent Non-executive Directors** Mr. Huang Hung Ching — Financial related Mr. Lai Jenn Yang, Jeffery — Business operation related Mr. Wu Wen Yen — Business operation related
A.6.6 Each director should disclose to the issuer at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The board should determine for itself how frequently this disclosure should be made.	Yes	All directors have disclosed the change, the number and nature of offices held in public companies or organisations and other significant commitments to the Company annually.

A. DIRECTORS (CONTINUED)

A.6 Responsibilities of directors (Continued)

Code Provisions	Compliance	Actions by the Company
A.6.7		
Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.	Yes	Independent non-executive directors attended the general meetings to answer shareholders' questions, if any.
A.6.8		
Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.	Yes	Independent non-executive directors have made active contributions to the Company's affairs.

A. DIRECTORS (CONTINUED)

A.7 Supply of and access to information

Principle

Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

Code Provisions	Compliance	Actions by the Company
A.7.1		
Agenda and accompanying board papers should be sent in full to all directors at least 3 days before board/ board committee meeting.	Yes	Agenda and board papers are sent to all directors at least three days before the meetings unless it is on urgent basis.
A.7.2		
Management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. The board and each director should have separate and independent access to the issuer's senior management.	Yes	Senior management works closely with the Board and meets each other on regular basis.
A.7.3		
All directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors should receive a prompt and full response, if possible.	Yes	Board papers and minutes are properly kept by the company secretarial division under legal department of the Company and are available for inspection by directors.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

B.1 The level and make-up of remuneration and disclosure

Principle

An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding his own remuneration.

The Remuneration Committee currently comprises all independent non-executive Directors. The Chairman of the Remuneration Committee is Mr. Lai Jenn Yang, Jeffrey.

Code Provisions	Compliance	Actions by the Company
B.1.1		
The remuneration committee should consult the chairman and/or chief executive about their proposals relating to the remuneration of other executive directors and have access to professional advice if necessary.	Yes	The Remuneration Committee carries out annual review of compensation packages for all directors of the Company.
B.1.2		
Issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties.	Yes	A Remuneration Committee has been established by the Board with specific written terms of reference. The Remuneration Committee adopted the model of making recommendation to the Board on the remuneration packages of individual executive directors and senior management.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION (CONTINUED)

B.1 The level and make-up of remuneration and disclosure (Continued)

Code Provisions	Compliance	Actions by the Company
B.1.3		
The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange's website and the issuer's website.	Yes	Terms of reference have been published on the Stock Exchange's website and the Company's website.
B.1.4		
The remuneration committee should be provided with sufficient resources to perform its duties.	Yes	The Company will pay for the fee for all professional advice and other assistance as required by the Remuneration Committee.
B.1.5		
Issuers should disclose details of any remuneration payable to members of senior management by band in their annual reports.	Yes	The remuneration payable to senior management by bands as shown below:

Remuneration Bands	Number of persons
US$1 to US$100,000	6

C. ACCOUNTABILITY AND AUDIT

C.1 Financial Reporting

Principle

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Code Provisions	Compliance	Actions by the Company
C.1.1		
Management should provide such explanation and information to the board to enable it to make an informed assessment of the financial and other information put before it for approval.	Yes	Management is required to provide detailed report and explanation to enable the Board to make an informed assessment before approval.
C.1.2		
Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13.	Yes	Monthly update has been provided to all directors, discussion will be made if necessary.
C.1.3		
The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts, and there should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements.	Yes	Company's directors and auditors state their respective responsibilities in the Corporate Governance Report of the Annual Report.

C. ACCOUNTABILITY AND AUDIT (CONTINUED)

C.1 Financial Reporting (Continued)

Code Provisions	Compliance	Actions by the Company
C.1.4		
The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives.	Yes	Management discussion and analysis stating the Company's strategic plans and objectives has been included in the annual report.
C.1.5		
The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.	Yes	The Board aims at presenting a balanced, clear and understandable assessment of the Company's position to its shareholders and the public pursuant to all sort of statutory requirements.

C.2 Risk Management and internal controls

Principle

The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal controls systems. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.

The Board is responsible for evaluating and determining the nature and extend of risks related to the Group, and maintaining appropriate and effective risk management and internal control systems report to the Audit Committee. The internal control system is designed to provide reasonable assurance against material misstatement or loss; to manage the risk of system failure; and to assist in the achievement of the Group's objectives. In addition to safeguarding the Group's assets, it also ensures the maintenance of proper accounting records and compliance with relevant laws and regulations.

C. ACCOUNTABILITY AND AUDIT (CONTINUED)

C.2 Risk Management and internal controls (Continued)

Code Provisions	Compliance	Actions by the Company
C.2.1		
The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	Yes	The Board has conducted an annual review of the effectiveness of its internal control systems covering all material controls, including financial, operational, compliance controls. Based on the assessments made by the Audit Committee and the Board considered that the key areas of the Group's internal control systems have reasonably been implemented with room for improvement.
C.2.2		
The Board's annual review should, in particular, ensure the adequacy of resources, qualifications and experience of staff of the issuer's accounting, internal audit and financial reporting function, and their training programmes and budget.	Yes	The Board has conducted an annual review on the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function. Sufficient internal and external training has been provided refresh their professional knowledge.

C. ACCOUNTABILITY AND AUDIT (CONTINUED)

C.2 Risk Management and internal controls (Continued)

Code Provisions	Compliance	Actions by the Company
C.2.3 The board's annual review should, in particular, consider: (a) the changes, since the last annual review, in the nature and extent of significant risks, and the issuer's ability to respond to changes in its business and the external environment; (b) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers; (c) the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the issuer and the effectiveness of risk management; (d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; and (e) the effectiveness of the issuer's processes for financial reporting and Listing Rule compliance.	Yes	The Group has engaged an independent professional advisor to assist the Board of Directors and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group, please refers to the Risk Management and Internal Control statement in the Corporate Governance Report of the Annual Report.

C. ACCOUNTABILITY AND AUDIT (CONTINUED)

C.2 Risk Management and internal controls (Continued)

Code Provisions	Compliance	Actions by the Company
C.2.4		
Issuers should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period. In particular, they should disclose: (a) the process used to identify, evaluate and manage significant risks; (b) the main features of the risk management and internal control systems; (c) an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing its their effectiveness. It should also explain that 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; (d) the process used to review the effectiveness of the risk management and internal control systems; and (e) the procedures and internal controls for the handling and dissemination of inside information.	Yes	The Group has engaged an independent professional advisor to assist the Board of Directors and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group, please refers to the Risk Management and Internal Control statement in the Corporate Governance Report of the Annual Report.

C. ACCOUNTABILITY AND AUDIT (CONTINUED)

C.2 Risk Management and internal controls (Continued)

Code Provisions	Compliance	Actions by the Company
C.2.5		
The issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.	Yes	The Group has engaged an independent professional advisor to assist the Board of Directors and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group, please refers to the Risk Management and Internal Control statement in the Corporate Governance Report of the Annual Report.

C.3 Audit Committee

Principle

The board should establish formal and transparent arrangements for considering how it will apply the financial reporting, risk management and internal control principles and for maintaining an appropriate relationship with the issuer's auditors. The audit committee established under the Listing Rules should have clear terms of reference.

The Audit Committee currently comprises all independent non-executive directors, the chairman is Mr. Huang Hung Ching. None of the members of the Audit Committee are a former partner of the Company's existing external auditors.

The Audit Committee held 2 meetings during the year to review the financial results and reports, financial reporting, internal control and compliance procedures, and to make recommendations to the Board on the re-appointment of the external auditors.

C. ACCOUNTABILITY AND AUDIT (CONTINUED)

C.3 Audit Committee (Continued)

Code Provisions	Compliance	Actions by the Company
C.3.1 Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the audit committee meetings should be sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.	Yes	Draft minutes prepared by the secretary of the meeting are sent to members within one month of each meeting. Full minutes are kept by the secretary of the meeting.
C.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the issuer's audit committee for a period of two years from the date of the person ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.	Yes	None of the members of the Audit Committee are former partners of the Company's existing auditing firm.
C.3.3 The terms of reference of the audit committee should include at least the following duties: – review of relationship with the issuer's auditors; – review of financial information of the issuer; and – oversight of the issuer's financial reporting system, risk management and internal control procedures.	Yes	The terms of reference have been revised to cover the scope of duties as required in this Code Provision. The Audit Committee has held 1 meeting with the external audit during the year.
C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange's website or the issuer's website.	Yes	The terms of reference have been published on the Stock Exchange's website and the Company's website.

C. ACCOUNTABILITY AND AUDIT (CONTINUED)

C.3 Audit Committee (Continued)

Code Provisions	Compliance	Actions by the Company
C.3.5		
Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.	N/A	During the year, there was no disagreement between the Board and the Audit Committee regarding such issue.
C.3.6		
The audit committee should be provided with sufficient resources to perform its duties.	Yes	The Company will at its expenses provide such assistance as required by the Audit Committee.
C.3.7		
The terms of reference of the audit committee should also require it: (a) to review arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and (b) to act as the key representative body for overseeing the issuer's relations with the external auditor.	Yes	The Audit Committee has a clear responsibility to ensure fair and independent investigation and proper follow up if necessary and take active role in communicate with external auditor.

D. DELEGATION BY THE BOARD

D.1 Management functions

Principle

An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management as on the matters that must be approved by it before decisions are made on the issuer's behalf.

Code Provisions	Compliance	Actions by the Company
D.1.1		
When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management.	Yes	The segregation of duties and responsibilities between the Board and the management has been defined and provided in the internal guidelines of the Company.
D.1.2		
An issuer should formalize the functions reserved to the board and those delegated to management. It should review those arrangement periodically to ensure that they remain appropriate to the issuer's need.	Yes	The duties of the Board include: – establishing strategic development and direction of the Company; – setting up the objective of management; – monitoring performance of management; and – overseeing relationships between the Company and its clients.
D.1.3		
An issuer should disclose the respective responsibilities, accountabilities and contributions of the board and management.	Yes	Proper disclosure regarding responsibilities, accountabilities and contributions of the board and management has been made.
D.1.4		
Directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.	Yes	Details terms and conditions have been set out in the appointment letters of directors.

D. DELEGATION BY THE BOARD (CONTINUED)

D.2 Board Committees

Principle

Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.

The Board has established Audit Committee, Remuneration Committee and Nomination Committee with defined terms of reference. The terms of reference of the Board Committees are available on the Stock Exchange's and Company's website.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Code Provisions	Compliance	Actions by the Company
D.2.1		
Where board committees are established to deal with matters, the board should give them sufficiently clear terms of reference to enable them to perform their functions properly.	Yes	The Board has established three Board Committees (Audit Committee, Remuneration Committee and Nomination Committee) with specific terms of reference.
D.2.2		
The terms of reference of board committees should require them to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	Yes	Board Committees would report to the Board their work, findings and recommendations in Board meetings.

D. DELEGATION BY THE BOARD (CONTINUED)

D.3 Corporate Governance Functions

Code Provisions	Compliance	Actions by the Company
D.3.1		
The terms of reference of the board (or a committee or committees performing this function) should include at least: (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of directors and senior management; (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and (e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.	Yes	Specific written terms of reference have been set up and the board members understand clearly their authority and duties.
D.3.2		
The board should be responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 or it may delegate the responsibility to a committee or committees.	Yes	Corporate governance duties have been delegated to Remuneration Committee, Nomination Committee and Audit Committee properly.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

Principle

The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings to communicate with them and encourage their participation.

Shareholders' Rights

a. How Shareholders can convene an extraordinary general meeting

According with Article 58 of the Company's Bye-Laws, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

b. The procedures for putting enquires to the Board

Shareholders may put enquiries to the Board:

(i) in writing to the Company's Hong Kong registered office Unit 807, 8/F, New Kowloon Plaza, 38 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon, Hong Kong

(ii) by facsimile to 2317 4710

(iii) by attending the Company's annual general meeting or extraordinary meetings

c. The procedures for putting forward proposals at Shareholders' meetings

A. Proposal for election of a person as a Director

The following procedures regarding the Shareholders' right to propose a person for election as a Director has been published on the Company's website:

(i) If a Shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of director(s), wishes to propose a person (other than the member himself/herself) for election as a director of the Company at that meeting, he/she can deposit a written notice at the Company's principal office in Hong Kong at Unit 807, 8/F, New Kowloon Plaza, 38 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon, Hong Kong for the attention of the board of directors of the Company (the "Board") or the company secretary of the Company (the "Company Secretary") or at the share registration office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

E. COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

E.1 Effective communication (Continued)

Shareholders' Rights (Continued)

c. The procedures for putting forward proposals at Shareholders' meetings (Continued)

A. Proposal for election of a person as a Director (Continued)

(ii) In order for the Company to inform all members of that proposal, the written notice must state the full name of the person proposed for election as a director of the Company, his/her biographical details as required by Rule 13.51(2) of The Rules Governing the Listing of Securities on Stock Exchange and be signed by the member concerned together with a written notice signed by the person proposed for election as a director indicating his/her willingness to be elected.

(iii) The minimum length of the period, during which such written notice(s) are given, shall be at least seven (7) days and the period for lodgment of such notice(s) will commence no earlier than the day after the dispatch of the notice of the general meeting and end no later than seven (7) days prior to the date of such general meeting. If the notice is received less than fifteen (15) business days prior to the date of that general meeting, the Company will need to consider adjournment of the general meeting in order to (i) assess the suitability of the proposed candidate; and (ii) publish an announcement or circulate a supplementary circular in relation to the proposal to the members at least fourteen (14) days and not less than ten (10) clear business days prior to the general meeting.

B. Other proposal

If a Shareholder wishes to make other proposal at Shareholders' meeting, he/she may lodge a written request, duly signed, to the Company's Hong Kong registered office at Unit 807, 8/F, New Kowloon Plaza, 38 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon, Hong Kong.

E. COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

E.1 Effective communication (Continued)

Code Provisions	Compliance	Actions by the Company
E.1.1		
For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", issuers should explain the reasons and material implications in the notice of meeting.	Yes	Separate resolutions are proposed at the meeting on each substantially separate issue.
E.1.2		
The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. An issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.	Yes	The Board Chairman and either the chairman of the Audit Committee and Remuneration Committee or their representatives would attend the annual general meeting ("AGM") of the Company.

E. COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

E.1 Effective communication (Continued)

Code Provisions	Compliance	Actions by the Company
E.1.3		
The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 21 days before the meeting and to be sent at least 14 days for all other general meetings.	Yes	Sufficient clear days were given to the shareholders for general meetings.
E.1.4		
The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.	Yes	Proper shareholders' communication policy is in place and will be reviewed by the Chairman regularly.
E.1.5		
The issuer should have a policy on payment of dividends and should disclose at in the annual report.	Yes	Details of the dividend policy as below.

Dividend Policy

The Board may recommend a payment of dividends after considering the Group's financial position, market condition, shareholders' interest, distributable reserves and any other conditions that the Board consider relevant. In case of recommendation of the final dividend, separate resolution will be proposed in the AGM for the approval of the shareholders.

The amount of dividends the Company has declared and made in previous years are not indicative of the dividends that may pay in the future.

E.2 Voting by poll

Principle

The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

Code Provisions	Compliance	Actions by the Company
E.2.1		
The Chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders on voting by poll.	Yes	Details of procedures for conducting a poll was set out in the notice of AGM and Chairman of the meeting prepared to answer any questions from shareholders regarding voting by way of a poll.

E. COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

Constitutional Documents

During the year ended 31 December 2024, there had not been any change in the Company's memorandum and articles of association.

F. COMPANY SECRETARY

Principle

The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

Code Provisions	Compliance	Actions by the Company
F.1.1		
The company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs. Where an issuer engages an external service provider as its company secretary, it should disclose the identity of a person with sufficient seniority (e.g. chief legal counsel or chief financial officer) at the issuer whom the external provider can contact.	Yes	Mr. Lee Yiu Ming, the Company Secretary is an employee of the Company who has clear understanding of the Company's operation. Mr. Lee confirmed that he has taken no less than 15 hours relevant professional training during the year.
F.1.2		
The board should approve the selection, appointment or dismissal of the company secretary.	Yes	Selection, appointment or dismissal of the company secretary will be approved by the Board.
F.1.3		
The company secretary should report to the board chairman and/or the chief executive.	Yes	The Company Secretary will report to the Chairman and Chief Executive if necessary.
F.1.4		
All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.	Yes	The Company Secretary will advise all directors to ensure the compliance of all applicable rules and regulations.

RISK MANAGEMENT AND INTERNAL CONTROL

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage it risks across business operations.

The Group has established a risk management framework, which consists of the Board of Directors, the Audit Committee and the Senior Managements. The Board of Directors determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the Senior Managements identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board of Directors and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board of Directors on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board of Directors at least once a year. The Board of Directors had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board of Directors in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board of Directors considers the Group's risk management and internal control systems are effective.

The risk management and internal control 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.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

NOMINATION OF DIRECTORS

The Company set up a Nomination Committee in 2006. The Nomination Committee comprises all independent non-executive directors. Mr. Wu Wen Yen is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes.

The chairman of the Nomination Committee will report the findings and recommendations of the Nomination Committee to the Board after each meeting. The minutes of all meetings of Nomination Committee will be circulated to the Board for information.

INDEPENDENCE OF EXTERNAL AUDITOR

During the year under review, the total fee charged by external auditors is set out as follows:

	HK$'000
Audit services	1,600
Non-audit services (including tax services and other reporting services)	219
	1,819

DIRECTOR'S RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements for each financial period which give a true and fair view of the financial affairs of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Scope and Reporting Period

Pegasus International Holdings Limited (the "Group" or "we") is among the largest footwear manufacturers in China ("PRC"). Having been publicly listed in Hong Kong since 1996, the Group is committed to environmental protection, social responsibility, and the implementation of stringent corporate governance practices in its operations.

The Environmental, Social, and Governance Report ("ESG Report") has been prepared in line with the Environmental, Social, and Governance Reporting Guide ("Environmental, Social, and Governance Guide") outlined in Appendix C2, issued by The Stock Exchange of Hong Kong Limited. This report encompasses the Group's progress on its ESG initiatives, their application and practices, and concludes with the disclosure of year-end results as a summary for the covered period.

The ESG Report summarises the approach and sustainability performance of the Group covering the operations of the head office in Hong Kong and the manufacturing facility in Guangdong for the financial year covering 1 January to 31 December 2024. This report follows the four reporting principles listed in the Environmental, Social, and Governance Guide:

- Materiality – Performance metrics and information identified to be material are disclosed to provide an accurate representation of the Group's ESG performance.

- Quantitative – This report discloses the relevant quantitative key performance indicators ("KPIs") along with the corresponding frameworks and methodologies associated with their calculations.

- Balance – This report summarises the Group's ESG performance and outcomes in an unbiased manner.

- Consistency – The Group maintains consistent reporting and calculation methods. Any changes affecting comparisons with previously reported information and performance will be explained in the ESG Report.

INTRODUCTION (CONTINUED)

Stakeholder Engagement

The Group recognises the significance of engaging stakeholders and greatly values their perspectives, as they inform our sustainability decision-making and strategy planning. We prioritise continuous communication with stakeholders through various platforms, actively seeking their feedback. Additionally, our management is committed to regularly updating stakeholders on the Group's approach to managing ESG-related issues, driving ESG initiatives across the organization, and communicating ESG performance results.

Our Stakeholders and Engagement Channels

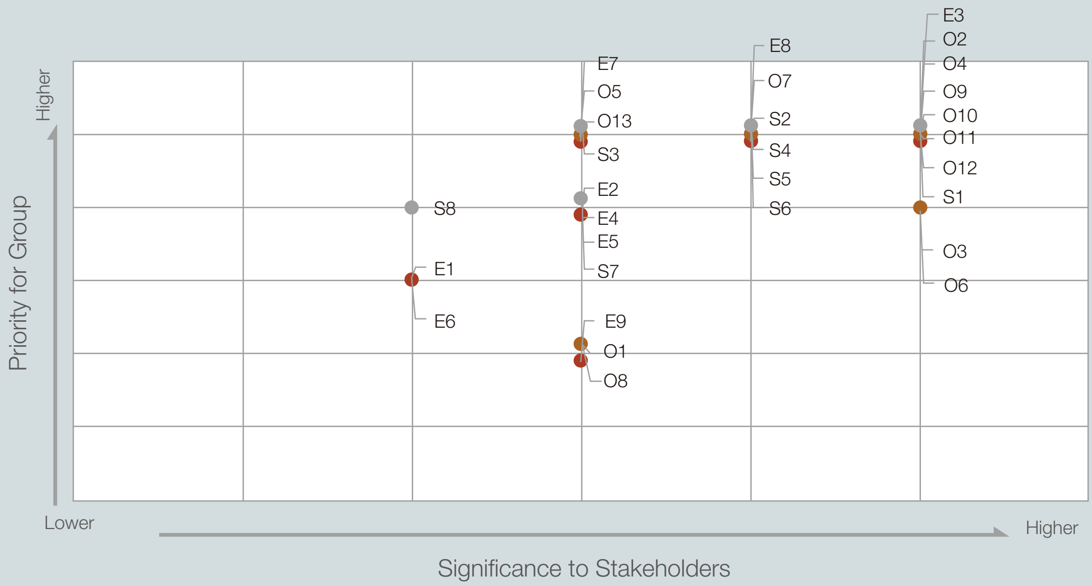
Internal Stakeholders	External Stakeholders	Engagement Channels
• The Board • Management • General staff	• Shareholders • Investors • Customers • Supplier • Community	• Meetings • Interview • Direct mail and email • Company website • Staff performance appraisals • Training and conferences • Annual general meeting • Announcements and disclosures

INTRODUCTION (CONTINUED)

2024 Materiality Assessment

The following matrix illustrates the results of the materiality assessment:

MATERIALITY MATRIX



E1	Air Emission Management
E2	Energy Management
E3	Environmental Compliance
E4	Climate and Environmental Protection
E5	Green Product Management
E6	Greenhouse Gases Management
E7	Raw Materials Management
E8	Waste Management
E9	Wastewater Management

O1	Anti-competitive Behaviour Management
O2	Anti-corruption
O3	Anti-discrimination
O4	Company Profitability
O5	Customer Satisfaction
O6	Data Security and Customer Privacy Management
O7	Generation of Economic Value
O8	Innovation and Intellectual Property Rights
O9	Occupational Safety and Health
O10	Product Health and Safety
O11	Product Quality Management
O12	Product Sales and Labelling
O13	Supplier Management

S1	Child Labour and Forced Labour Management
S2	Community Relations
S3	Diversity and Equal Opportunity
S4	Employee Communication
S5	Human Right Protection
S6	Social and Economic Compliance
S7	Talent Management
S8	Training and Development

INTRODUCTION (CONTINUED)

ESG Policy

The Group's overall ESG strategy is based on its ESG Policy, a comprehensive framework designed to promote sustainable and responsible business practices. It outlines the Group's commitment to minimising environmental impact, fostering social responsibility, and maintaining strong corporate governance. The policy aims to create long-term value for investments and contribute to a sustainable and resilient future, while addressing key environmental challenges such as climate change.

By integrating these principles and guidelines into our daily operations, the Group aims to build trust and confidence among stakeholders, contribute to the well-being of the communities it operates in, and support the development of its employees. The policy will be reviewed and updated periodically to ensure its relevance and effectiveness in meeting the evolving needs of the Group's stakeholders.

ENVIRONMENT

While striving to generate revenue for stakeholders and provide the best products and services to its clients, the Group recognises the environmental potential impacts associated with its operation activities. Minimising such environmental impacts is at the heart of the Group's daily operation practices and principles for continuous development.

The Group adheres to environmental laws and regulations relevant to its operations, including but not limited to the *Environmental Protection Law, Law on Prevention and Control of Atmospheric Protection and Law on Environmental Impact Assessment* of the PRC. The Group puts in a great effort in order to ensure its activities, including the manufacturing of products and delivery of services, are performed with minimum impact to public health and the environment. In addition, we have proactively established an in-house environmental management policy, which focuses on air and water emission control, in addition to waste management and energy efficiency management. The Group regularly performs a review of environmental laws and regulations relevant to its operations.

In 2024, the Group did not receive any complaints nor was subjected to any violation investigations with regards it environmental performance.

The following sections of the ESG report will disclose the emissions and consumptions data of the Group during the reporting period, as well as reporting on the Group's policies to minimise its environmental footprints.

ENVIRONMENT (CONTINUED)

Management of Climate-related Issues

Climate change may present multifaceted challenges to our business and supply chain. For example, we may face increased vulnerabilities to extreme weather events, whilst changing regulations and consumer preferences are transforming market dynamics. Therefore, we recognise the critical importance of addressing climate change and are firmly committed to managing related risks across both our operations and investment portfolio. Our commitments include:

- Conduct a comprehensive climate risk assessment for our operations and investment portfolio.
- Develop and implement a climate change adaptation and mitigation plan, including energy efficiency and greenhouse gas reduction targets. Engage with companies in our investment portfolio to encourage them to manage and disclose their climate-related risks and opportunities.
- Report on our climate-related risks and opportunities and our progress towards our targets.
- Continuously review and update our policies and practices to ensure that we are effectively managing climate change risk and contributing to a sustainable future.
- Implementing transparent business practices and strong governance policies to attract investors who prioritise ethical and responsible business practices.

By committing to these actions, we can effectively manage climate change risk and contribute to a more sustainable and resilient future.

The Group's main source of emission is from its electricity consumption. As the PRC embraces a greater adoption of green electricity in line with its commitment to achieving peak carbon, we remain attentive to potential market and regulatory trends that may result in stricter environmental regulations or increased operating costs.

One notable example is the introduction of the emission trading scheme ("ETS") in the PRC, our principal operating region. Although the current scope of the ETS scheme does not directly impact the Group's operations, we will remain vigilant regarding its potential expansion and the potential implications it may have on our business operations. Given that energy consumption plays a significant role in our manufacturing business, we will continuously explore ways to enhance our production facilities and reduce electricity consumption.

ENVIRONMENT (CONTINUED)

Air Emission

Industrial activities, such as manufacturing, often result in substantial air emissions. At Pegasus, we are committed to breaking this chain by ensuring that all emissions from our industrial activities comply with local and national standards. To achieve this, the Group has developed the "Air Emission and Control Guidelines" to closely monitor our factory activities and maintain strict control over air emissions.

Based on our analysis, it was determined that the main sources of emissions from the Group's activities include exhaust gas from gluing and moulding procedures during the manufacturing process.

Sources of air emission: factory

The identification of air emission sources allows the Group to impose targeted emission controls and to follow-up with appropriate actions, i.e., to mitigate the emission of volatile organic compounds ("VOCs") concentration in our combustible waste. The Group is also working continuously to reduce the usage of industrial glue. We are currently gradually phasing out conventional industrial glues and replacing them with substitutes with lower VOC content.

Such procedures ensure that the exhaust fumes from our factories fulfil regulatory requirements, and the Group takes pride in its clean record of pollution abatement notices from the authorities and zero complaints from the public or any other stakeholders concerned. A number of subjects of air emission identified for monitoring include the following:

- Workshop (liquid glue discharge): VOCs;
- Workshop (rubber mixing discharge): VOCs, hydrogen sulfide ("H2S"); and
- Ethylene vinyl acetate ("EVA") Room and Rubber Matching Room: dust and other particulate matter.

During the year, the Group had not been involved in any non-compliances to the local laws and regulations related to air emissions. Also, the Group has also worked in cooperation with the local government to reduce production during days with significant air pollution, to help contribute to improving the health and well-being of citizens.

ENVIRONMENT (CONTINUED)

Carbon Emissions

In addition to the efforts made to reduce air pollution, the Group has also explored various measures to diminish its overall carbon footprint associated with daily operations.

The main source of carbon emissions for the Group is purchased electricity, as fossil fuels were not consumed during our operations throughout the year.

Greenhouse Gas Emissions	Emissions (tCO_2e)
Scope 1	0
Scope 2	520
Scope 3	5
Total	525
GHG Emission Intensity (per 1,000 US$ revenue)	0.09

To calculate carbon emissions, the Group relies on primary activity data, including electricity consumption bills and fuel consumption records. Emission factors from the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong*, as well as electricity emission factors published by local governments and electricity providers, are applied.

To align with the national ambition of progressing towards a net-zero society, the Group has established a carbon emission intensity reduction target. This target aims to achieve an annual reduction of 5% starting from 2021. To attain this goal, the Group will optimise its production lines and implement automation upgrades to enhance production efficiency and reduce energy consumption. To date, the Group has made progress towards achieving its carbon emission intensity reduction target.

ENVIRONMENT (CONTINUED)

Waste Management

The Group strives to reduce the amount of waste generated from its daily its operation. Waste management guidelines and procedures have been developed and implemented throughout all areas of production where both hazardous and non-hazardous waste is generated.

To ensure proper treatment of all waste in accordance with specified procedures, the Corporate Responsibility Department ("CRD"), which operates under the Environmental Management Department ("EMD"), assumes responsibility for monitoring the implementation of waste segregation, collection, storage, record-keeping, and disposal on a daily basis.

Total Waste Production

The Group has embraced the waste management hierarchy principle to prioritise its management strategies. All factory waste must undergo a comprehensive process of sorting, collection, monitoring, storage, recycling, or disposal, followed by data analysis and review.

The waste generated during the Group's operations is divided into two categories: hazardous waste and non-hazardous waste. Hazardous waste includes waste glue, ink, ink containers, and used activated carbon filters. Qualified hazardous waste handling services are responsible for the disposal of hazardous waste, and these disposals are recorded to comply with regulatory requirements.

Regarding non-hazardous waste, recyclables are sorted based on their respective categories and sent to appropriate recyclers and treatment facilities. This approach aims to reduce the overall amount of waste generated.

The Group has not been accounting for domestic waste generated by its facilities, as this waste is directly collected and disposed of by local government services.

As a result of its comprehensive waste reduction measures, the Group generated a total of 1.82 tonnes of hazardous waste, 1.72 tonnes of non-hazardous waste, and have consumed a total of 1.01 tonnes of paper and 8 tonnes of paper boxes (i.e., shoeboxes) as packaging material.

ENVIRONMENT (CONTINUED)

Use of Resources and Conservation Practices

To enhance the Group's management of energy and resource consumption, the "Energy and Resources Management Guidelines" were established. As a component of the Group's resource management strategy, daily inspections of energy and resource consumption have been carried out, and the results are consistently monitored to minimise waste. Policies promoting the efficient use of resources, including energy, water, and other raw materials, are in effect and communicated to staff members as part of their training requirements. These policies are regularly reviewed and updated to facilitate ongoing improvements.

The Group's operations are in accordance with our "Guidelines to Material Requirements Planning". These guidelines involved 12 functioning parties within the Group; and outlined their roles and duties in regard to correct materials purchase procedures to ensure product quality, enhance work efficiency, and reduce material wastage.

Energy

The Group's total electricity consumption during the reporting period is 1,183,683 kWh, the energy intensity by electricity consumption is reported at 201.75 kWh/US$1,000 revenue generated in 2024.

To monitor the energy efficiency of our machinery, we have installed electricity metering devices in each building to track the daily consumption of individual operational units. Additionally, we have implemented an operation schedule for our production plants, wherein staff members are required to operate machinery according to pre-defined schedules. This practice has led to significant improvements in machinery utilisation efficiency. Furthermore, by optimising our production lines through the consolidation and integration of production steps, we have achieved further enhancements in the manufacturing efficiency of our facilities, resulting in reduced energy consumption.

Our staff is actively engaged in promoting the Group's efforts to minimise its environmental impacts and introduced a scheme aimed at fostering a green lifestyle. Energy-saving tips and reminders are posted at our manufacturing plants and dormitories, on notice boards and next to electrical switches, serving as constant reminders for our staff to reduce unnecessary energy consumption. This scheme effectively promotes environmental awareness among the workforce, laying the foundation for a sustainable living culture.

The Group will continue increasing its efforts in the areas of environmental management and resource conservation. The Group has established a reduction target of 5% (per unit production) in 5 years for its energy consumption, with reduction efforts focusing on energy efficiency enhancements.

ENVIRONMENT (CONTINUED)

Use of Resources and Conservation Practices (Continued)

Water

The Group recorded a water consumption of 17,429 m^3 during the reporting period, The Group will continue to enforce its water conservation efforts and existing water-saving policy – the "Water Resources Management Policy".

Regarding the wastewater generated by the Group's operations, it has continued its efforts in reducing the volume of sewage discharge during the reporting period. The Group has established "Wastewater Pollution Control Management Guidelines" for sewage treatment and water recycling management. Of the wastewater generated by the Group, about 18.81% is recycled before discharge. Prior to discharge, the Group processes its wastewater at onsite water treatment facilities before final discharge, reducing chemical organic demand ("COD"), suspended solids ("SS"), biochemical oxygen demand ("BOD"), ammonia nitrogen ("NH_3-N") and phosphate to levels in compliance with local emission limits.

The amount of wastewater generated for the Group is 12,736 m^3 for the year. And the water consumption intensity was at 2.97 m^3/US$1,000 revenue generated.

The Group aims to reduce its water consumption intensity by 5% in 5 years, per unit of production, through increased use of water recycling.

ENVIRONMENT (CONTINUED)

Environmental Performance

Category	Unit	2024	2023
Energy Consumption			
Total Energy Consumption	GJ	4,261	5,384
Petrol Consumption	GJ (L)	–	–
Electricity Consumption	GJ (kWh)	4,261 (1,183,683)	5,384 (1,495,631)
Total Consumption Intensity	GJ/1,000 US$ revenue	0.73	0.89
Greenhouse Gas ("GHG") Emissions			
Total GHG Emissions	tCO_2e	525	980
Scope 1 – Direct Emissions	tCO_2e	–	–
Carbon Dioxide ("CO_2") Emissions	t	–	–
Methane ("CH_4") Emissions	kg	–	–
Nitrous Oxide (N_2O) Emissions	kg	–	–
Scope 2 – Energy Indirect Emissions	tCO_2e	520	866
Scope 3 – Other Indirect Emissions[1]	tCO_2e	5	113
Total GHG Emissions Intensity	tCO_2e/1,000 US$ revenue	0.09	0.16
Air Emissions			
Nitrogen Oxides ("NO_x") Emissions	kg	–	–
Sulphur Oxides ("SO_x") Emissions	kg	–	–
Particulate Matter Emissions	kg	–	–
Water Pollutants			
Chemical Oxygen Demand ("COD")	mg/L	23.00	5.80
Ammonia Nitrogen Emissions	mg/L	4.68	8.19
Suspended Solids Emissions	mg/L	12.00	7.00
Waste Management			
Total Hazardous Waste Produced	t	1.82	0.95
Total Non-hazardous Waste Produced	t	1.72	2.46
Total Hazardous Waste Intensity	kg/1,000 US$ revenue	0.31	0.16
Total Non-hazardous Waste Intensity	kg/1,000 US$ revenue	0.29	0.41
Total Wastewater Generation[2]	m^3	12,736	147,695
Use of Resources			
Total Water Consumption[3]	m^3	17,429	162,396
Total Water Consumption Intensity	m^3/1,000 US$ revenue	2.97	26.89
Packaging Materials			
Paper	t	1.01	1.80
Paper Boxes	t	8.00	16.00

1 Scope 3 emissions cover GHG emissions from electricity used for fresh water and wastewater processing. The significant reduction in Scope 3 emissions is due to the exclusion of GHG emissions generated from the fresh water and wastewater processing of the leased factories in 2024.

2 The significant reduction of wastewater generation is due to the exclusion of wastewater generation in the leased factories in 2024.

3 The significant reduction of water consumption is due to the exclusion of water consumption in the leased factories in 2024.

ENVIRONMENT (CONTINUED)

Performance Against Targets

In 2024, the Group experienced a decrease in both energy consumption and associated greenhouse gas emissions compared to 2023. It is important to note that this decrease can be attributed, in part, to the drop in manufacturing activities resulting from a decrease in sales orders. Moreover, in the staff dormitories, high-powered water heaters were replaced with lower-powered alternatives, yielding monthly electricity savings of approximately 3,000 kilowatt-hours. The Group remains committed to monitoring its water utilisation and implementing practices that promote continuous improvement in water conservation. Furthermore, the Group reduced its use of packaging materials during 2024.

SOCIAL

The Group places great value on our employees and acknowledges their contributions to our business. We are dedicated to creating an exceptional working environment and providing competitive remuneration to attract and retain talented individuals. Throughout the year, we adhered to all relevant employment and labour laws and regulations, ensuring a fair and legal framework for our workforce. By implementing effective strategies, we aim to cultivate a stable and highly productive workforce that contributes to the Group's growth and the overall well-being of the sector, economy, and society.

Employment and Labour Practices

Our policies, namely the "Attendance Management Policy", "Leave Policy", and "Payroll and Distribution Guideline", encompass various employment topics such as working hours, remuneration, employee benefits, holidays, and leaves. All staff members are compensated above the minimum legal wages. Overtime work is voluntary and limited to a maximum of three hours per day, with employees receiving overtime pay up to three times their normal wage.

In addition to statutory holidays, the Group offers a range of paid leaves, including annual leave, bereavement leave, marriage leave, maternity leave, paternity leave, sick leave, and compensation leave, to our employees. Leave applications are reviewed and approved by management, taking into consideration the production schedule. Exceptions are made for personal reasons such as marriage, funeral, maternity, injury, and other circumstances.

To support our staff during the childbirth and recovery period, we provide maternity allowance. Furthermore, we ensure compliance with related social welfare regulations in the PRC by offering social insurance and a housing provident fund to all our employees.

The Group implements an "Award and Penalty System" to recognise employees who demonstrate excellent performance, responsibility, discipline, and serve as role models within the organisation. These outstanding individuals are acknowledged and rewarded with cash bonuses as a token of appreciation. Conversely, in cases where an employee engages in serious misconduct or deceitful behaviours, appropriate disciplinary actions are taken. This system promotes a culture of accountability and encourages employees to strive for excellence while upholding the highest standards of integrity.

SOCIAL (CONTINUED)

Prevention of Forced and Child Labour

The Group firmly opposes the use of forced and child labour and takes decisive action to protect vulnerable individuals in society. Our commitment to this cause is reflected in our "Child Labour Prohibition Policies and Remedial Procedures". We strictly adhere to these policies by not employing individuals below the relevant legal age threshold (under 16 years of age) in their respective jurisdictions. To ensure compliance, a comprehensive background check, including identity verification, is conducted for each candidate during the recruitment process.

In the rare event that underage candidates are mistakenly hired, the Group follows the procedures outlined in our "Child Labour Remedial Procedures". We take all necessary actions to support the education and development of these children.

Furthermore, the Group is committed to promoting fair and voluntary work practices. No employees are compelled to work extra hours involuntarily or required to pay compulsory deposits. To safeguard the rights of our employees, we have established "Anti-Forced Labour Procedures" that ensure a peaceful and voluntary work environment.

Throughout the reporting period, there were no instances of child or forced labour within the Group's operations. We continue to comply with the regulations set forth in the *Special Protection for Female and Juvenile Workers*, *Chapter VII*, and the Labor Law of the People's Republic of China, as well as the *Provisions on the Prohibition against the Use of Child Labour (State Council Order No. 364)*.

Equal Opportunity Employer

The Group is an equal opportunity employer and strictly prohibits any form of discrimination within the workplace. This extends to all aspects of employment, including the recruitment process, staff promotions, and remuneration. We firmly believe that employees should be evaluated solely on the basis of their work performance, without regard to factors such as gender, age, race, religion, disability, sexual orientation, family status, maternity, or political affiliation.

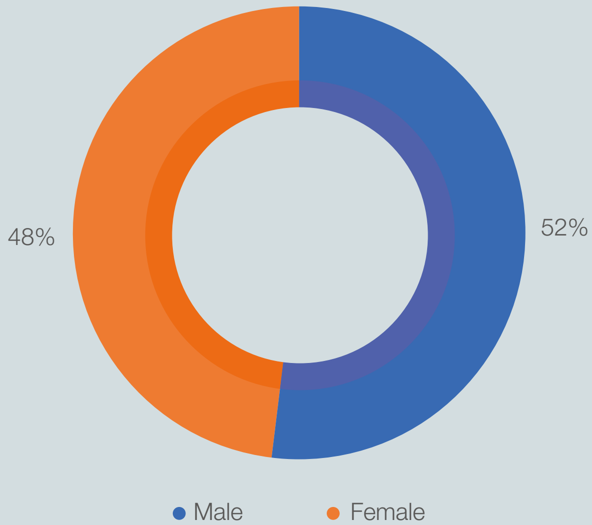
Our non-discrimination principle is consistently applied across all areas of human resource management. This includes ensuring fairness and equality in wages, benefits, promotions, training, discipline, dismissal, and retirement of our staff members. The Group strives to foster a work environment that values diversity and promotes inclusivity, where all employees have equal opportunities for personal and professional growth.

SOCIAL (CONTINUED)

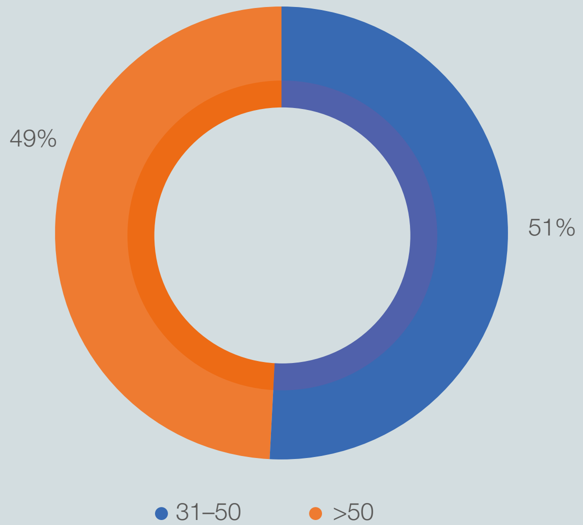
Workplace Diversity

As of December 2024, the Group has 110 employees (86 full-time, 24 part-time). The current male-to-female ratio of our staff is 1:0.93. The following charts present data regarding the diversity of our staff members, in terms of gender and age distribution.

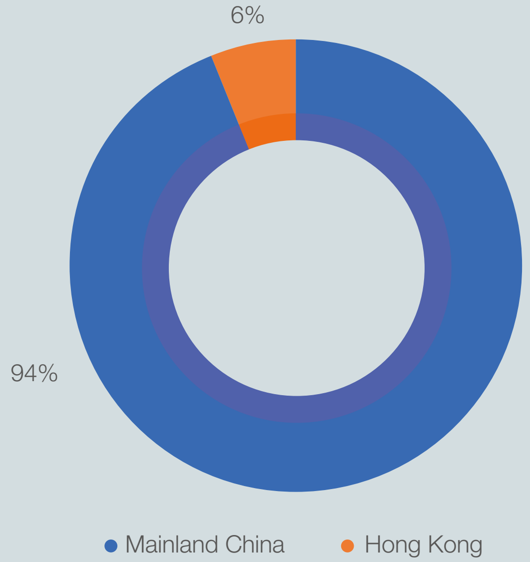
GENDER DISTRIBUTION



AGE DISTRIBUTION



GEOGRAPHIC DISTRIBUTION



SOCIAL (CONTINUED)

Workplace Diversity (Continued)

Employee Category	Turnover Rate
Overall	5.45%
By Gender	
Male	1.97%
Female	3.57%
By Age	
31–50 years old	3.86%
Over 50 years old	1.59%
By Geographical Region	
Mainland China	5.38%
Hong Kong	0.07%

Appraisal System and Termination of Employment

The Group's appraisal system is designed to evaluate employees based on their work objectives, performance, attitude, and capabilities. Promotions and salary adjustments are determined using a point-based appraisal system that aligns with the pay scale established in the Group's "Salary Policy".

Furthermore, our "Dismissal Management Policy" outlines the procedures for handling employee resignations. Employees who wish to resign are required to provide their managers with a one-month written notice, stating their reason for leaving. Managers are responsible for conducting an exit interview with the resigning employee.

During the resignation process, the employee is expected to complete any necessary work handover tasks and fill in relevant documents. These documents are then reviewed and submitted to the human resource department for sign-off and filing.

Health and Safety

The Group places a strong emphasis on the health and safety of our staff, ensuring that we maintain elevated standards of workplace health and occupational safety. We continuously work towards improving our safety risk management practices, fostering a culture of vigilance and consciousness surrounding workplace safety, while actively ensuring the protection and wellbeing of our valued staff.

The Group has developed its "Occupational Health and Safety Policy" in compliance with local laws and regulations, with particular attention given to high-risk activities such as work-from-height, machinery operation, and electrical work. These safety standards are consistently applied across all operations, including subcontractors, ensuring a secure working environment for all involved.

SOCIAL (CONTINUED)

Health and Safety (Continued)

We are committed to the safety and well-being of our staff and employ various control measures to achieve this. For example, we provide necessary personal protective equipment ("PPE") to employees working in hazardous environments. Additionally, we display "Material Safety Data Sheets" ("MSDS") and relevant notices on our notification boards to enhance safety awareness and compliance with protocols.

Within our manufacturing facilities, safety takes precedence as we integrate numerous features into our machinery design. These features consist of two-hand controls and emergency shutdown switches, effectively enhancing operator safety and preventing accidents. Furthermore, we equip our workers with suitable PPE and ensure the presence of emergency eye wash stations. These measures actively mitigate the risk of exposure to diverse chemical substances.

During the reporting period, the Group recorded 2 work-related work injuries with a total of 91 lost days occurred. Regrettably, one work-related fatality occurred during the reporting period, resulting in a fatality rate of 0.91%. Moving forward, the Group will continue to improve its work safety policies to target a zero-workplace injury.

	2024	2023	2022
Number of work-related fatalities	1	0	0
Rate of work-related fatalities	0.91%	0	0

Provision of Clean Potable Water

The Group has established the "Potable Water Management Guidelines" and "Water Dispenser Maintenance Guidelines" to assign responsibilities across departments for the procurement and maintenance of water dispensers, as well as to ensure continuous monitoring of drinking water quality. Weekly inspections of the water inlet are carried out, and the internal components of the dispenser are cleaned on a monthly basis to maintain cleanliness and hygiene standards. The management is dedicated to providing all factory employees with convenient access to safe drinking water at various locations during their work hours.

Development and Training

The Group firmly believes that enhancing the skill set and knowledge of its staff through corporate training will directly contribute to the production of higher-quality products and services. In the reporting year, the Group organised various training courses for employees across different departments.

To support new staff members in adapting to their new work environment, the Group provides them with orientation training, covering a wide range of topics including work rights and benefits, environmental protection policies, and occupational health and safety. Upon completion of the training, employees are required to pass a test to demonstrate their understanding of the material and their ability to apply the knowledge effectively.

SOCIAL (CONTINUED)

Development and Training (Continued)

The Group conducts a variety of training programs, both internally and externally, catering to specific staff members, departments, and occasionally all employees. While the majority of these training courses focus on general staff, addressing their daily work routines is a key objective.

Some of the key training topics covered during the reporting period include:

- Safety awareness
- Chemical leak drills
- First aid
- Prevention of heat stroke
- Firefighting knowledge and drills

The training statistics for the Group's staff during the reporting period are summarised below:

Training Statistics	
Total Training Hours	
Male Employees	448.2
Female Employees	398.0
Senior Management Staff	278.4
Junior Staff	567.8
Average Training Hours	
Male Employees	7.9
Female Employees	7.5
Senior Management Staff	10.1
Junior Staff	7.6
Percentage Employees Trained	
Male Employees	37%
Female Employees	35%
Senior Management Staff	20%
Junior Staff	51%

SOCIAL (CONTINUED)

Supply Chain Management

To ensure the delivery of high-quality products to our customers, a significant part of this effort involves making sure our products meet statutory environmental and social requirements, extending beyond our own production line. As part of our strategy, we carefully select suppliers to maintain comprehensive control over our finished products.

Given the crucial role of raw materials in our manufacturing activities, the Group has established guidance protocols outlining the procurement process. We have implemented a specific "Supplier Assessment Checklist" to verify supplier performance across various aspects, including quality, delivery schedule, cost, experience, and responsiveness to customer demand. Suppliers undergo annual on-site assessments to ensure consistent quality and timely identification of any potential deviations from the Group's standards.

The assessment process prioritises suppliers with ISO 9001 Quality Management System or SA 8000 Social Accountability certification. Additionally, suppliers must have an adequate quality assurance system and be capable of providing quality reports (e.g., SGS reports) for their supplied goods. The Procurement Department Manager evaluates all audit results before inclusion in the "Qualified Supplier List". The performance of accredited suppliers on the list is reviewed semi-annually. This approach positively influences supplier manufacturing practices and minimises the risk to the Group's business resulting from subpar purchases.

Region	Number of Suppliers
Mainland China	23
Taiwan	1
Korea	1

Promoting the Use of Environmentally Preferred Materials

At our manufacturing business, we acknowledge the significance of limiting environmental impact and promoting sustainability. We promote the use of materials that are environmentally friendly and socially responsible and strive to collaborate with suppliers who share our values and are committed to sustainable practices.

Our R&D team is constantly exploring new materials and manufacturing methods that can help us lessen our environmental footprint.

SOCIAL (CONTINUED)

Product Quality Control

The Group strictly abides by relevant national laws and regulations on product quality. Internal rules and policies regarding product quality are formulated according to relevant state laws and regulations. Operations align strictly with ISO 9001 Quality Management System international standards to continuously improve business processes, productivity, profitability, and customer satisfaction.

A well-trained Quality Assurance Team ("QAT") implements relevant ISO 9001 system requirements as well as the Company Quality Management Policy to ensure product quality. Raw material sourcing only selects suppliers with products meeting stringent worldwide regulations and the Restricted Substances List (RSL). Suppliers must also provide an AZO Test Report to ensure hazardous material freedom.

QAT regularly inspects supplier manufacturing processes to ensure compliance with the Group's Quality Management Policy covering the entire production process from raw material procurement to logistics, inventory, sales tracking, and product accident handling. Inspection and testing methods are planned for raw materials, semi-finished goods, and finished products at each manufacturing stage. Materials, semi-finished products, and finished products are clearly identified after inspection or testing along with appropriate labelling and record keeping.

To monitor non-conforming materials, the inspection laboratory sends a test report to purchasing indicating issues. The purchasing supervisor requests an improvement plan from the supplier within five days and improved samples for retesting within two weeks. Written explanations are required if deadlines are missed. The issue is also reported to the Materials Procurement Manager if the supplier fails to provide the plan or samples on time despite contact from purchasing and the laboratory.

Upon order completion, a client quality assurance representative samples finished goods with handover staff. The sampling record is signed off and delivered to production units.

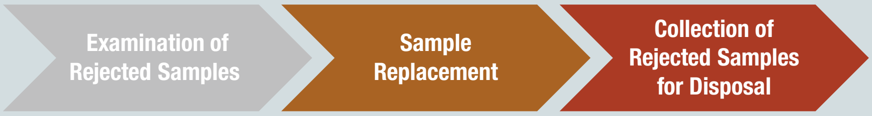
Should the client reject the sample quality, the unsigned sample record would be sent back to the production unit. Depending on the exact issue with the finished goods, the production team would arrange for appropriate handling of the rejected products, such as unpacking, sorting, grading, and discarding. The team would remanufacture the required quantities on time and ensure they meet standards before release.

Rejected products are sent to a specialised depot where inventory is strictly monitored. Such products are disposed of regularly, with documentation detailing the quantity, producing factory, production date, and disposal methods to ensure proper tracking of rejected products.

SOCIAL (CONTINUED)

Product Quality Control (Continued)

To address any deficiencies related to products and services, the Group has established relevant handling guidelines, including the “Corrective Action Control Procedure”, “Preventive Action Control Procedure”, and “Inspection Operation Guidelines”.



Protection of Intellectual Property and Privacy

The Group has established clear guidelines addressing the management of clients’ product safety and intellectual rights. Responsible departments are explicitly trained to safeguard every client’s intellectual property rights throughout the confidential product design process and by limiting the production quantity of goods. The Group has set out policies to protect the safety of its clients’ intellectual property, including:

- Guidance for Protection of Customer Intellectual Property
- Procedure for Handling and Control of Samples
- Guidance on Development Projects
- Guidance on Access to Factories

To further ensure the protection of our clients’ intellectual property, the Group has developed a dedicated depot for handling substandard products. Substandard products are meticulously tracked, including details of their type, quantity, and weight. They are disposed of regularly to prevent any substandard products from being leaked to the market.

In addition, the following departments work hand in hand to deliver our quality services:

Product Sales Department: It is the primary unit for the protection of client’s property rights. Any case of any possibilities which may lead to an infringement of copyright to a client’s product, for example, missing of sample product, the product sales department would perform a follow-up action with the client immediately to report on the issue and seek for further advice.

Materials Unit: The material unit assists in logistics and storage of materials provided by our client. It also maintains a clear record of the product’s location and personnel involved for their deployment.

R&D Department: The particular department maintains the inventory of client-provided digital resource, such as product design drafts and any other documents that concern intellectual property rights. Access to the database storage is limited to staff members involved in product coordination with client. Staff members are forbidden to distribute any form of information without prior approval by the client.

SOCIAL (CONTINUED)

Protection of Intellectual Property and Privacy (Continued)

To safeguard the privacy of the Group's clients, the Group has established policies on document control, audit of purchased orders, and procurement criteria for computer hardware and software. The Group has also set up an internal review team to ensure the proper implementation of policies laid out by the Group.

Consumer Satisfaction

We strive to produce the best service and products possible. However, on rare occasions and like any reputable company, there may be unsatisfied customers returning to us with complaints. The Group takes complaints seriously and has developed the "Customer Services and Complaint Guidelines" for frontline staff, outlining official procedures for handling customer complaints.

Upon receipt of customer complaints, the complaints would be forwarded to the QAT, where an assigned team member would conduct a meeting with concerned department in effort of identifying the underlying issue behind the complaint.

During the meeting, senior and experienced staff members are required to comprehend a solution to improve the concerned quality issues of the finished products. The implementation of the suggested solution would take effect upon the confirmation of results and such will be reported to the client. Such procedures will repeat until the issue is completely resolved.

A monthly report documenting the reported customer complaints is issued to the manufacturing department for them to develop relevant improvement strategies accordingly.

Information of the client's complaint will be recorded and filed in a confidential manner. The data is kept by the QAT for 1 year for reference purposes and will be destroyed subsequently.

During the reporting period the Group did not receive any significant complaints from its customers which have material impact on its operations.

SOCIAL (CONTINUED)

Product Recalls

The Group takes product quality seriously and has established a robust set of recall policies and procedures that ensure the safety and satisfaction of users of our products. If any of our products are discovered to be unsafe or defective, we will promptly notify the appropriate regulatory authorities and consumers who have purchased the affected product.

Our recall procedure involves establishing a clear and efficient process for consumers to return the recalled product, which may involve providing a refund or replacement product. We also investigate the cause of the recall and take steps to prevent similar issues from occurring in the future, such as improving quality control measures.

Our commitment to sustainability extends to our recall policy and procedure as we strive to minimise any negative impact on the environment. For example, we may explore opportunities to recycle or repurpose recalled products in an environmentally responsible manner.

During the reporting period, the Group did not carry out any major recalls for its products due to safety or health reasons.

Anti-corruption

As a company that brands itself on reputation, the Group understands that maintaining a strong moral integrity is a key to success for our business.

To uphold these values, the Group has established a “Code of Conduct” that provides clear guidelines for preventing corruption and bribery activities within our operations. During the orientation training, all new staff members are thoroughly instructed on the Group’s anti-corruption policies to ensure a deep understanding of our standards regarding business integrity. The Code of Conduct strictly prohibits the offering, giving, receiving, or promising of gifts, hospitality, or any other form of payment, directly or indirectly, to or from employees, clients, suppliers, or government personnel. Additionally, bribery, fraud, theft, money laundering, extortion, conflict of interest, intellectual property infringement, and unfair competition are all strictly forbidden.

To facilitate reporting of any suspicious activities, a telephone hotline has been established for whistleblowing. The Group places great emphasis on anti-corruption measures and conducts thorough investigations into any reported case.

By maintaining a strong stance against corruption and adhering to the principles outlined in the Code of Conduct, the Group reinforces its commitment to ethical business practices and ensures the preservation of our reputation and integrity.

During the reporting period, there has been no incident of non-compliance to legal regulations and laws on the matters of corruption, bribery, extortion, fraud and money laundering.

COMMUNITY

The Group contributes to provide a positive impact to the local community through monetary donations and volunteer activities. Our goal is to contribute to the well-being of local citizens and maintain a symbiotic relationship with the community. One of the key pillars of our community efforts is taking care of the elderly.

The Group will continue to look for opportunities to extend our community outreach and social contribution.

AUDIT COMMITTEE REPORT

The Audit Committee (the "Committee") comprises all independent non-executive directors. The chairman of the Committee is Mr. Huang Hung Ching, who is practicing certified public accountant.

The Committee oversees the financial reporting process. In this process, management is responsible for the preparation of the Group financial statements including the selection of suitable accounting policies. External auditors are responsible for auditing and attesting to Group financial statements and evaluating Group system of Internal controls. The Committee oversees the respective work of management and external auditors to endorse the processes and safeguards employed by them. The Committee reviewed the risk management and internal control systems and the effectiveness of the Group's internal audit function. The Committee presents a report to the Board on its findings after each Committee meeting.

The Committee reviewed and discussed with management and external auditors the consolidated financial statements for the year ended 31 December 2024 included in 2024 Annual Report. In the regard, the Committee had discussions with management with regard to new or changes in accounting policies as applied, and significant judgments affecting the Group consolidated financial statements. The Committee also received reports and met with the external auditors to discuss the general scope of their audit work (including the impact of new or changes in accounting policies as applied), their assessment of Group internal controls.

The Committee also reviewed the risk management and internal control report for the year ended 31 December 2024 submitted by an independent professional advisor.

Based on these review and discussion, and the report of the external auditors, the Committee recommended to the Board approval of the consolidated financial statements for the year ended 31 December 2024, with the Independent Auditors' Report thereon. The Committee also reviewed and recommended to the Board approval of the unaudited financial statements for the six months ended 30 June 2024 prior to public announcement and filing.

The Committee recommended to the Board that the shareholders be asked to re-appoint Deloitte Touche Tohmatsu as the Group's external auditors for 2025.

MEMBERS OF THE AUDIT COMMITTEE

Mr. Huang Hung Ching

Mr. Lai Jenn Yang, Jeffrey

Mr. Wu Wen Yen

Hong Kong, 28 March 2025

BIOGRAPHICAL DATA OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wu Chen San, Thomas, aged 74, is the Chairman of the Group and is responsible for the Group's sales, marketing and strategic planning. Mr. Wu joined the footwear business founded by his father, Mr. Wu Suei, in the early 1970's and has over 40 years' experience in the footwear manufacturing business.

Mr. Wu Jenn Chang, Michael, aged 67, is the Deputy Chairman of the Group and is responsible for the Group's finance, production and purchasing. Mr. Wu is the honor Chairman of Taiwanese-invested Enterprises Association of Guangzhou and honor citizen of Guangzhou city. Mr. Wu joined the footwear business founded by his father, Mr. Wu Suei, in 1983 and has over 30 years' experience in the footwear manufacturing business.

Mr. Wu Jenn Tzong, Jackson, aged 69, is responsible for the Group's sourcing functions conducted in Taiwan through the Group's subsidiary, Topstair International (Taiwan) Ltd. Mr. Wu joined the footwear business founded by his father, Mr. Wu Suei, in 1977 and has over 30 years' experience in the footwear manufacturing business.

Ms. Wu Meng Lung, aged 41, holds a bachelor degree in International Business of Management department from National Taiwan University. Ms. Wu is a team head in a subsidiary of the Company since 2009 who is responsible for developing key strategy of the Company and managing in-house brands and licensing of international brands. Prior to joining the Company, Ms. Wu worked as a consultant in Avery Dennison Corporation and The Boston Consulting Group in Taiwan.

Mr. Ho Chin Fa, Steven, aged 72, is a Deputy General Manager of the Group. He is responsible for production management and staff training. Mr. Ho joined the Group in 1990 and has over 30 years' experience in the footwear manufacturing business.

BIOGRAPHICAL DATA OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Huang Hung Ching, aged 61, is currently a partner of Ever Brilliant Accounting Firm, Taipei, Taiwan. He graduated from Fu Jen Catholic University and holds a Master's degree in accounting from Shanghai University of Finance and Economic. He is a member of the Taiwan Provincial CPA Association. Prior to joining the Company, he had over 20 years of experience in accounting and auditing.

Mr. Lai Jenn Yang, Jeffrey, aged 67, is currently an Executive Director of Nicematch International Co., Ltd, which is incorporated in Taiwan. Mr. Lai graduated from Tamkang University in Taiwan and obtained a bachelor degree in Civil Engineering. He also obtained a master degree in Engineering from Ohio State University, USA. Prior to joining to the Company, he had more than 20 years of experience in operation and engineering management.

Mr. Wu Wen Yen, aged 54, holds a master of business administration from National Tsing Hua University. He has over 20 years' experience in management. Mr. Wu founded Mercury Technology Ltd in 2001 which focused on silicone production. He is currently the chairman of Mercury Technology Ltd, the chairman of Shenzhen Lida Innovative Technology Ltd and general manager of Midas Tech Co., Ltd. He has also been visiting lecturer for bachelor's program in advanced materials science at Tamkang University in December 2017 and visiting lecturer for industrial design program at Shenzhen University in August 2016. He was also elected as an elite talent in Shenzhen FuTian Elite Talent Club in 2018.

SENIOR MANAGEMENT

Mr. Lee Yiu Ming, aged 60, graduated from Hong Kong Polytechnic University and holds a Master's degree in business administration from the Queen's University of Belfast, Northern Ireland. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Lee is the company secretary of the Company. He is responsible for the company secretarial functions of the Group.

Mr. Hsieh Hsin Lee, aged 64, is a supervisor of Panyu Pegasus. Mr. Hsieh joined the Group in 1991 and has over 30 years' experience in footwear manufacturing. He is responsible for the Group's production management and quality control process. He is also responsible for staff training.

Mr. Hans Wu, aged 35, is a business director of Panyu Pegasus. Mr. Wu graduated from University of Manchester, the United Kingdom. Mr. Wu joined the Group in 2013 and has 9 years' experience in footwear manufacturing and product development.

Mr. Ng Chung Lok, aged 41, obtained a bachelor's degree in Professional Accountancy from the Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he worked in a multinational audit firm for 4 years. Mr. Ng is the Finance Director of the Group. He is responsible for the financial and accounting functions of the Group.

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is engaged principally in the manufacture and sale of footwear products and leasing of investment properties to generate rental income. The activities of its subsidiaries are set out in Note 30 to the consolidated financial statements.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement and Management Discussion and Analysis respectively from pages 3 to 4 of this Annual Report. The outlook of the Company's business is discussed throughout this Annual Report.

RESULTS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 79.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in Notes 12 and 13 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 21 to the consolidated financial statements.

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

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2024, the Company's reserves available for distribution to shareholders consisted of retained profits and contributed surplus, totalling US$20,912,000 (2023: US$20,790,000).

Under the Companies Act 1981 of Bermuda, subject to the provisions of the Bye-laws of the Company, the Company's contributed surplus may be applied to pay distributions or dividends to Shareholders, provided that immediately following the date the distribution or dividend is proposed to be paid, the Company is able to pay its liabilities as they become due.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Wu Chen San, Thomas (Chairman)

Mr. Wu Jenn Chang, Michael (Deputy Chairman)

Mr. Wu Jenn Tzong, Jackson

Mr. Ho Chin Fa, Steven

Ms. Wu Meng Lung (appointed on 28 March 2024)

Independent non-executive directors:

Mr. Huang Hung Ching

Mr. Lai Jenn Yang, Jeffrey

Mr. Wu Wen Yen

In accordance with Clause 87(1) of the Company's Bye-laws, Messrs. Wu Jenn Tzong, Jackson, Ho Chin Fa, Steven, Huang Hung Ching and Wu Wen Yen will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

The terms of office of independent non-executive directors are subject to retirement by rotation in accordance with the provisions of the Company's Bye-laws.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing 25 September 1996 and continuing thereafter until terminated by either party giving to the other party a period of advance notice in writing ranging from three to six months.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2024, the interests of the directors and their associates in the shares, underlying shares or debentures of the Company and its associated corporation, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers, were as follows:

Long positions

(i) Ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Wu Jenn Chang, Michael	Beneficial owner	8,000,000	1.09%
Wu Jenn Tzong, Jackson	Beneficial owner	1,000,000	0.14%

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Long positions (Continued)

(ii) *Ordinary shares of the associated corporation of the Company*

Pegasus Footgear Management Limited (note a)

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the associated corporation
Wu Chen San, Thomas	Beneficial owner and corporate (note b)	6,470	32%
Wu Jenn Chang, Michael	Corporate (note c)	6,470	32%
Wu Jenn Tzong, Jackson	Corporate (note d)	6,470	32%
		19,410	96%

notes:

a. Pegasus Footgear Management Limited is the holding company of the Company.

b. 3,235 shares are jointly held by Mr. Wu Chen San, Thomas and Mrs. Peggy Wu, the spouse of Mr. Wu Chen San, Thomas, and 3,235 shares are held by Skyplus Limited, a company owned by Mrs. Peggy Wu.

c. The shares are entirely held by M. W. Investment Limited, a company owned by Mr. Wu Jenn Chang, Michael.

d. The shares are entirely held by J. W. Investment Limited, a company owned by Mr. Wu Jenn Tzong, Jackson.

Save as disclosed above, at 31 December 2024, none of the directors nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than as disclosed in Note 25 to the consolidated financial statements, no transactions, arrangements and contracts of significance to which the Company, its holding company or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2024, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executive, the following shareholder had notified the Company of relevant interest in the issued share capital of the Company.

Long positions

Ordinary shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Pegasus Footgear Management Limited (note)	Beneficial owner	468,743,940	64%

note: Details of the directors' interests in Pegasus Footgear Management Limited are disclosed under the section headed "Directors' Interests in Shares".

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31 December 2024.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, the Group's largest customer accounted for approximately 29% of the Group's total revenue. The five largest customers accounted for 84% of the Group's total revenues.

For the year ended 31 December 2024, the Group's largest supplier accounted for approximately 20% of the Group's total purchases. The five largest suppliers comprised 64% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owned more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the board of directors on the basis of the employees' merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this annual report, the percentage of the Company's shares in the hands of the public exceeds 25% of the Company's total number of issued shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wu Chen San, Thomas
CHAIRMAN
Hong Kong
28 March 2025

Deloitte. 德勤

TO THE MEMBERS OF PEGASUS INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Pegasus International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 79 to 149, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of buildings	
We identified valuation of buildings as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant estimates associated with the determination of the fair value of the Group's buildings. As disclosed in Note 12 to the consolidated financial statements, the management estimated the fair value of the Group's buildings to be US$18,442,000 at 31 December 2024. During the year, revaluation decrease of US$347,000 were recognised in properties revaluation reserve. The fair value of the buildings was supported by valuations conducted by an independent external valuer. Details of the valuation techniques and key inputs used in the valuation are disclosed in Note 12 to the consolidated financial statements. The valuation of buildings is dependent on certain key inputs including reversionary yield, comparable market rents of similar properties, vacancy ratio and land yield. Changes to these key inputs may result in changes in the fair value of the Group's buildings.	Our procedures in relation to the management's valuation of buildings included: • Evaluating the competence, capabilities and objectivity of the independent external valuer; • Understanding the valuer's valuation techniques, key inputs adopted in the valuation; and • Assessing the reasonableness of income approach, key inputs used in the valuation by (i) checking the reversionary yield, market rents of similar properties and locations based on available market data; and (ii) comparing to relevant market information on vacancy ratio and land yield adopted in similar properties and locations.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant estimates associated with the determination of the fair value of the Group's investment properties. As disclosed in Note 13 to the consolidated financial statements, the management estimated the fair value of the Group's investment properties to be US$61,492,000 at 31 December 2024. A decrease in fair value of investment properties amounted to US$2,769,000 was recognised for the year ended 31 December 2024. The fair value of the investment properties was supported by valuations conducted by an independent external valuer. Details of the valuation techniques and key inputs used in the valuation are disclosed in Note 13 to the consolidated financial statements. The valuation of investment properties is dependent on certain key inputs including the existing lease rental, term yield, reversionary yield, market rents of similar properties, vacancy ratio and land yield. Changes to these key inputs may result in changes in the fair value of the Group's investment properties.	Our procedures in relation to the management's valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the independent external valuer; • Understanding the valuer's valuation techniques, key inputs adopted in the valuation; and • Assessing the reasonableness of income approach, key inputs used in the valuation by (i) checking the details of rentals to the respective underlying existing tenancy agreements; (ii) checking the reversionary yield, market rents of similar properties and locations based on available market data; and (iii) comparing to relevant market information on vacancy ratio and land yield adopted in similar properties and locations.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Pik Fung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	NOTES	2024 US$'000	2023 US$'000
Revenue	5	**5,867**	6,039
Cost of sales and services		**(2,225)**	(2,877)
Gross profit		**3,642**	3,162
Other income		**632**	1,044
Other gains and losses		**268**	82
Fair value decrease of investment properties		**(2,769)**	(713)
Selling and distribution costs		**(268)**	(309)
General and administrative expenses		**(2,640)**	(3,093)
Other expense		**(586)**	(13)
Interest expense on lease liabilities		**(35)**	(40)
(Loss) profit before tax	6	**(1,756)**	120
Tax credit	9	**696**	331
(Loss) profit for the year attributable to owners of the Company		**(1,060)**	451
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss for the year:			
Reclassification of cumulative translation reserve upon deregistration of foreign operations		**694**	–
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(927)**	346
Revaluation (decrease) increase on buildings		**(347)**	506
Deferred tax recognised on revaluation of buildings		**86**	(127)
		(494)	725

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	NOTES	2024	2023
		US$'000	US$'000
Total comprehensive (expense) income for the year attributable to owners of the Company		**(1,554)**	1,176
(Loss) earnings per share	11		
Basic		**(US0.15 cents)**	US0.06 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	NOTES	2024 US$'000	2023 US$'000
Non-current assets			
Property, plant and equipment	12	**18,537**	19,534
Investment properties	13	**61,492**	64,927
Right-of-use assets	14	**1,980**	2,052
Accrued rentals	16	**406**	439
		82,415	86,952
Current assets			
Inventories	15	**104**	342
Trade and other receivables	16	**2,786**	1,279
Financial assets at fair value through profit or loss ("FVTPL")	17	**704**	585
Time deposits	18	**139**	–
Bank balances and cash	18	**8,651**	9,858
		12,384	12,064
Current liabilities			
Trade and other payables	19	**1,588**	2,137
Lease liabilities	20	**79**	111
Provision for housing provident fund	26	**32**	345
Tax payable		**611**	609
		2,310	3,202
Net current assets		**10,074**	8,862
		92,489	95,814

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	NOTES	2024 US$'000	2023 US$'000
Capital and reserves			
Share capital	21	**9,428**	9,428
Reserves		**66,855**	69,352
Total equity		**76,283**	78,780
Non-current liabilities			
Deferred tax liabilities	22	**15,399**	16,345
Lease liabilities	20	**807**	689
		16,206	17,034
		92,489	95,814

The consolidated financial statements on pages 79 to 149 were approved and authorised for issue by the Board of Directors on 28 March 2025 and are signed on its behalf by:

Wu Chen San, Thomas
DIRECTOR

Wu Jenn Chang, Michael
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company						
	Share capital US$'000	Share premium US$'000	Properties revaluation reserve US$'000	Translation reserve US$'000	Merger reserve US$'000 (note)	Accumulated losses US$'000	Total US$'000
At 1 January 2023	9,428	21,637	47,898	8,629	(4,512)	(4,533)	78,547
Profit for the year	–	–	–	–	–	451	451
Exchange differences arising on translation to presentation currency	–	–	–	346	–	–	346
Revaluation increase on buildings	–	–	506	–	–	–	506
Deferred tax recognised on revaluation of buildings	–	–	(127)	–	–	–	(127)
Total comprehensive income for the year	–	–	379	346	–	451	1,176
Dividends recognised as distribution (Note 10)	–	–	–	–	–	(943)	(943)
At 31 December 2023	9,428	21,637	48,277	8,975	(4,512)	(5,025)	78,780
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(1,060)**	**(1,060)**
Reclassification of cumulative translation reserve upon deregistration of foreign operations	**–**	**–**	**–**	**694**	**–**	**–**	**694**
Exchange differences arising on translation to presentation currency	**–**	**–**	**–**	**(927)**	**–**	**–**	**(927)**
Revaluation decrease on buildings	**–**	**–**	**(347)**	**–**	**–**	**–**	**(347)**
Deferred tax recognised on revaluation of buildings	**–**	**–**	**86**	**–**	**–**	**–**	**86**
Total comprehensive expense for the year	**–**	**–**	**(261)**	**(233)**	**–**	**(1,060)**	**(1,554)**
Dividends recognised as distribution (Note 10)	**–**	**–**	**–**	**–**	**–**	**(943)**	**(943)**
At 31 December 2024	**9,428**	**21,637**	**48,016**	**8,742**	**(4,512)**	**(7,028)**	**76,283**

note: The merger reserve of Pegasus International Holdings Limited and its subsidiaries (collectively referred to as the “Group”) represents the difference between the nominal amount of the share capital of the subsidiaries acquired and the nominal value of the share capital of the acquiring companies issued in exchange pursuant to a corporate reorganisation prior to the listing of the Company’s shares in 1996.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 US$'000	2023 US$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(1,756)**	120
Adjustments for:		
Depreciation of property, plant and equipment	**448**	865
Depreciation of right-of-use assets	**261**	263
Net gain on fair value changes of financial assets at FVTPL	**(119)**	(134)
Write down of inventories	**1**	25
Gain on disposal of property, plant and equipment	**(160)**	–
Loss on deregistration of a subsidiary	**694**	–
Fair value decrease of investment properties	**2,769**	713
Interest expense on lease liabilities	**35**	40
Provision for housing provident fund	**2**	29
Interest income	**(308)**	(301)
Dividends from financial assets at FVTPL	**(59)**	(38)
Exchange gain	**(675)**	–
Operating cash flows before movements in working capital	**1,133**	1,582
Decrease in inventories	**236**	194
(Increase) decrease in trade and other receivables, and accrued rentals	**(1,511)**	695
Decrease in trade and other payables and provision for housing provident fund	**(855)**	(579)
Cash from operations	**(997)**	1,892
Income tax refunded	**6**	100
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(991)**	1,992

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 US$'000	2023 US$'000
INVESTING ACTIVITIES		
Interest received	**308**	301
Proceeds on disposal of property, plant and equipment	**160**	–
Dividends from financial assets at FVTPL	**59**	38
Placement of time deposits	**(141)**	–
Purchase of property, plant and equipment	**–**	(68)
NET CASH FROM INVESTING ACTIVITIES	**386**	271
FINANCING ACTIVITIES		
Dividends paid	**(943)**	(943)
Repayment of lease liabilities	**(112)**	(106)
Interest expense on lease liabilities	**(35)**	(40)
CASH USED IN FINANCING ACTIVITIES	**(1,090)**	(1,089)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,695)**	1,174
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**9,858**	8,588
Effect of foreign exchange rate changes	**488**	96
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash	**8,651**	9,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

Pegasus International Holdings Limited (the "Company") is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Pegasus Footgear Management Limited, a company incorporated in the British Virgin Islands, is the ultimate and immediate holding company of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The principal activities of the Group are manufacture and sales of footwear products and leasing of investment properties to generate operating lease income.

The consolidated financial statements are presented in United States dollars ("USD"), which is different from the Company's functional currency of Renminbi ("RMB"). For the convenience of the financial statement users, the consolidated financial statements are presented in USD, as the directors considered that USD is a preferred currency to be used in presenting the operating results and financial position of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2025.
[3] Effective for annual periods beginning on or after 1 January 2026.
[4] Effective for annual periods beginning on or after 1 January 2027.

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

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and HKFRS 7 *Financial Instruments: Disclosures*. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3.2 Material accounting policy information

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

Basis of consolidation

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

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

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Revenue from contracts with customers

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

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

Revenue from manufacturing and sales of footwear is recognised at a point in time when the customer obtains control of goods.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term lease

The Group applies the short-term lease recognition exemption to 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 expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any initial direct costs incurred by the Group.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Rental income which are derived from the Group's ordinary course of business are presented as revenue. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases (Continued)

The Group as a lessor (Continued)

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. US$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve, and such exchange differences will not be reclassified subsequently to profit or loss. Except the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Retirement benefits cost

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

Short-term employee benefits

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

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

Taxation

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation (Continued)

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Property, plant and equipment

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

Buildings held for use in the production or supply of goods or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that would be determined using fair values at the end of the reporting period.

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

Any revaluation increase arising from revaluation of buildings is recognised in other comprehensive income and accumulated in the properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of such buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Property, plant and equipment (Continued)

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. On the subsequent sale or retirement of the property, the relevant properties revaluation reserve will be transferred directly to accumulated losses.

Depreciation on revalued buildings is recognised in profit or loss.

Depreciation is recognised so as to write off the cost or valuation of property, plant and equipment less than residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

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

Financial assets at FVTPL

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, refundable rental deposit, time deposits, bank balances and accrued rentals) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and lease receivables.

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

(i) *Significant increase in credit risk*

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk (Continued)

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. Such presumption has been rebutted by the Group.

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or assets arising from investment properties that are measure using their fair value model, the directors of the Company have reviewed the Group's investment properties and concluded that they are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale. Therefore, the directors of the Company have determined that the presumption that the carrying amounts of investment properties are recovered through sale is rebutted. As a result, as at 31 December 2024, deferred tax liabilities of US$12,145,000 (2023: US$12,969,000) have been recognised on the basis that these investment properties will be recovered through use as the Group is subject to income tax in the PRC.

Key sources of estimation uncertainty

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

Valuation of buildings

The management estimates the fair value of the buildings with reference to fair value determined by an independent external valuer using income approach by using key inputs including reversionary yield, comparable market rents of similar properties, vacancy ratio and land yield.

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

Key sources of estimation uncertainty *(Continued)*

Valuation of buildings (Continued)

Note 12 provides detailed information about the valuation techniques and key inputs used in the determination of the fair value of the buildings. Judgement and estimation are required in establishing the relevant key inputs used in the income approach. These key inputs impact the revaluation of buildings over the useful lives of buildings and also the amount recognised in properties revaluation reserve.

As at 31 December 2024, the fair value of the buildings was US$18,442,000 (2023: US$19,421,000), with a revaluation decrease of US$347,000 (2023: increase of US$506,000) being recognised in properties revaluation reserve for the year ended 31 December 2024.

Valuation of investment properties

The management estimates the fair value of the investment properties with reference to fair value determined by an independent external valuer using income approach by using key inputs including the existing lease rental, term yield, reversionary yield, vacancy ratio, land yield and market rents of similar properties.

Note 13 provides detailed information about the valuation techniques and key inputs used in the determination of the fair value of the investment properties. Judgement and estimation are required in establishing the relevant key inputs used in the income approach. These key inputs impact the fair value of investment properties and also the amount recognised in profit or loss.

As at 31 December 2024, the fair value of the investment properties was US$61,492,000 (2023: US$64,927,000), with a fair value decrease of US$2,769,000 (2023: decrease of US$713,000) being recognised in profit or loss for the year ended 31 December 2024.

Impairment assessment of Identified PPE and Identified ROU assets (as defined in Note 12)

Due to the continued unsatisfactory financial performance of manufacturing and sales of footwear products business, the management concluded there was no indication for reversal of impairment provided on Identified PPE and Identified ROU assets which were impaired in prior years as at 31 December 2024.

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

Key sources of estimation uncertainty *(Continued)*

Impairment assessment of Identified PPE and Identified ROU assets (as defined in Note 12) (Continued)

For buildings included in Identified PPE amounting to US$18,442,000 (2023: US$19,421,000) and leasehold lands included in Identified ROU assets amounting to US$1,763,000 (2023: US$1,947,000), as their individual fair value less costs of disposal were higher than the carrying amounts, no impairment loss on these buildings included in Identified PPE and leasehold lands included in Identified ROU assets were recognised in profit or loss during the year ended 31 December 2024 (2023: Nil).

As at 31 December 2024, the accumulated impairment loss of the related Identified PPE and Identified ROU assets are US$7,531,000 (2023: US$7,531,000) and US$913,000 (2023: US$913,000), respectively.

Provision for housing provident fund

As explained in Note 26, the Group has made provision for housing provident fund based upon the management's estimation for the claims against a subsidiary of the Group. In determining the provision for housing provident fund, the management made an assessment based on its best estimate and judgement of whether it is probable that an outflow of resources will be required to settle the claims, and, if applicable, the final amount of the settlements. The management considers in its assessment information about the nature and status of the claims. While the ultimate outcome of the claims will be higher or lower than the estimated provision made by the management, any increase or decrease in the estimates would affect the profit or loss in the future.

As at 31 December 2024, the carrying amount of the provision for housing provident fund is US$32,000 (2023: US$345,000).

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue

	2024	2023
	US$'000	US$'000
Revenue from contracts with customers:		
Manufacture and sales of footwear products	**1,499**	1,687
Revenue from other sources:		
Lease of properties	**4,368**	4,352
Total revenue	**5,867**	6,039

Revenue from manufacturing and sales of footwear

Revenue generated from manufacturing and sales of footwear products is recognised at a point in time.

The Group's contracts with customers for manufacturing and sales of footwear products are based on customer's specification with no alternative use to the Group. Taking into consideration for contract terms, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specified location.

Transportation and handling activities that occur before the customers obtain control are considered as fulfilment activities. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence and loss relation to the goods. The normal credit period is 60 days upon delivery.

The contracts for manufacture and sales of footwear products are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Revenue from lease of properties

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. All operating lease payments are fixed for both years.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) The following is an analysis of the Group's revenue and results by operating and reportable segments under HKFRS 8 *Operating Segments* ("HKFRS 8"), based on information reported to the Company's executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance, which are based on types of goods or services delivered or provided. The Group's operating and reportable segments under HKFRS 8 are as follows:

Segment revenue and results

For the year ended 31 December 2024

	Manufacture and sales of footwear products US$'000	Lease of properties US$'000	Total US$'000
REVENUE	1,499	4,368	5,867
RESULTS			
Segment results	(563)	1,168	605
Unallocated other income			632
Unallocated other gains and losses			268
Unallocated other expense			(586)
Unallocated corporate expenses			(2,675)
Loss before tax			(1,756)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) *(Continued)*

Segment revenue and results (Continued)

For the year ended 31 December 2023

	Manufacture and sales of footwear products US$'000	Lease of properties US$'000	Total US$'000
REVENUE	1,687	4,352	6,039
RESULTS			
Segment results	(1,161)	3,301	2,140
Unallocated other income			1,044
Unallocated other gains and losses			82
Unallocated other expense			(13)
Unallocated corporate expenses			(3,133)
Profit before tax			120

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the (loss incurred) profit earned by each segment without allocation of other income, other gains and losses, other expense and unallocated corporate expenses (including general and administrative expenses and interest expense on lease liabilities). This is the measure reported to the CODM for the purpose of resources allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) *(Continued)*

Other segment information

For the year ended 31 December 2024

	Manufacture and sales of footwear products US$'000	Lease of properties US$'000	Total US$'000
Amounts included in the measure of segment profit or loss:			
Depreciation of property, plant and equipment	**448**	**–**	**448**
Depreciation of right-of-use assets	**261**	**–**	**261**

For the year ended 31 December 2023

	Manufacture and sales of footwear products US$'000	Lease of properties US$'000	Total US$'000
Amounts included in the measure of segment profit or loss:			
Depreciation of property, plant and equipment	865	–	865
Depreciation of right-of-use assets	263	–	263

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) *(Continued)*

Geographical information

The Group's revenue from contracts with customer generated from manufacture and sales of footwear products based on the destination of the goods shipped or delivered, is detailed below:

	2024	2023
	US$'000	US$'000
United States of America	**704**	675
Morocco	**457**	86
Others	**338**	926
	1,499	1,687

The Group's rental income generated from lease of properties in the PRC amounted to US$4,368,000 (2023: US$4,352,000).

The Group's operations are located in the PRC and Hong Kong. The information about its non-current assets by geographical location and place of operations are detailed below:

	2024	2023
	US$'000	US$'000
PRC	**82,009**	86,513

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) *(Continued)*

Information about major customers

Revenue from customers which contributed over 10% of the Group's total revenue for the corresponding years are as follows:

	2024	2023
	US$'000	US$'000
Customer A*	**1,499**	1,687
Customer B**	**1,695**	1,711
Customer C**	**681**	722
Customer D**	**621**	636

* The revenue of the above customer is generated from the manufacturing and sales of footwear products to various locations in North America, Asia and Europe.

** The revenue of the above customers is generated from the lease of properties to the tenants in the PRC.

6. (LOSS) PROFIT BEFORE TAX

	2024 US$'000	2023 US$'000
(Loss) profit before tax has been arrived at after charging:		
Directors' emoluments (Note 7)	129	105
Other staff costs	1,762	2,040
Retirement benefits scheme contributions (note c)	133	154
Total staff costs	2,024	2,299
Capitalised in inventories	(512)	(965)
	1,512	1,334
Auditor's remuneration		
– Audit services	215	206
– Non-audit services	29	41
	244	247
Cost of inventories recognised as an expense including provision for housing provident fund (note a)	1,794	2,539
Depreciation of right-of-use assets	261	263
Depreciation of property, plant and equipment	448	865
Provision for housing provident fund (included in cost of sales and services) (Note 26)	2	29
Gross rental income from investment properties	(4,368)	(4,352)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	431	338
Rental income, net	(3,937)	(4,014)
and after (crediting) charging to other gains and losses:		
Net foreign exchange (gain) loss	(683)	53
Gain on disposal of property, plant and equipment	(160)	–
Net gain on fair value changes of financial assets at FVTPL	(119)	(134)
Loss on deregistration of a subsidiary	694	–
and after crediting to other income:		
Interest income	(308)	(301)
Write back of trade and other payables	–	(253)
Dividends from financial assets at FVTPL	(59)	(38)
and after charging to other expense:		
Redundancy costs (note b)	586	13

6. (LOSS) PROFIT BEFORE TAX *(Continued)*

notes:

a. During the year ended 31 December 2024, included in cost of inventories recognised as an expense is write down of inventories of US$1,000 (2023: US$25,000).

b. During the year ended 31 December 2024, the Group streamlined its business operation and carried out a series of staff integration due to the uncertainty of the global economic environment. Accordingly, the Group recognised redundancy costs of US$586,000 (2023: US$13,000).

c. Included in the retirement benefits scheme contributions is the state-managed retirement benefits scheme operated by the government of the PRC contributed by the employees of the Group's PRC subsidiaries and the MPF Scheme for all qualifying employees in Hong Kong.

7. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eight (2023: eight) directors and chief executive were as follows:

	Executive directors					Independent non-executive directors				
	Wu Chen San, Thomas	Wu Jenn Chang, Michael	Wu Jenn Tzong, Jackson	Wu Meng Lung	Ho Chin Fa, Steven	Lai Jenn Yang, Jeffrey	Liu Chung Kang, Helios	Wu Wen Yen	Huang Hung Ching	Total
	US$'000	US$'000	US$'000	US$'000 (note iii)	US$'000	US$'000	US$'000 (note i)	US$'000 (note ii)	US$'000	US$'000
2024										
Fees	–	–	–	–	–	8	–	8	8	24
Other emoluments										
Salaries	–	46	–	25	34	–	–	–	–	105
	–	46	–	25	34	8	–	8	8	129
2023										
Fees	–	–	–	–	–	8	3	6	8	25
Other emoluments										
Salaries	–	46	–	–	34	–	–	–	–	80
	–	46	–	–	34	8	3	6	8	105

notes:

(i) Mr. Liu Chung Kang, Helios was resigned as an independent non-executive director of the Company on 30 May 2023.

(ii) Mr. Wu Wen Yen was appointed as an independent non-executive director of the Company on 28 March 2023.

(iii) Ms. Wu Meng Lung was appointed as an executive director of the Company on 28 March 2024.

Mr. Wu Jenn Chang, Michael is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Neither the chief executive nor any of the directors waived any emoluments for the year ended 31 December 2024 (2023: nil).

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

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

8. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2023: two) are executive directors of the Company whose emoluments are included in the disclosure in Note 7 above. The emoluments of the remaining three (2023: three) individuals, are as follows:

	2024	2023
	US$'000	US$'000
Basic salaries and allowances	**156**	154
Retirement benefits scheme contributions	**5**	5
	161	159

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following band is as follows:

	2024	2023
	No. of employees	No. of employees
Nil to HK$1,000,000	**3**	3

No emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2024 and 2023.

9. TAX CREDIT

	2024 US$'000	2023 US$'000
Hong Kong Profits Tax		
Current year	**–**	6
Overprovision in prior years	**(4)**	(159)
	(4)	(153)
Deferred taxation (Note 22)	**(692)**	(178)
	(696)	(331)

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No provision has been made as the PRC subsidiaries incurred tax losses for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. No provision has been made as the group entities incorporated in these jurisdictions have no assessable profits for both years.

9. TAX CREDIT *(Continued)*

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

	2024	2023
	US$'000	US$'000
(Loss) profit before tax	**(1,756)**	120
Tax at the domestic income tax rate of 25% (2023: 25%) (note)	**(439)**	30
Tax effect of expenses not deductible for tax purposes	**235**	327
Tax effect of income not taxable for tax purposes	**(189)**	(49)
Tax effect of deductible temporary differences not recognised	**3**	7
Utilisation of deductible temporary differences previously not recognised	**(691)**	(121)
Overprovision in prior years	**(4)**	(159)
Tax effect of tax losses not recognised	**352**	8
Utilisation of tax losses previously not recognised	**(28)**	(410)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**65**	36
Tax credit for the year	**(696)**	(331)

note: This represents the tax rate in the jurisdiction where the operation of the Group is substantially based.

10. DIVIDENDS

	2024 US$'000	2023 US$'000
Dividends recognised as distribution to ordinary shareholders:		
Final dividend of HK$0.01 in respect of the year ended 31 December 2023 (2023: interim dividend of HK$0.01 in respect of the year ended 31 December 2023) per ordinary share	**943**	943
	943	943

An interim dividend of HK$0.01 per ordinary share in respect of the year ended 31 December 2023 has been proposed and paid by the directors of the Company (2024: nil). A final dividend of HK$0.01 per ordinary share in respect of the year ended 31 December 2024 (2023: HK$0.01) has been proposed by the directors of the Company.

11. (LOSS) EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the loss for the year attributable to owners of the Company of US$1,060,000 (2023: profit for the year attributable to owners of the Company of US$451,000) and on the number of ordinary shares of 730,650,000 (2023: 730,650,000) in issue during the year.

There are no potential dilutive ordinary shares in issue during the two years ended 31 December 2024 and 2023.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COST OR VALUATION							
At 1 January 2023	19,729	–	1,639	43,373	23,922	523	89,186
Exchange adjustments	38	–	3	41	42	1	125
Additions	–	30	–	34	4	–	68
Revaluation	(346)	–	–	–	–	–	(346)
At 31 December 2023	19,421	30	1,642	43,448	23,968	524	89,033
Exchange adjustments	(200)	–	(17)	(255)	(252)	(4)	(728)
Disposals	–	–	–	–	(231)	(21)	(252)
Revaluation	(779)	–	–	–	–	–	(779)
Transfer	–	(30)	–	30	–	–	–
At 31 December 2024	18,442	–	1,625	43,223	23,485	499	87,274
Comprising:							
At cost	–	–	1,625	43,223	23,485	499	68,832
At valuation – 2024	18,442	–	–	–	–	–	18,442
	18,442	–	1,625	43,223	23,485	499	87,274
DEPRECIATION AND IMPAIRMENT							
At 1 January 2023	–	–	1,639	43,359	23,914	486	69,398
Exchange adjustments	–	–	3	42	42	1	88
Provided for the year	852	–	–	4	2	7	865
Eliminated on revaluation	(852)	–	–	–	–	–	(852)
At 31 December 2023	–	–	1,642	43,405	23,958	494	69,499
Exchange adjustments	–	–	(17)	(254)	(252)	(3)	(526)
Provided for the year	432	–	–	7	2	7	448
Eliminated on disposals	–	–	–	–	(231)	(21)	(252)
Eliminated on revaluation	(432)	–	–	–	–	–	(432)
At 31 December 2024	–	–	1,625	43,158	23,477	477	68,737
CARRYING VALUES							
At 31 December 2024	18,442	–	–	65	8	22	18,537
At 31 December 2023	19,421	30	–	43	10	30	19,534

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Property, plant and equipment less their residual values over their estimated useful life are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease, or 2%
Leasehold improvements	Over the shorter of the term of the lease, or 20%
Plant and machinery	10%–20%
Furniture, fixtures and equipment	20%–33⅓%
Motor vehicles	20%

All the buildings are erected on land with medium-term land use rights in the PRC.

As at 31 December 2024, property, plant and equipment of US$65,345,000 (2023: US$66,464,000) have been fully depreciated and impaired but still in use.

Impairment assessment of Identified PPE and Identified ROU assets (as defined in this note)

Due to the continued unsatisfactory financial performance of manufacturing and sales of footwear products business, the management concluded there was no indication for reversal of impairment provided on recoverable amounts of property, plant and equipment ("Identified PPE") as disclosed in this note, and right-of-use assets ("Identified ROU assets") as disclosed in Note 14, with carrying amounts of US$18,537,000 and US$1,980,000 (2023: US$19,534,000 and US$2,052,000), respectively.

For buildings included in Identified PPE amounting to US$18,442,000 (2023: US$19,421,000) and leasehold lands included in Identified ROU assets amounting to US$1,763,000 (2023: US$1,947,000), as their individual fair value less costs of disposal were higher than the carrying amounts, no impairment loss on these buildings included in Identified PPE and leasehold lands included in Identified ROU assets were recognised in profit or loss during the year ended 31 December 2024 and 31 December 2023.

As at 31 December 2024, the accumulated impairment loss of the related Identified PPE and Identified ROU assets are US$7,531,000 (2023: US$7,531,000) and US$913,000 (2023: US$913,000), respectively, which were recognised on the assets included in the Identified PPE and the Identified ROU assets other than the aforesaid buildings and leasehold lands.

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Fair value measurement and valuation process of the Group's buildings

The buildings were revalued at 31 December 2024 by RHL Appraisal Limited ("RHL") on an income approach. RHL is an independent qualified professional valuers not connected with the Group. The valuation report on these buildings is signed by a director of RHL who is a member of the Hong Kong Institute of Surveyors, and was arrived at by reference to the key inputs, including reversionary yield, comparable market rents of similar properties, vacancy ratio and land yield.

The senior management reports the valuation findings to the board of directors every year to explain the cause of fluctuations in the fair value of the assets.

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

A revaluation decrease of US$347,000 (2023: increase of US$506,000) has been recorded directly to properties revaluation reserve for the year ended 31 December 2024.

If the buildings in the PRC had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of US$6,213,000 (2023: US$6,605,000).

There were no transfers into or out of Level 3 during both years. The following table gives information about how the fair values of the buildings are determined (in particular, the valuation techniques and key inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Fair value measurement and valuation process of the Group's buildings *(Continued)*

Buildings held by the Group	Fair value 2024 US$'000	2023 US$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
The PRC						
Industrial buildings and staff quarters	**18,442**	19,421	Level 3	Income approach The key inputs are: (1) Reversionary yield (2) Monthly market rent (3) Vacancy ratio (4) Land yield	Reversionary yield of 8% (2023: 8%) per annum, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future	The higher the reversionary yield, the lower the fair value, and vice versa
					Monthly rent, based on internal floor area using direct market comparables and taking into account of age, location and individual factors such as size of properties and layout which ranged from Renminbi ("RMB") RMB13 to RMB23 (2023: RMB13 to RMB23) per square meter	The higher the monthly rent the higher the fair value, and vice versa
					Vacancy ratio of 18% (2023: 15%), based on available market data of similar buildings in nearby location	The higher the vacancy ratio, the lower the fair value, and vice versa
					Land yield of 5.0% (2023: 5.3%), based on available market data of similar location	The higher the land yield, the lower the fair value, and vice versa

13. INVESTMENT PROPERTIES

The Group leases out various buildings under operating leases with rentals receivable monthly. The lease contracts are entered into for fixed term of 3 to 15 years (2023: 3 to 15 years), with extension option to extend the lease beyond the periods held by lessees only.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

For the year ended 31 December 2024, the total cash outflow for ROU assets classified as investment properties is US$431,000 (2023: US$338,000).

	US$'000
Fair Value	
At 1 January 2023	65,518
Decrease in fair value recognised in profit or loss	(713)
Exchange adjustments	122
At 31 December 2023	64,927
Decrease in fair value recognised in profit or loss	(2,769)
Exchange adjustments	(666)
At 31 December 2024	61,492

All of the Group's investment properties are located in the PRC.

The fair value of the Group's investment properties as at 31 December 2024 has been arrived at on the basis of a valuation carried out on the respective dates by RHL. The fair value decrease is mainly attributable to the increase in the vacancy ratio in the market during the year. (2023: The fair value decrease is mainly attributable to the decrease of monthly rent noted in the direct market comparable during the year.).

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

The Group's investment properties are categorised within level 3 of the fair value hierarchy as at 31 December 2024.

13. INVESTMENT PROPERTIES *(Continued)*

There were no transfers into or out of Level 3 during the year.

Investment properties held by the Group	Fair value 2024 US$'000	Fair value 2023 US$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
The PRC						
Industrial buildings and staff quarters	**61,492**	64,927	Level 3	Income approach The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly market rent (4) Vacancy ratio (5) Land yield	Term yield ranged from 5.0% to 7.0% (2023: 5.3% to 7.0%) per annum Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future, which ranged from 6.0% to 8.0% (2023: 6.3% to 8.0%) per annum	The higher the term yield and reversionary yield, the lower the fair value, and vice versa
					Monthly rent, based on internal floor area using direct market comparables and taking into account of age, location and individual factors such as size of properties and layout, which ranged from RMB7 to RMB23 (2023: RMB7 to RMB23) per square meter	The higher the monthly rent the higher the fair value, and vice versa
					Vacancy ratio of 18% (2023: 15%), based on available market data of similar buildings in nearby location	The higher the vacancy ratio, the lower the fair value, and vice versa
					Land yield of 5.0% (2023: 5.3%), based on available market data of similar location	The higher the land yield, the lower the fair value, and vice versa

14. RIGHT-OF-USE ASSETS

	Leasehold lands US$'000	Office premise US$'000	Total US$'000
At 31 December 2024			
Carrying amount	1,763	217	1,980
At 31 December 2023			
Carrying amount	1,947	105	2,052
For the year ended 31 December 2024			
Depreciation charge	164	97	261
For the year ended 31 December 2023			
Depreciation charge	166	97	263

	2024 US$'000	2023 US$'000
Expense relating to short-term lease	**122**	151
Total cash outflow for leases	**269**	297
Addition to right-of-use assets	**208**	–

	2024 US$'000	2023 US$'000
Leasehold lands with land certificates	**1,763**	1,947

14. RIGHT-OF-USE ASSETS *(Continued)*

Right-of-use assets are depreciated on a straight-line basis over the shorter of estimated useful life and lease term, which is 5 years for office premise (2023: 5 years) and 50 years for leasehold lands (2023: 50 years).

For both years, the Group leases office premise for its operations. Lease contracts are entered into for fixed term of 5 years for office premises. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests.

Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Impairment assessment

Particulars regarding impairment testing of Identified ROU assets are set out in Note 12.

15. INVENTORIES

	2024 US$'000	2023 US$'000
Raw materials	99	41
Work in progress	–	196
Finished goods	5	105
	104	342

16. TRADE AND OTHER RECEIVABLES

	2024 US$'000	2023 US$'000
Trade receivables		
– contracts with customers	299	702
– operating lease receivables	1,649	–
	1,948	702
Prepayment and other deposit	224	157
Refundable rental deposit	53	33
Accrued rentals	406	439
Other receivables	561	387
Total trade and other receivables	3,192	1,718
Less: accrued rentals shown under non-current assets	(406)	(439)
	2,786	1,279

As at 1 January 2023, trade receivables from contracts with customers amounted to US$1,741,000.

16. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2024	2023
	US$'000	US$'000
0–30 days	**221**	411
31–60 days	**313**	249
Over 60 days	**1,414**	42
Total trade receivables	**1,948**	702

As at 31 December 2024, included in the Group's trade receivables balances are debtors with aggregate carrying amount of US$1,414,000 (2023: US$42,000) which are past due as at the reporting date. Out of the past due balances, US$1,295,000 (2023: nil) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history, the financial conditions, the current credit worthiness of customers and the forward-looking information.

The Group's rental income are based on effective accrued rentals after taking into account of rent free period and progressive rentals which are recorded as unbilled rental receivables. Rental receivables are invoiced to tenants on a monthly basis after the rent free period and are due for settlement upon the issuance of invoices.

Accrued rentals of the Group amount to US$406,000 (2023: US$439,000) represented the unbilled rental receivables. Accrued rentals will be collected in more than 1 year and the whole amount are classified under non-current assets.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

	2024	2023
	US$'000	US$'000
Listed securities held for trading:		
Equity securities listed in Hong Kong	**704**	585

18. TIME DEPOSITS AND BANK BALANCES AND CASH

The time deposits with maturity of more than three months and within 1 year carry interest at market rate of 1.25% (2023: N/A) per annum.

Bank balances and cash comprises cash held by the Group and short-term bank deposits (other than fixed-rate fixed-term bank deposits) that are interest-bearing at market interest rates, ranging from 0.001% to 0.875% (2023: 0.001% to 0.875%) per annum.

Included in bank balances and cash, fixed bank deposits of US$4,182,000 (2023: US$5,374,000) carry interest ranging from 4.58% to 5.77% (2023: 4.42% to 5.77%) per annum and the fixed bank deposits have an original maturity term of 3 months.

The Group's time deposits and bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2024	2023
	US$'000	US$'000
US$	**301**	35
HK$	**189**	208

Details of impairment assessment of time deposits and bank balances are set out in Note 28.

19. TRADE AND OTHER PAYABLES

	2024	2023
	US$'000	US$'000
Trade payables	**11**	110
Accrued payroll	**271**	248
Accrued expenses	**319**	393
Rental deposit received	**634**	665
Value-added tax and other tax payables	**220**	271
Others	**133**	450
	1,588	2,137

19. TRADE AND OTHER PAYABLES *(Continued)*

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2024	2023
	US$'000	US$'000
0–30 days	**1**	34
31–60 days	**–**	17
Over 60 days	**10**	59
Total trade payables	**11**	110

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

20. LEASE LIABILITIES

	2024	2023
	US$'000	US$'000
Lease liabilities payable:		
Within one year	**79**	111
Within a period of more than one year but not more than two years	**82**	20
Within a period of more than two years but not more than five years	**128**	45
Within a period of more than five years	**597**	624
	886	800
Less: Amount due for settlement within 12 months shown under current liabilities	**(79)**	(111)
Amount due for settlement after 12 months shown under non-current liabilities	**807**	689

21. SHARE CAPITAL

	Number of shares	Amount
		US$'000
Authorised:		
Ordinary shares of Hong Kong dollar ("HK$") 0.10 each		
At 1 January 2023, 31 December 2023 and 31 December 2024	1,500,000,000	19,355
Convertible non-voting preference shares of US$100,000 each (note)		
At 1 January 2023, 31 December 2023 and 31 December 2024	150	15,000
		34,355

	Number of shares		Amount	
	2024	2023	**2024**	2023
	'000	'000	**US$'000**	US$'000
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**730,650**	730,650	**9,428**	9,428

note: Convertible non-voting preference shares, when issued and outstanding, will carry a fixed cumulative dividend. Under certain circumstances, they will also be entitled to an additional dividend and can be convertible into ordinary shares of the Company. No convertible non-voting preference shares were ever issued.

22. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Revaluation of buildings in the PRC US$'000	Revaluation of investment properties in the PRC US$'000	Total US$'000
At 1 January 2023	3,245	13,122	16,367
Charge to other comprehensive expense	127	–	127
Credit to profit or loss	–	(178)	(178)
Exchange adjustments	4	25	29
At 31 December 2023	3,376	12,969	16,345
Credit to other comprehensive expense	(86)	–	(86)
Credit to profit or loss	–	(692)	(692)
Exchange adjustments	(36)	(132)	(168)
At 31 December 2024	3,254	12,145	15,399

At 31 December 2024, the Group had unused tax losses of US$4,974,000 (2023: US$14,656,000) and deductible temporary difference arising from accrued rentals, provision for housing provident funds and impairment provided for Identified PPE and Identified ROU assets of US$1,781,000 (2023: US$4,536,000) available for offset against future taxable profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$4,298,000 (2023: US$14,048,000) that will expire in 2025 to 2029 (2023: 2024 to 2028). Other losses may be carried forward indefinitely.

23. OPERATING LEASE

The Group as lessor

Undiscounted lease payments receivable on leases are as follows:

	2024	2023
	US$'000	US$'000
Within one year	**3,890**	3,981
In the second year	**3,875**	3,557
In the third year	**3,069**	3,542
In the fourth year	**2,153**	2,728
In the fifth year	**2,120**	1,801
After five years	**10,226**	12,104
	25,333	27,713

All of the properties held by the Group for rental purposes have committed tenants for the tenancy ranging from 3 to 15 years (2023: 3 to 15 years) and the rentals are pre-determined at fixed amounts with progressive increase. The lease commitments presented above is based on the existing committed monthly minimum lease payments.

24. RETIREMENT BENEFITS SCHEMES

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the government of the PRC. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expenses recognised in profit or loss of US$133,000 (2023: US$154,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans. During the years ended 31 December 2024 and 2023, the Group had no forfeited contributions under those schemes which may be used by the Group to reduce the contributions.

25. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2024	2023
	US$'000	US$'000
Short-term employee benefits	**279**	257
Post-employment benefits	**2**	2
	281	259

The remuneration of directors and key executives is determined with reference to the Group's operating results, individual performance and comparable market statistics.

26. PROVISION FOR HOUSING PROVIDENT FUND

There were claims made against a subsidiary of the Group in respect of housing provident fund which were initiated by the employees of the subsidiary, and the Group has lodged appeals against these claims. Up to the date of this report, part of the claims are still under progress while certain appeals are still under review by the court. While the ultimate outcome of these claims and legal proceedings cannot presently be reliably estimated, after considering the current facts and circumstances, provision for housing provident fund of US$2,000 (2023: US$29,000) has been made in profit or loss during the year ended 31 December 2024. During the year ended 31 December 2024, claims amounting to US$323,000 (2023: US$106,000) has been settled by the Group. The directors of the Company believe that adequate provisions has been made in the Group's consolidated financial statements as at 31 December 2024 and 2023.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts.

28. FINANCIAL INSTRUMENTS

28a. Categories of financial instruments

	2024	2023
	US$'000	US$'000
Financial assets		
Financial assets at FVTPL	**704**	585
Amortised cost	**11,352**	10,980
Financial liabilities		
Amortised cost	**778**	1,225
Lease liabilities	**886**	800

28b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, financial assets at FVTPL, time deposits, bank balances and cash, trade and other payables and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risks.

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group has certain trade and other receivables, bank balances and trade and other payables that are denominated in foreign currencies of the relevant group entities.

28. FINANCIAL INSTRUMENTS *(Continued)*

28b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

The carrying amounts of the Group's monetary assets and monetary liabilities, that are denominated in currencies other than the functional currencies of the relevant group entities at the reporting date are as follows:

	2024	2023
	US$'000	US$'000
Current assets denominated in:		
US$	**301**	35
HK$	**189**	208
Current liabilities denominated in:		
US$	**17**	16

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In addition, intercompany balances denominated in foreign currencies are as follows:

	2024	2023
	US$'000	US$'000
Current liabilities denominated in:		
US$	**35,163**	35,111

28. FINANCIAL INSTRUMENTS *(Continued)*

28b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in US$ and HK$ against RMB, and US$ against NT$.

The following table details the Group's sensitivity to a 5% (2023: 5%) increase and decrease in exchange rates where the functional currencies of the relevant group entities against the relevant foreign currencies. 5% (2023: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A negative number below indicates an increase in loss for the year/a decrease in profit for the year where the functional currencies of the relevant group entities 5% (2023: 5%) strengthen against the relevant foreign currencies of the group entities. For a 5% (2023: 5%) weakening of the functional currencies of the relevant group entities against the relevant foreign currencies of the group entities, there would be an equal and opposite impact on the profit for the year of the Group and the amounts below would be positive.

	Decrease (increase) in loss for the year/ increase (decrease) in profit for the year	
	2024	2023
	US$'000	US$'000
US$	**1,308**	1,316
HK$	**(7)**	(8)

28. FINANCIAL INSTRUMENTS *(Continued)*

28b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see Note 20 for details) and fixed-rate fixed bank deposits (see Note 18 for details). The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits (see Note 18 for details). The Group continues to monitor the exposure on interest rate risk and will consider hedging the interest rate should the need arise.

The Group's bank balances carry floating-rate of interests and have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates. However, the Group considers that the bank balances are within short maturity period, and the fluctuation in interest rate and the cash flow interest rate risk arising from bank balances are insignificant.

In the management's opinion, the Group does not have material interest rate risk exposure and hence no sensitivity analysis is presented.

(iii) Price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. For equity securities measured at FVTPL quoted in The Stock Exchange of Hong Kong Limited, the management manages this exposure by monitoring its portfolio of investments.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective equity instruments had been 15% (2023: 15%) higher/lower, the loss for the year ended 31 December 2024 would decrease/increase by US$106,000 (2023: the profit for the year ended increase/decrease by US$88,000) as a result of the changes in fair value of investments at FVTPL.

28. FINANCIAL INSTRUMENTS *(Continued)*

28b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables and other receivables, accrued rentals, refundable rental deposit and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables on contract with customers and operating lease receivables

As at 31 December 2024, the Group has concentration of credit risk by customers as 20% and 80% of the Group's total trade receivables were due from its sole customer in sales of footwear and a tenant in lease of properties, respectively (2023: 100% of the Group's total trade receivables were due from its sole customer in sales of footwear). In order to minimise the credit risk on its trade debts, the Group's finance and sales team is responsible for determination of credit limits, credit approvals and other monitoring procedures for its customers to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The sole customer in sales of footwear is a well-known manufacturer of footwear in the industry, which has a good repayment history. In addition, the Group performs impairment assessment under ECL model on trade receivables on contract with customers and operating lease receivables individually.

Other receivables, refundable rental deposit and bank balances

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation.

28. FINANCIAL INSTRUMENTS *(Continued)*

28b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Other receivables, refundable rental deposit and bank balances (Continued)

The Group has considered that credit risk on other receivables, refundable rental deposit and bank balances has not increased significantly since initial recognition and has assessed the ECL rate under 12m ECL method based on the Group's assessment in the risk of default of the respective counterparties.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and accrued rentals	Other financial assets
Grade 1	The counterparty has a low risk of default and does not have any material past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Grade 2	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Grade 3	There is evidence indicating that the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Grade 4	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The estimated loss rates are estimated based on historical observed default rates over the expected lives of the debtors and are adjusted for forward-looking information, including but not limited to expected growth rate of the industry, that available without undue cost or effort.

28. FINANCIAL INSTRUMENTS *(Continued)*

28b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Other receivables, refundable rental deposit and bank balances (Continued)

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	Internal/external credit rating	12m or lifetime ECL	Gross carrying amount 2024 US$'000	2023 US$'000
Financial assets at amortised cost					
Trade receivables					
– contract with customers	16	Grade 1 (note 1)	Lifetime ECL	**299**	702
– operating lease receivables	16	Grade 1 (note 1)	Lifetime ECL	**1,649**	–
				1,948	702
Other receivables	16	Grade 1 (note 2)	12m ECL	**561**	387
Refundable rental deposit	16	Grade 1 (note 2)	12m ECL	**53**	33
Time deposits	18	A1	12m ECL	**139**	–
Bank balances	18	Ranged from Aa3 to A2 (note 3)	12m ECL	**8,628**	9,832

notes:

1. For trade receivables on contract with customers and operating lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL individually based on the historical credit losses experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

   For the year ended 31 December 2024, the Group performed impairment assessment on trade receivables on contract with customers and operation lease receivables and concluded that the probability of defaults of the counterparty are insignificant and accordingly, no allowance for credit losses is provided.

28. FINANCIAL INSTRUMENTS *(Continued)*

28b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Other receivables, refundable rental deposit and bank balances (Continued)

notes: *(Continued)*

2. For the purposes of internal credit risk management, the Group has considered that credit risk on other receivables and refundable rental deposit has not increased significantly since initial recognition and has assessed the ECL rate under 12m ECL method based on the Group's assessment in the risk of default of the respective counterparties.

   The Group closely monitors the past-due information of other debtors. In addition, the Company performs impairment assessment under ECL model on other receivables and refundable rental deposit individually based on the assessment in the risk of default of the respective counterparties. For the year ended 31 December 2024 and 2023, the Group has assessed that the expected loss rates for other receivables and refundable rental deposit were insignificant. Thus, no loss allowance for other receivables and refundable rental deposit were recognised.

3. The credit risk on time deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. All the financial liabilities at the end of the reporting period are non-interest bearing and repayable on demand.

28. FINANCIAL INSTRUMENTS *(Continued)*

28b. Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity tables

	Weighted average interest rate	On demand or less than 1 month US$'000	1–3 months US$'000	3 months to 1 year US$'000	1–5 years US$'000	>5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount 31.12.2024 US$'000
2024								
Trade and other payables	–	778	–	–	–	–	778	778
Lease liabilities	3.42% – 5.55%	–	28	93	344	876	1,341	886
Subtotal		778	28	93	344	876	2,119	1,664

	Weighted average interest rate	On demand or less than 1 month US$'000	1–3 months US$'000	3 months to 1 year US$'000	1–5 years US$'000	>5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount 31.12.2023 US$'000
2023								
Trade and other payables	–	1,225	–	–	–	–	1,225	1,225
Lease liabilities	3.42% – 4.90%	–	26	123	192	925	1,266	800
Subtotal		1,225	26	123	192	925	2,491	2,025

28. FINANCIAL INSTRUMENTS *(Continued)*

28c. Fair value measurements of financial instruments

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial asset	Fair value as at 31 December 2024 US$'000	Fair value as at 31 December 2023 US$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets mandatorily measured at FVTPL	**704**	585	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1, 2 and 3 during both years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including cash changes and non-cash charges. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable	Lease liabilities	Total
	US$'000	US$'000	US$'000
At 1 January 2023	–	905	905
Financing cash flows	(943)	(146)	(1,089)
Interest expense on lease liabilities	–	40	40
Exchange adjustments	–	1	1
Declaration of dividends	943	–	943
At 31 December 2023	–	800	800
Financing cash flows	(943)	(147)	(1,090)
Interest expense on lease liabilities	–	35	35
Exchange adjustments	–	(7)	(7)
Declaration of dividends	943	–	943
New lease entered	–	205	205
At 31 December 2024	–	886	886

30. DETAILS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2024 and 2023 are as follows:

Name of subsidiaries	Place of establishment/ operations	Issued and fully paid share capital/ registered capital	Attributable equity interest and voting power held by the Company Directly	Indirectly	Principal activities
W.P.T. Development Inc.	British Virgin Islands/ Hong Kong	Ordinary US$8	100%	–	Investment holding
Pacific Footgear Corporation	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Marketing and trading in footwear
Topstair International (H.K.) Company Limited	Hong Kong	Ordinary HK$10,000	–	100%	Trading in footwear and provision of administrative services to group companies
Universal Footgear Corporation	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Marketing
Pacific View Marketing Limited	Hong Kong	Ordinary HK$8	–	100%	Inactive
P&S Marketing Group Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Inactive
Wuco Corporation	British Virgin Islands/ Hong Kong	Ordinary US$8	–	100%	Trading in footwear and investment holding
Nagano Management	British Virgin Islands/ Hong Kong	Ordinary US$11	–	100%	Investment holding
台灣松鄴國際有限公司	Taiwan	Registered capital NT$5,000,000	–	100%	Trading in raw materials of footwear
廣州市番禺創信鞋業有限公司*	PRC	Registered capital US$42,800,000	–	100%	Leasing of investment properties to generate rental income, manufacture of footwear and footwear materials
廣州創信鞋品服飾有限公司*	PRC	Registered capital RMB25,500,000	–	100%	Marketing and trading in footwear in the PRC

30. DETAILS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of establishment/ operations	Issued and fully paid share capital/ registered capital	Attributable equity interest and voting power held by the Company Directly	Indirectly	Principal activities
廣州市怡秀鞋業有限公司*	PRC	Registered capital RMB500,000	–	100%	Marketing and trading in footwear in the PRC
廣州市豐群鞋業有限公司*	PRC	Registered capital US$10,600,000	–	100%	Manufacture of footwear and footwear materials

* Established in the PRC as a wholly foreign-owned enterprise.

None of the subsidiaries had issued any debt securities at the end of the year.

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2024	2023
	US$'000	US$'000
Non-current assets		
Investments in subsidiaries	**26,465**	26,465
Amount due from a subsidiary	**26,795**	25,755
	53,260	52,220
Current assets		
Amount due from a subsidiary	**576**	576
Dividend receivables	**2,000**	2,000
Other receivables	**144**	110
Bank balances	**18**	18
	2,738	2,704
Current liabilities		
Other payables	**113**	156
Amounts due to a subsidiary	**3,920**	2,924
	4,033	3,080
Net current liabilities	**(1,295)**	(376)
	51,965	51,844
Capital and reserves		
Share capital	**9,428**	9,428
Reserves	**42,537**	42,416
	51,965	51,844

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in the Company's reserves

	Share premium US$'000	**Contributed surplus** US$'000	**Translation reserve** US$'000	**Retained profits** US$'000	**Total** US$'000
At 1 January 2023	21,637	19,486	–	1,151	42,274
Profit for the year	–	–	–	1,096	1,096
Exchange differences arising on translation to presentation currency	–	–	(11)	–	(11)
Dividends recognised as distributions	–	–	–	(943)	(943)
At 31 December 2023	21,637	19,486	(11)	1,304	42,416
Profit for the year	–	–	–	1,065	1,065
Exchange differences arising on translation to presentation currency	–	–	(1)	–	(1)
Dividends recognised as distributions	–	–	–	(943)	(943)
At 31 December 2024	21,637	19,486	(12)	1,426	42,537

The contributed surplus of the Company represents the difference between the value of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company under a corporate reorganisation undertaken in 1996.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2020 US$'000	2021 US$'000	2022 US$'000	2023 US$'000	**2024** **US$'000**
Revenue	3,352	7,308	9,254	6,039	**5,867**
(Loss) profit before tax	320	(1,162)	1,833	120	**(1,756)**
Tax credit (expense)	(945)	205	(150)	331	**696**
Profit (loss) for the year	(625)	(957)	1,683	451	**(1,060)**

ASSETS AND LIABILITIES

	At 31 December				
	2020 US$'000	2021 US$'000	2022 US$'000	2023 US$'000	**2024** **US$'000**
Total assets	67,884	101,855	99,614	99,016	**94,799**
Total liabilities	(14,969)	(22,239)	(21,067)	(20,236)	**(18,516)**
Total equity	52,915	79,616	78,547	78,780	**76,283**