PROSPEROUS INDUSTRIAL
(HOLDINGS) LIMITED
其利工業集團有限公司
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)
STOCK CODE：1731

2024 Annual Report

Contents

Corporate Information

EXECUTIVE DIRECTORS
Mr. Yeung Shu Kin *(Chairman)*
Mr. Yeung Shu Kai
Mr. Yeung Wang Tony

NON-EXECUTIVE DIRECTORS
Mr. Chau Chi Ming
Mr. Lin Wang-Chyan

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Chiu Che Chung Alan
Ms. Sze Tak On
Mr. Wong Kwun Ho

AUDIT COMMITTEE
Ms. Sze Tak On *(Committee Chairman)*
Mr. Chiu Che Chung Alan
Mr. Wong Kwun Ho

NOMINATION COMMITTEE
Mr. Wong Kwun Ho *(Committee Chairman)*
Mr. Chiu Che Chung Alan
Mr. Yeung Shu Kin

REMUNERATION COMMITTEE
Mr. Chiu Che Chung Alan *(Committee Chairman)*
Ms. Sze Tak On
Mr. Yeung Shu Kin

CHIEF EXECUTIVE OFFICER
Mr. Yeung Shu Hung

COMPANY SECRETARY
Ms. Zhang Xiao

AUTHORISED REPRESENTATIVES
Mr. Yeung Wang Tony
Ms. Zhang Xiao

AUDITOR
Ernst & Young
Certified Public Accountants and
Registered Public Interest Entity Auditor

REGISTERED OFFICE
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 1–2, 1/F, Join-In Hang Sing Centre
71–75 Container Port Road
Kwai Chung, New Territories
Hong Kong

COMPANY'S WEBSITE
www.pihl.hk

PRINCIPAL SHARE REGISTRAR
Conyers Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR
Tricor Investor Services Limited

PRINCIPAL BANKER
Shanghai Commercial Bank Limited

STOCK CODE
1731

Financial Highlights

	2024	2023
Key financial information		
Revenue (US$'000)	**243,612**	208,138
Gross profit (US$'000)	**60,754**	43,752
Profit for the year (US$'000)	**29,842**	14,879
Basic and diluted earnings per share (US cents)	**2.66**	1.33
Total assets (US$'000)	**220,556**	195,692
Total equity (US$'000)	**170,908**	148,951
Key financial ratios		
Gross profit margin (%)	**24.9**	21.0
Current ratio[(1)]	**3.8**	3.6
Quick ratio[(2)]	**3.0**	2.7
Gearing ratio (%)[(3)]	**–**	–

Notes:

1. Current ratio was calculated as total current assets divided by total current liabilities.

2. Quick ratio was calculated as total current assets less inventories, and divided by total current liabilities.

3. Gearing ratio was calculated as total debt, excluding lease liabilities, divided by total equity.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Prosperous Industrial (Holdings) Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the annual report of the Company for the year ended 31 December 2024 (the "**Year**").

The global business environment in 2024 had been dynamic and complex, influenced by geopolitical developments, inflationary pressures and changing consumer preferences. Despite these headwinds, the Group upheld its steadfast commitment to resilience, adaptability and innovation, enabling us to serve renowned multinational sports and lifestyle brand owners with quality, achieve stable performance and further strengthen our foundation for sustainable growth. Meanwhile, we saw encouraging signs of recovery in the packs and bags market, particularly in the sports and outdoor category, following the end of the destocking cycle seen in previous years.

A notable business highlight of the Group for the Year was the resurgence in customer orders shipped to the People's Republic of China (the "**PRC**") and Europe from last year. This has led to higher utilisation rates across our multi-regional manufacturing platform, especially in our PRC production base, which primarily serves the domestic market. We are proud to report total revenue of approximately US$243.6 million for the Year, an increase of approximately 17% from 2023. Our unwavering focus on operational excellence and disciplined cost control has driven further improvements in profit margins. Net profit for the Year also reached a record high to approximately US$29.8 million. It is a testament to the strength of our business model and the dedication of our talented team.

Looking ahead, the Group remains committed to our core values of integrity, excellence and innovation. We will continue to capitalize on opportunities in the global bags and packs market by deepening customer relationships, enhancing our product offerings and expanding our presence in key markets. In doing so, we will remain guided by our principles of prudent risk management, operational efficiency and sustainability. With the competitive advantages of our multi-regional manufacturing platform, we are well-positioned to attract renowned brand owners, thereby expanding our customer base and revenue channels. Our focus remains steadfast on delivering exceptional value to our stakeholders while navigating the evolving market landscape.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my heartfelt appreciation to our investors, customers, business partners and government officials for the unwavering support and confidence in our vision over the years, which is vital to our success. I also extend my sincere appreciation to our valued customers for your trust and loyalty, which are the cornerstones of our business. Additionally, I would like to express my gratitude to all our management team and employees for their dedication and commitment to excellence, which enables us to deliver exceptional products and services to our customers. Together, we will navigate the path to further success and create long-term value for the shareholders of the Company (the "**Shareholders**").

Yours sincerely,

Yeung Shu Kin
Chairman

Hong Kong
21 March 2025

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. YEUNG Shu Kin ("Mr. Herman Yeung"), aged 76, was first appointed as a director of the Company ("**Director**") on 12 May 2004. He was appointed as the chairman of the Board on 15 December 2017 and was re-designated as an executive Director on 29 March 2018. Mr. Herman Yeung is also a director and supervisor of certain subsidiaries of the Group. Mr. Herman Yeung is mainly responsible for providing overall management and strategic development of the Group and has over 39 years of experience in the manufacturing industry.

Mr. Herman Yeung graduated from Moral Training English College in Hong Kong in November 1969. He joined the Group as a managing director between April 1985 and June 2004, mainly responsible for providing overall management and strategic development. In July 2004, he was redesignated as the chief operation officer for the Hong Kong region and mainly responsible for providing overall management and strategic development.

Mr. Herman Yeung is the brother of Mr. Yeung Shu Hung, the Chief Executive Officer, and Mr. Yeung Shu Kai, an executive Director, the brother in-law of Mr. Yeung Ming Sum Richard ("**Mr. Yeung**"), a substantial shareholder of the Company, and the uncle of Mr. Yeung Wang Tony, an executive Director, and Mr. Yeung Theodore Tat, the senior management of the Company.

Mr. YEUNG Shu Kai ("Mr. Philip Yeung"), aged 65, was appointed as a Director on 1 August 2017 and was re-designated as an executive Director on 29 March 2018. Mr. Philip Yeung is also a director of certain subsidiaries of the Group. Mr. Philip Yeung is responsible for overseeing the quality control function of the factories in the PRC and has over 41 years of experience in the manufacturing industry.

He worked as an export assistant at Milagros (Far East) Limited between January 1983 and March 1985. Between April 1985 and June 2004, Mr. Philip Yeung was employed by a subsidiary of the Group as a senior director and was mainly responsible for setting quality assurance policies and procedures for products manufactured. From July 2004, he was employed by another subsidiary of the Group as a senior director for the quality assurance department and was mainly responsible for setting quality assurance policies and procedures for products manufactured.

Mr. Philip Yeung received a diploma in business administration and an advanced diploma in business administration from The Society of Business Practitioners in October 2000 and February 2002, respectively.

Mr. Philip Yeung is the brother of Mr. Yeung Shu Kin, the Chairman and an executive Director, and Mr. Yeung Shu Hung, the Chief Executive Officer, the brother-in-law of Mr. Yeung, a substantial shareholder of the Company, and the uncle of Mr. Yeung Wang Tony, an executive Director, and Mr. Yeung Theodore Tat, the senior management of the Company.

Mr. YEUNG Wang Tony ("Mr. Tony Yeung"), aged 51, joined the Group in January 2000 and appointed as an executive Director on 31 March 2020. He is also a director of certain subsidiaries of the Group. He has been a project director of the Company since 1 September 2017 and is responsible for overseeing the retail business and projects of the Group.

Mr. Tony Yeung obtained his bachelor's degree in science from the Babson College in the United States in May 1995. Mr. Tony Yeung is the son of Mr. Yeung, the substantial shareholder of the Company, the brother of Mr. Yeung Theodore Tat, the senior management of the Company and the nephew of Mr. Herman Yeung, the Chairman and an executive Director, Mr. Philip Yeung, an executive Director and Mr. Edmond Yeung, the Chief Executive Officer.

Biographies of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. CHAU Chi Ming ("Mr. Chau"), aged 61, was appointed as non-executive Director on 31 March 2020. He is a senior director of Finance & Treasury Department of Yue Yuen Industrial (Holdings) Limited ("**Yue Yuen**") a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 551), responsible for daily financial management and treasury functions. He is also a director of certain subsidiaries of Yue Yuen. He was the company secretary of Yue Yuen from 12 January 2014 to 23 March 2016 and 31 July 2019 to 11 August 2023. Mr. Chau had worked in an international bank and gained corporate banking experience before joining Yue Yuen in 1993.

Mr. Chau graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree, majoring in Finance. He is a member of The Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants of the United Kingdom.

Mr. LIN Wang-Chyan ("Mr. Lin"), aged 59, was appointed as non-executive Director on 19 June 2024. He is a director of operations of Pou Chen Corporation ("**Pou Chen**"), a company listed on Taiwan Stock Exchange (stock code: 9904 TSE), responsible for overseeing the global supply chain management function since March 2024. Between August 2016 and March 2024, Mr. Lin held senior positions in the human resources management functions in Pou Chen and its subsidiaries. Mr. Lin is also a director of Nan Pao Resins Chemical Co., Ltd (stock code: 4766 TSE) and a director of San Fang Chemical Industry Co., Ltd, (stock code: 1307 TSE). Mr. Lin graduated from Tunghai University of Taiwan in 1993 with a Master of Philosophy.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIU Che Chung Alan ("Mr. Chiu"), aged 44, was appointed as the independent non-executive Director, the members of the audit committee and the nomination committee and the chairman of the remuneration committee of the Company on 19 June 2018.

Between November 2008 and October 2010. Mr. Chiu served as a financial planning manager at Centaline Financial Services Limited. From November 2010 to February 2023, Mr. Chiu served as a senior investment manager in Springland (Hong Kong) Limited, an investment holding company, responsible for private fund operation and internal financial analysis. Mr. Chiu now serves as a business development manager of City Joiner Limited.

Mr. Chiu graduated from York University in Canada with a bachelor of arts, majoring in Economics.

Ms. SZE Tak On ("Ms. Sze"), aged 55, was appointed as an independent non-executive Director, the chairman of audit committee and a member of remuneration committee of the Company with effect on 4 August 2023. She is the financial controller and company secretary of Century Legend (Holdings) Limited, a company listed on the Stock Exchange (stock code: 79), responsible for overseeing financial reporting, treasury, internal control, risk management and compliance issues. She is also an independent non-executive director of A.Plus Group Holdings Limited (stock code: 1841) and an independent non-executive director of China Starch Holdings Limited (stock code: 3838), companies listed on the Stock Exchange.

Ms. Sze holds a Master Degree in Corporate Finance and has extensive experience in accounting, auditing and finance. Ms. Sze is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, a member of The Hong Kong Chartered Governance Institute, The Chartered Governance Institute and The Taxation Institute of Hong Kong.

Biographies of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Mr. WONG Kwun Ho ("Mr. Wong"), aged 41, is a managing director of Orient Capital (Hong Kong) Limited, a subsidiary of Orient Securities Company Limited (a company listed on the Stock Exchange (stock code: 3958)). He is a responsible officer of Type 1 (dealings in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and has more than 15 years of experience in financial management and public offering transactions. Mr. Wong served as an independent non-executive director of Contel Technology Company Limited (a company listed on the Stock Exchange (stock code: 1912)) from June 2019 to January 2022 and Legion Consortium Limited (a company listed on the Stock Exchange (stock code: 2129)) from December 2020 to January 2022.

Mr. Wong obtained a bachelor degree in Business Administration from The City University of Hong Kong in November 2008, and an executive master degree of Business Administration from the Chinese University of Hong Kong in November 2023. He is also a member of the Hong Kong Institute of Certified Public Accountants since February 2012.

SENIOR MANAGEMENT

Mr. YEUNG Shu Hung ("Mr. Edmond Yeung"), aged 62, joined the Group in February 1997. He has been appointed as the Chief Executive Officer since 1 September 2017 and is mainly responsible for overseeing all aspects of the operations and strategic planning, formulation of corporate policies and new business initiatives and has over 37 years in the manufacturing industry.

Mr. Edmond Yeung obtained his bachelor's degree in science from The University of Alberta in Canada in July 1986. Mr. Edmond Yeung did not hold any directorship in any listed companies during the last three years. Mr. Edmond Yeung is the brother of Mr. Herman Yeung, the Chairman and an executive Director and Mr. Philip Yeung, an executive Director, the brother-in-law of Mr. Yeung, a substantial shareholder of the Company and the uncle of Mr. Tony Yeung, an executive Director, and Mr. Yeung Theodore Tat, the senior management of the Company.

Mr. YEUNG Theodore Tat ("Mr. Theodore Yeung"), aged 44, joined the Group as a quality controller in February 2004. He has been the chief operating officer of the Company from 1 September 2017 to 31 December 2019 and redesignated as the Vice President of Operation from 1 January 2020. He is responsible for overseeing the operational activities of the Group. Mr. Theodore Yeung graduated from the Bentley University (formerly known as Bentley College) in the United States with the degree of bachelor of science in accountancy in May 2003. Mr. Theodore Yeung did not hold any directorship in any listed companies during the last three years. Mr. Theodore Yeung is the son of Mr. Yeung, the substantial shareholder of the Company, the brother of Mr. Tony Yeung, the executive Director, the nephew of Mr. Herman Yeung, the Chairman and an executive Director, Mr. Philip Yeung, the executive Director and Mr. Edmond Yeung, the Chief Executive Officer.

Mr. TANG Wing Yui ("Mr. Tang"), aged 41, is the financial controller of the Company and he joined the Group since April 2017. Mr. Tang holds a bachelor degree of business administration in accountancy from The Chinese University of Hong Kong since December 2007 and he is a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2011. He has over 17 years of experience in auditing, accounting and finance. Prior to joining the Group, he worked in a reputable international accounting firm and a Hong Kong listed company. Mr. Tang was the financial controller of a subsidiary of the Company from 10 April 2017 to 31 August 2017 and re-designated to financial controller of the Company from 1 September 2017.

Management Discussion and Analysis

GENERAL OVERVIEW AND BUSINESS REVIEW

The Group is a leading global manufacturer, designing, developing and producing high-quality recreational bags and packs, primarily backpacks. We also provide premium supply chain management services to renowned multinational sports and lifestyle brands. Our established multi-regional manufacturing platform spans production facilities in the People's Republic of China (the "**PRC**"), Vietnam and Cambodia. This strategic setup enables the Group to benefit from preferential import tariffs and international trade policy advantages, while offering customers flexible and efficient shipping solutions.

Following a period of subdued customer demand attributed to an inventory destocking cycle in 2023, the packs and bags market exhibited signs of recovery during the Year. The Group experienced a notable rebound in customer orders from the PRC and Europe. As a result, utilisation rates across our multi-regional manufacturing platform improved, particularly within our production facilities in the PRC, which primarily serve the China-to-China market. Sales shipped to the PRC market for the Year almost doubled as compared to that of 2023. Shipments to Europe also had a notable double-digit growth as compared to the previous year. Consequently, the Group reported total revenue of approximately US$243.6 million for the Year, an increase from approximately US$208.1 million in 2023. In terms of the production allocation, despite the resurgence in the PRC market which led to improved utilisation rate of the PRC production base, the Group's Vietnam and Cambodia production bases remained highly sought-after manufacturing locations for catering oversea orders and accounted for more than 85% of the Group's total production capacity for the Year.

OUTLOOK AND PROSPECTS

The Group remains steadfast in its dedication to pursuing growth opportunities that deliver long-term value and drive sustainable development. While being cautiously optimistic about the long-term growth prospects of the manufacturing business, we will continue to focus on leveraging existing capacity and streamlining production procedures to achieve optimal efficiency. As part of our commitment to creating lasting value for our shareholders, we have made progress on the potential further development of our land parcel in Panyu, Guangdong, the PRC.

During the Year, the Group entered into a supplemental land use right transfer agreement with the Guangzhou Municipal Planning and Natural Resources Bureau Panyu District Branch* (廣州市規劃和自然資源局番禺區分局) and secured favorable terms regarding the Group's land use right to a parcel of land in Panyu. These include increasing the maximum plot ratio to 4.0 from the previous maximum plot ratio of 2.0, enabling a maximum gross floor area of approximately 393,338.92 square metres for Category 1 Industrial (M1) use with no additional consideration. The Group has engaged several external consultants for advising on the development and project management, schematic design and construction drawing design for the potential further development of the land parcel.

The Group is still in the process of formulating plans for potential further development of the land parcel. Plans for this project will be carried out with meticulous planning, stringent quality standards, and adherence to all regulatory and environmental considerations. The Group intends to finance the potential further development by a combination of internal and external resources. The Group does not anticipate the existing operations on the land parcel to be materially impacted by its potential further development. Nevertheless, the Group will continue to take prudent and responsible measures to preserve a healthy financial position to sustain the Group's operations.

* For identification purpose only

Management Discussion and Analysis

FINANCIAL REVIEW

During the Year, the Group's revenue was generated from sales of bags and packs manufactured for brand owner customers. Total revenue for the Year amounted to approximately US$243.6 million, representing a leap of approximately US$35.5 million or 17.0% from approximately US$208.1 million for 2023. Total sales quantity also increased from approximately 19.4 million pieces for 2023 to approximately 23.5 million pieces for the Year, representing an increase of approximately 4.1 million pieces or 21.4%. Revenue from sales to outdoor and sporting category recorded a robust double-digit growth during the Year as there were strong demand from certain sports brand owners. As a result, in terms of the sales mix of different categories, sales concentrated more towards outdoor and sporting category which contributed more than 84% (2023: 76%) of the total revenue. The average selling price per piece slightly decreased from US$10.7 to US$10.4 due to the change in sales mix. The breakdown of the revenue, sales quantity and average selling price by product category are set out below:

	2024				2023			
	Revenue US$'000	%	Sales quantity Pc'000	Average selling price US$/pc	Revenue US$'000	%	Sales quantity Pc'000	Average selling price US$/pc
Product category								
Outdoor & sporting	**206,846**	**84.9**	**19,388**	**10.7**	159,849	76.8	14,094	11.3
Functional	**11,203**	**4.6**	**643**	**17.4**	10,779	5.2	658	16.4
Fashion & casual	**24,692**	**10.1**	**3,354**	**7.4**	35,549	17.1	4,406	8.1
Others	**871**	**0.4**	**134**	**6.5**	1,961	0.9	208	9.4
Total	**243,612**	**100**	**23,519**	**10.4**	208,138	100	19,366	10.7

The Group's cost of sales for the Year amounted to approximately US$182.9 million, representing an increase of approximately US$18.5 million or 11.2% from approximately US$164.4 million for 2023. The increase in cost of sales was primarily due to the increase in sales quantity for the Year. Gross profit for the Year amounted to approximately US$60.8 million, up from approximately US$43.8 million for 2023, with the gross profit margin for the Year improved notably from 21.0% to 24.9% as a result of the better utilisation of capacity and improved production efficiency on a year-on-year basis.

The Group's administrative expenses for the Year amounted to approximately US$18.3 million, increased slightly from approximately US$17.6 million in 2023, and equivalent to approximately 7.5% (2023: 8.5%) of the Group's total revenue.

Selling and distribution expenses for the Year amounted to approximately US$13.2 million, increased by approximately US$2.2 million or 20.3%. The increase was in line with the increase in the level of sales activity.

Profit attributable to shareholders of the Company for the Year reached a record high of approximately US$29.8 million, up by approximately US$15.0 million or 100.6% from approximately US$14.9 million for 2023. Earnings per share also increased by 1.33 US cents to 2.66 US cents as compared to 1.33 US cents for 2023.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL EXPENDITURE

The Group's financial position remained solid throughout the Year. As at 31 December 2024 the Group had time deposits, cash and cash equivalents of approximately US$76.6 million and no external borrowings. As a result, the gearing ratio of the Group was zero (31 December 2023: zero) as at 31 December 2024, calculated as total debt, excluding lease liabilities, divided by total equity. The Group will monitor its funding requirement and will consider external borrowing with reasonable pricing terms when appropriate. During the Year, the Group incurred capital expenditure of US$1.9 million, mainly attributable to the acquisition of property, plant and equipment and intangible assets.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any significant contingent liabilities (31 December 2023: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisition or disposals of subsidiaries or associates during the year ended 31 December 2024.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2024, the Group had approximately 8,400 employees (2023: approximately 8,500 employees). Salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis. Remuneration is reviewed annually. Staff benefits include contribution to mandatory contribution fund, discretionary bonus and share options. During the Year, no share options were granted to employees of the Group.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2024, there were no significant investments held by the Group (31 December 2023: Nil).

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2024, the Group did not have charges on its assets (31 December 2023: Nil).

FOREIGN CURRENCY EXPOSURE

The Group's purchases and operating costs are mainly denominated in Renminbi, Vietnamese Dong and US$, while most of the Group's sales proceeds are received in US$. As such, the Group is exposed to foreign currency risk. Any appreciation of Renminbi or Vietnamese Dong against US$ may adversely affect the profitability. The Group currently does not have a foreign currency hedging policy. The Group will continue to monitor its foreign currency exposure closely and consider hedging significant foreign currency exposure should the need arises.

Directors' Report

The Directors are pleased to present their report (the "**Directors' Report**") and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2004 under the Companies Law of the Cayman Islands. The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 1 to financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2024 and the Group's financial position are set out in the financial statements on pages 83 to 84.

The directors have resolved to recommend the payment of a final dividend of HK7.0 cents per share (the "**Final Dividend**") to the Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on Wednesday, 25 June 2025.

The proposed Final Dividend is subject to the approval by the Shareholders at the annual general meeting to be held on Monday, 16 June 2025 (the "**2025 AGM**"). It is expected that the Final Dividend would be paid to the Shareholders on Friday, 18 July 2025.

ANNUAL GENERAL MEETING

The 2025 AGM is scheduled to be held on Monday, 16 June 2025. A notice convening the 2025 AGM will be dispatched to the Shareholders requiring a printed copy in due course.

CLOSURE OF REGISTER OF MEMBERS

To determine the eligibility of the Shareholders to attend the 2025 AGM, the Register of Members will be closed from Wednesday, 11 June 2025 to Monday, 16 June 2025, both days inclusive, during which no transfer of shares will be effected. In order to be entitled to attend and vote at the 2025 AGM, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 10 June 2025.

For the purpose of ascertaining Shareholder's entitlement for the Final Dividend, the Register of Members will be closed from Monday, 23 June 2025 to Wednesday, 25 June 2025, both days inclusive. To qualify for the Final Dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's Hong Kong branch share register, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 20 June 2025.

Directors' Report

BUSINESS REVIEW

The business review for the year ended 31 December 2024, analysis using key financial performance indicators, important events affecting the Company and future development in the Group's business are set out in the section headed "Management Discussion and Analysis" on pages 8 to 10 of this annual report. These discussions form part of this Directors' Report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

As an Original Equipment Manufacturer ("**OEM**") with manufacturing operations across the PRC, Vietnam and Cambodia, the Group faces several principal risks and uncertainties which include: (1) macroeconomic risk in relation to the continued geopolitical frictions, trade tensions and inflationary pressures; (2) customer concentration risk as the Group's customer portfolio is highly concentrated with the five largest customers contributing over 90% of the Group's total revenue for the Year; (3) risk of labour supply shortage as the Group's manufacturing process is labour-intensive, its success depends on its ability to attract, motivate and retain sufficient skilled workers; and (4) risk of ineffective product development and enhancement in relation to meeting customers' rising demand and expectation.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The environmental policies and performance, compliance with relevant laws and regulations that have a significant impact on the Company and relationships with employees, customers and suppliers and others that have a significant impact on the Company, and on which the Company's success depends, are also discussed under section headed "Environmental, Social and Governance Report" on pages 43 to 76.

DONATIONS

During the Year, the Group made charitable donations of approximately US$8,900 to various organizations.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

SHARE CAPITAL

As of 31 December 2024, the total amount of the issued share capital of the Company was HK$11,200,000, divided into 1,120,000,000 shares of HK$0.01 per share. There were no movements in the Company's share capital during the Year.

DISTRIBUTABLE RESERVES

At 31 December 2024, the Company's reserves available for distribution amounted to US$57.4 million, of which US$10.1 million has been proposed to be distributed as Final Dividend for the Year.

Directors' Report

DIVIDEND POLICY

The Company has adopted a dividend policy that aims to enhance the Shareholders' value. The following parameters/ factors shall be considered by the Board for declaration of dividend:

– Circumstances under which the Shareholders may or may not expect dividend;

– Financial parameters/factors that shall be considered for declaration of dividend;

– Internal and external factors that shall be considered for declaration of dividend;

– Utilisation of retained earnings; and

– Multiple classes of Shares.

The payment of dividend is also subject to any restrictions under the applicable laws, the Company's Memorandum and Articles of Associations.

The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the Year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier: 6.7%

– five largest suppliers combined: 21.5%

Sales

– the largest customer: 37.4%

– five largest customers combined: 92.6%

None of the Directors, their associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers and suppliers.

Directors' Report

DIRECTORS

During the Year and up to the date of this Directors' Report, the Directors comprised:

Executive Directors

Mr. Yeung Shu Kin *(Chairman)*
Mr. Yeung Shu Kai
Mr. Yeung Wang Tony

Non-executive Directors

Mr. Chau Chi Ming
Mr. Liao Yuang-Whang *(retired on 19 June 2024)*
Mr. Lin Wang-Chyan *(appointed on 19 June 2024)*

Independent Non-executive Directors

Mr. Wong Kwun Ho *(appointed on 28 March 2024)*
Mr. Chiu Che Chung Alan
Ms. Sze Tak On
Mr. Yip Kwok Cheung *(resigned on 28 March 2024)*

DIRECTORS' BIOGRAPHIES

Biographies of the Directors are set out on pages 5 to 7 of this annual report.

CHANGES TO DIRECTORS AND CHIEF EXECUTIVE'S INFORMATION

Save as disclosed in this annual report, the Directors confirm that in relation to their profile, no information is required to be disclosed pursuant to Rules 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Directors' Report

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Yeung Shu Kin and Mr. Yeung Shu Kai, all are executive Directors, entered into a service contract with the Company for a term of three years commencing from 13 July 2018. Mr. Yeung Wang Tony, an executive Director, entered into a service contract with the Company for a term of three years commencing from 31 March 2020. The above service contracts may be terminated by not less than three months' notice in writing served by either party on the other and are renewable for successive terms of three years.

Mr. Chau Chi Ming, a non-executive Director, entered into a letter of appointment with the Company for a term of one year commencing from 31 March 2020. Mr. Lin Wang-Chyan, a non-executive Director, entered into a letter of appointment with the Company for a term of one year commencing from 19 June 2024. The above letters of appointment may be terminated by not less than one months' notice in writing served by either party on the other and are renewable for successive terms of one year.

Mr. Chiu Che Chung Alan, Ms. Sze Tak On and Mr. Wong Kwun Ho, all are independent non-executive Directors, entered into a letter of appointment with the Company for a term of one year commencing from 19 June 2018, 4 August 2023, and 28 March 2024, respectively. The above letters are renewable for successive terms of one year until terminated by not less than one month's notice in writing served by either party on the other.

No Director has service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 33 to financial statements, no transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year. No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the Group's business were entered into or existed for the Year.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report and in the financial statements, no controlling shareholder or any of its subsidiaries has any contracts of significance with the Company or its subsidiaries during the Year.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules, were as follows:

Long positions in the shares and underlying shares of associated corporation of the Company

Name of Director and Chief Executive	Name of associated corporation of the Company	Nature of interest	Number of ordinary shares held	Approximate % of total issued shares[1]
Mr. Yeung Shu Kin	Prosperous Holdings (Overseas) Limited ("**Prosperous BVI**")	Personal interest	12	12%
Mr. Yeung Shu Kai	Prosperous BVI	Personal interest	6	6%
Mr. Yeung Shu Hung	Prosperous BVI	Personal interest	6	6%

Note:

1. As at 31 December 2024, the total number of issued shares of Prosperous BVI was 100.

Save as disclosed above, as at 31 December 2024, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the registered of interests required to be kept under Section 352 of the SFO or were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as known to the Directors or chief executive of the Company, as at 31 December 2024, the following corporates and persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares of the Company and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in Shares

Name	Capacity/Nature of interest	Number of shares	Percentage of shareholding in the Company
Prosperous BVI	Beneficial owner	588,000,000	52.5
Mr. Yeung Ming Sum Richard ("**Mr. Yeung**")(1)(2)	Interest in a controlled corporation	588,000,000	52.5
Great Pacific Investments Limited ("**Great Pacific**")(3)	Beneficial owner	252,000,000	22.5
Pou Hing Industrial Co. Limited ("**Pou Hing**")(3)	Interest in a controlled corporation	252,000,000	22.5
Yue Yuen Industrial (Holdings) Limited ("**Yue Yuen**")(3)	Interest in a controlled corporation	252,000,000	22.5
Wealthplus Holdings Limited(4)	Interest in a controlled corporation	252,000,000	22.5
Pou Chen Corporation(4)	Interest in a controlled corporation	252,000,000	22.5

Notes:

(1) Prosperous BVI is owned as to 58% by Mr. Yeung, 12% by Mr. Yeung Shu Kin, 12% by Mr. Yeung Theodore Tat, 6% by Mr. Yeung Shu Hung, 6% by Mr. Yeung Shu Kai and 6% by Mr. Yeung Chak Fung. Prosperous BVI is the beneficial owner of 588,000,000 shares of the Company.

(2) Mrs. Yeung Wor Foon Stella deceased on 20 July 2023. Mr. Yeung Ming Sum Richard was appointed as the executor of the estate of Mrs. Yeung Wor Foon Stella. Mr. Yeung will acquire all interest of Mrs. Yeung in Prosperous Holdings (Overseas) Limited (29%) under her Will.

(3) Great Pacific is a wholly-owned subsidiary of Yue Yuen and the beneficial owner of 252,000,000 shares of the Company. By virtue of the SFO, Yue Yuen is deemed to be interested in all of the shares of the Company held by Great Pacific as Great Pacific is a wholly-owned subsidiary of Pou Hing and Pou Hing is a wholly-owned subsidiary of Yue Yuen. Yue Yuen is a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange.

(4) Pou Chen Corporation is a shareholder of Yue Yuen and, is interested as to 51.36% of Yue Yuen through its two wholly-owned subsidiaries, Wealthplus Holdings Limited (interested as to 48.18% of Yue Yuen) and Win Fortune Investments Limited (interested as to 3.18% of Yue Yuen). By virtue of the SFO and with reference to note (2), Pou Chen Corporation is deemed to be interested in the shares of the Company held by Great Pacific. Pou Chen Corporation is incorporated in Taiwan and is listed on the Taiwan Stock Exchange of the Taiwan Stock Exchange Corporation (stock code: 9904 TSE).

Save as disclosed above, as at 31 December 2024, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the shares of the Company or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2024, none of the Directors was considered to have interests in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme (the "**Scheme**") on 19 June 2018 which is valid and effective for a period of 10 years from 13 July 2018. Accordingly, the Scheme will expire on 12 July 2028 and the remaining life of the scheme is approximately 3.3 years.

The purpose of the Scheme is to give the eligible persons an opportunity to have a personal stake in the Company and help motivate eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executive, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible persons include (a) an executive or an employee; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; (g) an associate of any of the foregoing persons; and (h) any person involved in the business affairs of the Company whom the Board determines to be appropriate to participate in the Scheme.

The maximum number of Shares which may be issued upon exercise of all share options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10 per cent. of the Shares in issue as at the date of listing of the Shares on the Main Board of the Stock Exchange (the "**Scheme Mandate Limit**") provided that the Company may at any time as the Board may think fit seek approval from its shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all share options to be granted under the Scheme and any other schemes of the Company shall not exceed 10 per cent. of the Shares in issue as at the date of approval by the shareholders of the Company in general meeting where the Scheme Mandate Limit is refreshed. Share options previously granted under the Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

Notwithstanding the foregoing, the maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares in issue of the Company from time to time.

The maximum number of Shares issued and to be issued upon exercise of the share options granted to any one eligible person (including exercised and outstanding share options) in any 12-month period shall not exceed 1 per cent. of the Shares in issue from time to time. Where any further grant of share options to such an eligible person would result in the Shares issued and to be issued upon exercise of all share options granted and to be granted to such eligible person (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant shall be separately approved by the shareholders of the Company in general meeting with such eligible person and his close associates (or his associates if such eligible person is a connected person) abstaining from voting.

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than ten years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.

Directors' Report

There is no minimum period for which a share option must be held before it can be exercised and there is no performance target which need to be achieved by the grantee before the share option can be exercised.

A consideration of HK$1 is payable on acceptance of the grant of an option. An option may be exercised in whole or in part by the grantee within the option period as determined and notified by the Board to the grantee.

The subscription price in respect of any particular share option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant share option but the subscription price shall not be less than whichever is the highest of (a) the nominal value of a Share; (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

Since the date of adoption of the Scheme, no share option was granted.

Accordingly, the total number of Shares available under the Scheme is 112,000,000 Shares, representing 10% of the Company's issued share (excluding treasury shares, if any) as at the date of this annual report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed "Share Option Scheme" and "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Associated Corporation" above, at no time during the Year did there subsist any arrangements to which the Company or the Company's subsidiary or holding company or a subsidiary of the Company's holding company is a party, being arrangements whose objects are, or one of whose objects is, to enable Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Hong Kong Companies Ordinance (Chapter 622, Laws of Hong Kong) (the "**Companies Ordinance**") when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

The Company has taken out and maintained Directors' and officers' liability insurance, which provides appropriate cover for certain legal actions brought against its Directors and officers.

EQUITY-LINKED AGREEMENT

During the Year, other than the Scheme as set out in the paragraph headed "Share Option Scheme" of this Directors' Report, the Company did not enter into any other equity-linked agreement, nor did any other equity-linked agreement exist during the Year.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As at 31 December 2024, the Company did not hold any treasury shares.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group during the Year, are disclosed in note 33 to financial statements.

Lease of office premises from China Pacific Trading Company ("China Pacific")

China Pacific is owned as to 25%, 25%, 20%, 10%, 10% and 10% by Mr. Yeung, Mrs. Yeung (deceased), Mr. Herman Yeung, Mr. Philip Yeung, Mr. Edmond Yeung and Mr. Yeung Chak Fung, respectively. Each of Mr. Yeung, Mrs. Yeung (deceased), Mr. Herman Yeung, Mr. Philip Yeung, Mr. Edmond Yeung and Mr. Yeung Chak Fung is the Controlling Shareholder of the Company, and Mr. Herman Yeung and Mr. Philip Yeung are our Directors. China Pacific is therefore a connected person to the Group.

On 28 March 2024, Glorieux International (H.K.) Limited ("**Glorieux HK**"), a wholly-owned subsidiary of the Company, as lessee, entered into an office tenancy agreement with China Pacific for a 3 years term from 1 April 2024 to 31 March 2027 (the "**2024 Office Tenancy Agreement**"), pursuant to which, China Pacific as the lessor will lease out certain office premise and car parking spaces (the "**Office Premises**") at a monthly rental of HK$160,000, inclusive of management fee and government rates. The terms of the 2024 Office Tenancy Agreement were negotiated on an arm's length basis by reference to the prevailing market rate, including the market rental of other comparable premises in the same building recently, as published/quoted by property agencies.

The Group uses the Office Premises as the headquarter and principal place of business in Hong Kong. The transaction contemplated under the 2024 Office Tenancy Agreement was recognised as the acquisition of right-of-use assets of approximately US$691,000 which constituted a stand-alone connected transaction of the Group under Chapter 14A of the Listing Rules.

During the Year, the Group had the following non-exempt continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules. Save as disclosed, none of the related party transactions set out in note 33 to financial statements constitute connected transactions that are not fully exempt under the Listing Rules.

Lease of factory premises from Pou Sung Vietnam Co., Ltd ("Pou Sung Vietnam")

Pou Sung Vietnam is a wholly-owned subsidiary of Yue Yuen, a substantial shareholder of the Company. Pou Sung Vietnam is therefore an associate of Yue Yuen and accordingly, a connected person of the Company.

Starite International Vietnam Limited ("**Starite Vietnam**"), a wholly-owned subsidiary of the Company, as lessee, leased certain buildings which are primarily used as factories, office premises and warehouse for the Vietnam Production Base from Pou Sung Vietnam. The terms of the lease agreements ("**Vietnam Lease Agreements**") are summarised in the table below:

Date	Duration of the lease	Description of the property leased (the "Vietnam Leased Premises")	Amounts payable
1 May 2011 (as amended by the supplemental agreement dated 15 January 2018)	From 1 May 2011 to 11 January 2055	Factory in Section C of Bau Xeo Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam with a total area of 35,852 square metres	(i) Rental: Total rent of VDN66,759,151,620 (equivalent to US$3,188,040) for the duration of the lease paid in two tranches before 30 June 2012, which has been fully paid. (ii) Maintenance: maintenance fees for public facilities of up to VND93,690,000 (equivalent to US$3,747.60) per month. (iii) Utilities and other charges: Utilities and other ancillary charges will be charged based on actual consumption.
1 October 2012 (as amended by the supplemental agreement dated 15 January 2018)	From 1 October 2012 to 11 January 2055	Factory in Section C of Bau Xeo Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam with a total area of 10,628 square metres	(i) Rental: Total rent of VDN33,057,193,200 (equivalent to US$1,581,720) for the duration of the lease paid in two tranches before 31 December 2012, which has been fully paid. (ii) Maintenance: maintenance fees for public facilities of up to VND72,000,000 (equivalent to US$2,880) per month. (iii) Utilities and other charges: Utilities and other ancillary charges will be charged based on actual consumption.

Date	Duration of the lease	Description of the property leased (the "Vietnam Leased Premises")	Amounts payable
1 May 2014 (as amended by the supplemental agreement dated 15 January 2018)	From 1 May 2014 to 11 January 2055	Factory in Section C of Bau Xeo Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam with a total area of 21,170 square metres	(i) Rental: Total rent of VDN55,648,380,094 (equivalent to US$2,637,639) for the duration of the lease which has been fully paid as of the date of the agreement. (ii) Maintenance: maintenance fees for public facilities of up to VND112,950,000 (equivalent to US$4,518) per month. (iii) Utilities and other charges: Utilities and other ancillary charges will be charged based on actual consumption.
1 July 2015 (as amended by the supplemental agreement dated 15 January 2018)	From 1 July 2015 to 11 January 2055	Factory in Section E of Bau Xeo Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam with a total area of 3,600 square metres	(i) Rental: Total rent of VDN6,727,698,864 (equivalent to US$319,150.95) for the duration of the lease which has been fully paid as of the date of the agreement. (ii) Maintenance: maintenance fees for public facilities of up to VND30,000,000 (equivalent to US$1,200) per month. (iii) Utilities and other charges: Utilities and other ancillary charges will be charged based on actual consumption.
1 July 2016	From 1 July 2016 to 11 January 2055	Factory in Section C of Bau Xeo Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam with a total area of 9,216 square metres	(i) Rental: Total rent of VDN82,702,821,817 (equivalent to US$3,723,132.39) for the duration of the lease which has been fully paid as of the date of the agreement. (ii) Maintenance: maintenance fees for public facilities of US$768 per month. (iii) Utilities and other charges: Utilities and other ancillary charges will be charged based on actual consumption.

Each of the Vietnam Lease Agreements has a term commencing from the date of signing to 11 January 2055 with rental to be paid at the beginning of the respective agreement for the entire term. Starite Vietnam would also pay maintenance fees for public facilities, utilities and other ancillary charges to Pou Sung Vietnam on a monthly basis under the Vietnam Lease Agreements. The rental payable and maintenance fees for public facilities under each of the Vietnam Lease Agreements was decided by reference to the market rate at the prevailing time. Utilities and other ancillary charges will be charged based on actual consumption. Starite Vietnam may terminate the Vietnam Lease Agreements by providing Pou Sung Vietnam nine months' prior written notice. However, Pou Sung Vietnam will not return any lease payment to Starite Vietnam if Starite Vietnam will terminate any of the Vietnam Lease Agreements before the end of the term but Starite Vietnam will not be liable to pay any of the maintenance, and utilities and other charges.

During the year ended 31 December 2024, the maintenance fee and utilities and other ancillary charges paid to Pou Sung Vietnam amounted to US$157,000 and US$520,000, respectively, which did not exceed the annual cap of US$160,000 and US$650,000, respectively, as set out in the Company's announcement dated 19 December 2023.

Property Management Agreement

On 19 December 2023, Starite Vietnam and Pou Sung Vietnam entered into a master property management agreement for a term from 1 January 2024 to 31 December 2024 (the "**2023 Property Management Agreement**"), pursuant to which, Pou Sung Vietnam as the service provider provided property management services to Starite Vietnam as the customer for the Vietnam Leased Properties at a fixed rate per worker at the Vietnam Leased Premises per month.

During the year ended 31 December 2024, property management fees paid to Pou Sung Vietnam amounted to US$366,000, which did not exceed the annual cap of US$420,000 as set out in the Company's announcement dated 19 December 2023.

Annual review by the independent non-executive Directors and auditor on the continuing connected transaction

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, being the Company's independent auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"* and with reference to Practice Note 740 (Revised) *"Auditor's Letter on Continuing Connected Transactions under the Hone Kong Listing Rules"* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions related to maintenance fee, utilities and other ancillary charges, and property management fees paid to Pou Sung Vietnam during the year ended 31 December 2024 disclosed above to the Board in accordance with Rule 14A.56 of the Listing Rules.

The Company confirms that it has complied with the disclosure requirements in accordance with chapter 14A of the Listing Rules.

PERFORMANCE ON THE NON-COMPETITION UNDERTAKING

Each of Prosperous BVI, Mr. Yeung, Mr. Herman Yeung, Mr. Yeung Chak Fung, Mr. Philip Yeung, Mr. Edmond Yeung, Mr. Tony Yeung and Mr. Theodore Yeung (together, the "**Controlling Shareholders**") and Mrs. Yeung (deceased) has entered into a deed of non-competition ("**Deed of Non-competition**") dated 26 June 2018 with the Company to the effect that each of them will not directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Group from time to time.

Each of the Controlling Shareholders has provided a written confirmation (the "**Confirmation**") to the Company confirming that he/it has fully complied with the Deed of Non-competition for the Year. Based on the Confirmation, the independent non-executive Directors have reviewed on behalf of the Company the compliance with the Deed of Non-competition and are satisfied that the Controlling Shareholders have fully complied with the terms for the year ended 31 December 2024 and no new competing business was reported by the Controlling Shareholders throughout the Year.

The Company is not aware of any other matters regarding the compliance of the undertakings in the Deed of Non-competition and there has not been any change in the terms of the Deed of Non-Competition during the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within knowledge of the Directors, the Company has maintained a sufficient public float throughout the Year and as at the date of this Directors' report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 164. This summary does not form part of the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

AUDIT COMMITTEE

The Audit Committee has discussed with the management and the external auditor of the Group and reviewed the annual results of the Group for the Year, including the accounting principles and practices adopted by the Group, and financial related matters.

AUDITOR

Ernst & Young will retire at the conclusion of the 2025 AGM and, being eligible, will offer themselves for re-appointment. A resolution for their re-appointment as auditor of the Company will be proposed at the 2025 AGM.

On behalf of the Board

Yeung Shu Kin
Chairman

Hong Kong
21 March 2025

Corporate Governance Report

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix C1 to the Listing Rules for the year ended 31 December 2024. The Board and the management of the Group consider that maintaining a well-established corporate governance practices and procedures is the key to success, and firmly believe that the principles of transparency, accountability and independence are essential for upholding the interests of the stakeholders and maximizing Shareholders' value.

The Board is committed to excellence in corporate governance. It is responsible for developing and reviewing the Company's policies and practices on corporate governance as well as compliance with legal and regulatory requirements.

CORPORATE CULTURE

As a leading manufacturer with multinational production facilities, the Group strictly adheres to its codes of conduct to ensure its workplaces are environmentally friendly and safe.

The Group conducts business with honesty and integrity; strives to build long-term relationships with its customers through mutual growth; and believes that continued devotion of the people is the key to the success of anything. In high spirits, the Group is gearing up for the next phase of growth and make its vision of becoming the leading player in fulfilling people's bag-carrying needs come true.

Corporate Governance Report

BOARD OF DIRECTORS

Board Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making, which assumes the responsibility for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The Board currently comprises the following Directors:

Executive Directors

Mr. Yeung Shu Kin *(Chairman)* [(1)]
Mr. Yeung Shu Kai[(1)]
Mr. Yeung Wang Tony[(1)]

Non-executive Directors

Mr. Chau Chi Ming
Mr. Lin Wang-Chyan[(2)]

Independent Non-executive Directors

Mr. Chiu Che Chung Alan
Ms. Sze Tak On
Mr. Wong Kwun Ho[(2)]

Notes:

(1) Mr. Yeung Shu Kin, Mr. Yeung Shu Kai and Mr. Yeung Shu Hung, the chief executive officer of the Company, are brothers. They are also the uncle of Mr. Yeung Wang Tony.

(2) Each of Mr. Lin Wang-Chyan and Mr. Wong Kwun Ho has obtained legal advice under Rule 3.09D of the Listing Rules on 18 June 2024 and 27 March 2024 respectively. Both of them have confirmed they understood their obligations as a director of a listed issuer.

The biographical details of all Directors are set out on pages 5 to 7 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed "Biographies of Directors and Senior Management", there is no financial, business, family or other material or relevant relationships among members of the Board.

As at the date of this report, the Chairman is Mr. Yeung Shu Kin, whilst the chief executive officer of the Company (the "**Chief Executive Officer**") is Mr. Yeung Shu Hung. The Company has complied with code provision C.2.1 of Part 2 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules, which stipulates that the chairman and chief executive should be separate and should not be performed by the same individual. The Chairman is responsible for providing overall management and strategic development of the Group. The Chief Executive Officer is responsible for overseeing all aspects of the operations and strategic planning, formulation of corporate policies and new business initiatives.

Corporate Governance Report

Independent Non-executive Directors

Saved as disclosed above, during the year ended 31 December 2024, the Board met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with Ms. Sze Tak On, one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The role of independent non-executive Directors is to provide independent and unbiased opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the shareholders and the Group. Independent non-executive Directors serve actively on the Board and the Committees of the Board to provide their independent, constructive and informed comments.

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

Board Independence Mechanism

The Company recognises that Board independence is pivotal in good corporate governance and Board effectiveness.

The Board has established mechanisms to ensure independent views and input from any Director of the Company are conveyed to the Board for enhancing an objective and effective decision making.

The governance framework and the following mechanisms are reviewed annually by the Board, to ensure their effectiveness:

1. Three out of eight Directors are independent non-executive Directors, which meets the requirements of the Listing Rules that the Board must have at least three independent non-executive Directors and must appoint independent non-executive Directors representing at least one-third of the Board.

2. The Nomination Committee will assess the independence of a candidate who is nominated to be a new independent non-executive Director and the contribution to the diversity of the Board according to the board diversity policy adopted by the Company from time to time before appointment and also the continued independence of existing independent non-executive Directors and their time commitments annually. On an annual basis, all independent non-executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.

3. External independent professional advice is available as and when required by individual Directors.

4. All Directors are encouraged to express freely their independent views and constructive challenges during the Board/Board Committee meetings.

5. No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors.

6. A Director (including independent non-executive Director) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.

7. The chairman of the Board meets with independent non-executive Directors annually without the presence of the executive Director and non-executive Directors.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of diversity perspectives, including but not limited to gender, age, length of services, cultural and educational background, or professional experience, having due regard to the Company's own business model and specific needs from time to time.

The Company considers that the Board possesses a balance of skills and experience which are appropriate for the requirements of the business of the Group. A balanced composition of executive, non-executive and independent non-executive Directors also generates a strong independent element on the Board, which allows independent and objective decision making process for the best interest of the Group. The composition of the Board is reviewed by the Company from time to time to ensure the Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

The Board comprises eight members, including three executive Directors, two non-executive Directors and three independent non-executive Directors. The Directors have a balanced mix of experiences, including overall management and strategic development, quality assurance and control, business and risk management, and finance and accounting experiences in addition to manufacturing experiences. Furthermore, the Board has a wide range of age, ranging from 41 years old to 76 years old, the Nomination Committee considers that the composition of the Board satisfies the board diversity policy and achieved gender diversity.

The Group's gender diversity is reflected in the workforce throughout the Group for the year ended 31 December 2024. As of the date of this annual report, 72% of the Group's total workforce (including senior management) are female. The Company targets to maintain a high level of female representation in the Group's workforce.

Appointment and Re-election of Directors

All the non-executive/independent non-executive Directors are appointed for a specific term of one year, subject to renewal after the expiry of the then current term.

The Company's Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first annual general meeting after appointment.

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

Corporate Governance Report

Responsibilities of the Directors

The Board is primarily responsible for overseeing and managing the Company's affairs, including the responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objective of the Group.

The Board is also responsible for determining the Company's corporate governance policies which include:

(a) To develop and review the Company's policies and practices on corporate governance;

(b) To review and monitor the training and continuous professional development of Directors and senior management;

(c) To review and monitor the Company's policies and practices to ensure 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 Company's compliance with the code provisions set out in the Corporate Governance Code contained in Appendix C1 of the Listing Rules and its disclosure requirements in the Corporate Governance Report.

During the year ended 31 December 2024, the Board had performed the above-mentioned corporate governance functions by reviewing the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management, who fulfill their duties within their scope of authority and responsibility. Divisional heads are responsible for different aspects of the businesses. Major functions delegated to management include preparation of annual and interim results; execution of business strategies and initiatives adopted by the Board; implementation of adequate risk management and internal control systems; and compliance with the relevant statutory requirements. The functions and power that are so delegated are reviewed periodically by the Company to ensure that they remain appropriate.

Financial Reporting

The Directors acknowledge their responsibility for preparing, with support from the accounting department, the consolidated financial statements of the Group. In preparing the consolidated financial statements for the Year, the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and the Hong Kong Companies Ordinance were complied with. The consolidated financial statements of the Group were prepared on a going concern basis. The reporting responsibilities of the Company's external auditor, Ernst & Young, are set out in the Independent Auditor's Report on pages 77 to 81.

Continuous Professional Development of Directors

Every newly appointed Director will receive an information package from the Company Secretary on the first occasion of his appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a Director pursuant to the Companies Ordinance, the Listing Rules and the SFO. In addition, this information package includes material which briefly describes the operations and business of the Company. Directors will be continuously updated on major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at regular Board meetings.

The Directors are committed to complying with code provision C.1.4 of Part 2 of the CG Code and all Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the year ended 31 December 2024 to the Company.

The individual training record of each Director received for the Year is summarised as follows:

Directors	Type of continuous professional development programmes
Mr. Yeung Shu Kin	B
Mr. Yeung Shu Kai	B
Mr. Yeung Wang Tony	B
Mr. Chau Chi Ming	A
Mr. Lin Wang-Chyan	A
Mr. Chiu Che Chung Alan	A/B
Ms. Sze Tak On	A
Mr. Wong Kwun Ho	A

Notes:

A: attending seminars/forums/workshops/conferences/training course relevant to the business or directors' duties.

B: reading regulatory updates.

Board Meetings

Pursuant to code provisions of the CG Code, meetings of the Board should be held at least four times a year at approximately quarterly intervals and notice of at least 14 days should be given of a regular board meeting. Agendas and accompanying papers shall be sent not less than 3 days before the date of Board meeting to ensure that the Directors are given sufficient time to review the documents.

The Board is responsible for the approval and monitoring of the Company's overall strategies and policies, approval of business plans, evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

Notice of the Board meeting, agenda and Board papers were sent to the Directors in a timely manner before the meeting.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against its Directors.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the HKEXnews website and are available to Shareholders upon request.

Audit Committee

The Audit Committee consists of three independent non-executive Directors namely Ms. Sze Tak On, Mr. Chiu Che Chung Alan and Mr. Wong Kwun Ho. The chairperson of the Audit Committee, Ms. Sze Tak On, possesses appropriate professional qualifications in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules.

The duties of the Audit Committee are:

(a) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(b) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them;

(c) to review the Company's financial controls, risk management and internal control systems; and

(d) to discuss the risk management and internal control system with management to ensure that management has performed its duty to have effective systems.

During the year ended 31 December 2024, the Audit Committee passed several written resolutions and held 3 meetings with the external auditor and without the presence of the executive Directors. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

The major works performed during the Year are as follows:

- reviewing and recommending for the Board's approval the financial results and reports for the year ended 31 December 2023;
- reviewing and recommending for the Board's approval the interim report for the six months ended 30 June 2024;
- recommending to the Board of the re-appointment of external auditor for the year ended 31 December 2024;
- reviewing the Company's performance in achieving agreed corporate goals and objectives;
- reviewing certain aspects of the internal control systems and recommending for the Board's approval of the Group; and
- assisting the Board in meeting its responsibilities for evaluating, establishing and maintaining effective risk management and internal control systems of the Group.

The Group's annual results for the year ended 31 December 2024 have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee consists of one executive Director, being Mr. Yeung Shu Kin, and two independent non-executive Directors, being Mr. Chiu Che Chung Alan (Committee Chairman) and Ms. Sze Tak On.

The duties of the Remuneration Committee are:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for development of such policy;

(b) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(c) to determine the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to determine the remuneration of non-executive Directors; and

(e) the remuneration packages are determined with reference to the time commitment and responsibilities of each individual, the Company's performance and the prevailing market conditions.

Regular reviews are conducted on Directors' remuneration package with reference to companies with comparable business or scale and appropriate adjustments are proposed.

During the year ended 31 December 2024, the Remuneration Committee passed two written resolutions and held one meeting to consider and approving the following:

- reviewing and determining the 2023 performance/discretionary bonus to the senior management; and
- reviewing the policy and structure of the remuneration packages for Directors and senior management of the Company.

The remuneration of the Directors and the members of senior management for the Year by band is set out below:

	Number of Individuals
Nil – HK$2,000,000	6
HK$2,000,001 – HK$4,000,000	4
HK$4,000,001 – HK$6,000,000	1

Further particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in notes 9 and 10 to the financial statements respectively.

Nomination Committee

The Nomination Committee consists of one executive Director, being Mr. Yeung Shu Kin, and two independent non-executive Directors, being Mr. Wong Kwun Ho (Committee Chairman) and Mr. Chiu Che Chung Alan.

The duties of the Nomination Committee are:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis (at least annually) and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to 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) to assess the independence of independent non-executive Directors; and

(d) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, length of service, cultural and educational background, or professional experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the year ended 31 December 2024, the Nomination Committee held one meeting to consider and approving the following:

- reviewing the structure, size and composition of the Board;
- assessing the independence of the independent non-executive Directors of the Company; and
- reviewing and making recommendations to the Board on the re-election of Directors who are subject to retirement from office by rotation at the forthcoming annual general meeting of the Company.

DIRECTOR APPOINTMENT POLICY

Director Appointment Policy of the Group (the "**Director Appointment Policy**") is in place and was adopted in writing by the Board on 1 March 2018. The Director Appointment Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each of the Directors at the Board meetings, and meetings of the committees for the year ended 31 December 2024 is set out as follows:

	Attended/Eligible to attend				
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**Annual General Meeting**
Number of meetings held	4	3	2	2	1
Executive Directors					
Mr. Yeung Shu Kin	4/4	N/A	2/2	2/2	1/1
Mr. Yeung Shu Kai	4/4	N/A	N/A	N/A	1/1
Mr. Yeung Wang Tony	4/4	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Chau Chi Ming	4/4	N/A	N/A	N/A	1/1
Mr. Liao Yuang-Whang *(retired on 19 June 2024)*	0/1	N/A	N/A	N/A	0/1
Mr. Lin Wang-Chyan *(appointed on 19 June 2024)*	2/2	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Chiu Che Chung Alan	4/4	3/3	2/2	2/2	1/1
Ms. Sze Tak On	4/4	3/3	2/2	N/A	1/1
Mr. Wong Kwun Ho *(appointed on 28 March 2024)*	3/3	2/2	N/A	1/1	1/1
Mr. Yip Kwok Cheung *(resigned on 28 March 2024)*	1/1	1/1	N/A	1/1	N/A

In addition, the Chairman held meeting with the non-executive Directors and the independent non-executive Directors, without the presence of executive Directors, in March 2024.

Risk Management and Internal Control Systems

The Board acknowledges its responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound and effective risk management and internal control systems to safeguard the interests of shareholders and the Group's assets. The Board also acknowledges its responsibility for overseeing the Group's risk management, financing reporting, and internal control systems on an ongoing basis and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions.

To this end, appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Besides, management continues to allocate resources for the risk management and internal control systems to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Board, through the Audit Committee, has delegated the internal audit function to an independent external assurance provider, who has conducted a review on the adequacy and effectiveness of the Group's risk management and internal control systems for the year 2024. The Audit Committee reviewed the effectiveness of the Group's risk management and internal control systems by reviewing the reports issued by the Group's internal audit function, and internal control self-assessment from management.

The Audit Committee reviewed and concurred with the management's confirmation that for the year ended 31 December 2024: (i) the Group's risk management and internal control systems were effective; and (ii) the Group had complied satisfactorily with the requirements of the Corporate Governance Code in respect of risk management and internal control systems.

The Board, through the Audit Committee, leads and provides direction to management by laying down strategies and overseeing their implementation by management, monitors the Group's operational and financial performance, and ensures that sound risk management and internal control systems are in place.

The Board reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes, on the Group's accounting, financial reporting and internal audit functions.

The Board, through delegation of its authority to an environmental, social and governance working group, is also responsible for reviewing the Company's corporate social responsibility strategies, principles and policies; setting guidelines, direction and overseeing practices and procedures; and monitoring progress on the Company's corporate social responsibility and related activities.

The following highlights the key risk management measures under the Group's "Three Lines of Defence" model and enhancements made by the Group for the year 2024.

1st line of defence – Risk management

- Management conducted an annual Internal Control Self-Assessment for the year 2024. Management confirmed that appropriate internal control policies and procedures have been established and complied with.

- Various policies, procedures and guidelines are in place with defined authority for effective segregation of duties, controls and risk management, and they are subject to regular review.

- The Group's anti-bribery and anti-corruption guidelines are in place to set out minimum standards in recognizing circumstances which may lead to or give the appearance of involving corruption or unethical business conduct, to help avoid conduct which is clearly prohibited, and to encourage everyone in the Group to seek appropriate guidance promptly when needed.

- The Group's whistleblowing policy is in place to facilitate internal reporting of any malpractice and unethical conduct within the Group without fear of reprisal and victimization.

2nd line of defence – Risk oversight

- The Group's Enterprise Risk Management ("**ERM**") Policy is developed to outline the principles, governance, roles and responsibilities, and approach within a coherent risk management framework that addresses and prioritises risks that are material and relevant to the Group's corporate goals.

- The Group's ERM Framework aims to help management assess and manage risks arising from and associated with new business activities and environments, including emerging risks. An integrated risk assessment approach was adopted to address risks across various subsidiaries of the Group, to assess those risks on an integrated group-wide basis.

3rd line of defence – Independent assurance

- The external assurance provider takes up the internal audit function, who is responsible for conducting independent reviews of the adequacy and effectiveness of the Group's internal control systems and reporting the review results regularly to the Board through the Audit Committee.

For internal audit, a risk-based approach is adopted. The three years' work plan of external assurance provider for internal audit, is subject to review annually, covers major activities and processes of the Group's operations, businesses and service units. The results of these audit activities are communicated to the Audit Committee and key members of senior management of the Group. Audit issues are tracked, followed up for proper implementation, and their progress are reported to the Audit Committee and senior management of the Group (as the case may be) periodically. The external assurance provider for internal audit provides independent assurance to the Board, the Audit Committee and the senior management of the Group on the adequacy and effectiveness of internal controls for the Group.

Corporate Governance Report

The Group's ERM Policy is established by the Board as an effective and adequate approach to be applied across the Group to manage the risks associated with its business and operations. This policy is designed to enhance enterprise risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group are identified and appropriately managed to:

i. promote consistent risk identification, measurement, reporting and mitigation;

ii. set a common risk language to avoid any conflicting terminology or confusion in risk reporting;

iii. develop and communicate policies on enterprise risk management and controls aligned with the business strategy; and

iv. enhance reporting to provide transparency of risks across the Group.

The Company has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the management of the Group at least annually to assess whether the risk management and internal control systems are functioning effectively in the belief that this will enhance the corporate governance of the Company and its business practices in the future. The Company regulates the handling and dissemination of inside information as set out in the Code of Conduct to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

GOING CONCERN

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

MODEL CODE OF CONDUCT OF DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' transactions in securities of the Company. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2024.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit and non-audit services provided to the Group during the year ended 31 December 2024 was analysed below:

Services Category	**Fees paid/ payable** US$'000
Audit services	
– Annual Audit	314
Non-audit services	
– Agree-upon procedures on interim financial information	63
– Other non-assurance services	10
– Tax compliance	18
	405

COMPANY SECRETARY

Ms. Zhang Xiao ("**Ms. Zhang**") has been appointed as the Company Secretary since 29 June 2020. Ms. Zhang has taken no less than 15 hours of relevant professional training for the Year in compliance with Rule 3.29 of the Listing Rules. Ms. Zhang is delegated by an external service provider and the primary corporate contact person in the Company is Mr. Tang Wing Yui, the financial controller of the Company.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

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

Convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings

Extraordinary general meetings may be convened by Directors on requisition of one or more 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. Such requisition shall be made in writing to the Board or the Company Secretary by mail to Unit 1–2, 1/F, Join-In Hang Sing Centre, 71–75 Container Port Road, Kwai Chung, New Territories, Hong Kong, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Corporate Governance Report

Shareholders who propose new resolutions at the general meetings can also follow the above procedures.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Unit 1–2, 1/F, Join-In Hang Sing Centre, 71–75 Container Port Road, Kwai Chung, New Territories, Hong Kong (marked for the attention of the Board of Directors or the Company Secretary)
Email:	pihl@pihl.hk

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has adopted a shareholders' communication policy which aims to set out the provisions with the objective of ensuring that the Company's Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

The Board of Directors shall maintain an on-going dialogue with Shareholders and the investment community, and will regularly review this policy to ensure its effectiveness.

Information shall be communicated to Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meeting and other general meetings that may be convened, as well as by making available all the disclosures submitted to the HKEXnews website and its corporate communications and other corporate publications on the Company website.

Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times. Any question regarding this policy shall be directed to the Company Secretary.

Corporate Governance Report

Having considered and reviewed the various existing channels of communication and the feedbacks from the Shareholders, investors and analysts, the Board considers that the Shareholders' communication policy has been properly implemented and effective during the year ended 31 December 2024.

Pursuant to a special resolution of the Shareholders passed on 19 June 2023, the existing Memorandum and Articles of Association of the Company were adopted. During the year ended 31 December 2024, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the website of the Company at www.pihl.hk and the website of the HKEXnews at www.hkexnews.hk.

Environmental, Social and Governance Report

1. INTRODUCTION

1.1 Scope of this Report

Prosperous Industrial (Holdings) Limited (the "**Company**") together with its subsidiaries (the "**Group**" or "**we**") are pleased to present the 2024 Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**").

This ESG Report is prepared in accordance with the Environmental, Social and Governance ("**ESG**") Reporting Guide as set out in Appendix C2 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**HKEX**").

The report aims to fairly display the efforts made by the Group on its corporate social responsibility in the marketplace, workplace, community and environment and cover the Group's operations in the production and sales of bags and packs commencing from the financial years dated from 1 January to 31 December 2024 (the "**Reporting Year**") which includes the Group's key manufacturing businesses in Cambodia, Vietnam, the People's Republic of China (the "**PRC**") and offices businesses in Hong Kong, the PRC, and Taiwan as carried out by its subsidiaries:

- Glorieux International (H.K.) Limited in Hong Kong;
- Prosperous Industrial (Holdings) Limited in Hong Kong;
- 東莞澤榮箱包有限公司 in the PRC;
- 廣洲澤榮旅行用品有限公司 in the PRC;
- Starite International Vietnam Limited in Vietnam;
- Starite (Cambodia) Co., Ltd. in Cambodia; and
- Prosperous Enterprises (Taiwan) Limited in Taiwan.

1.2 Governance of ESG Matters

To demonstrate our commitment to transparency and accountability, the Group verified the efficacy of ESG risk management and internal control systems and has established an ESG working group ("**ESG Working Group**"), which has clear terms of reference that set out the powers delegated to it by the Board. The Board assumes full responsibility for the Group's ESG matters and is responsible for reviewing ESG-related matters on a regular basis, identifying and assessing related risks, and ensuring that the Group has established appropriate and effective ESG risk management and internal control systems. In addition, the Board regularly reviews the performance of the Group against ESG-related targets, reviews and approves the disclosures in ESG reports.

The ESG working group is responsible for formulating relevant ESG policies and management procedures in line with the framework and objectives set out by the Board and implementing daily ESG work across our business operation, including evaluating the stakeholders' needs and expectations with timely response, identifying ESG-related risks and opportunities pertaining to the business operations, monitoring the environmental and social performance in our departmental units and reporting status of the Group's ESG related matters to the Board on a regular basis.

Board

The Board is responsible for the overall decision-making process and overseeing the formulation, administration, and assessment of the ESG system.

ESG Working Group

The ESG Working Group is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.

Functional Departments

Functional departments are responsible for the execution of measures to achieve the preset ESG-related strategies and targets.

1.3 Reporting Principles

This ESG Report is prepared in accordance with the ESG Reporting Guide as set out in the Listing Rules and has complied with the "Mandatory Disclosure Requirements" and "Comply or Explain Provisions", as well as the principles of materiality, quantitative, balance and consistency as below:

Reporting principles	Application in this report
Materiality	The Group's stakeholders are engaged in the identification of ESG issues that matter most from their perspectives. The Group assessed the materiality of those ESG issues based on the corresponding risks posed on the sustainability on the Group's businesses. Material ESG issues were identified and prioritised and are disclosed in this ESG Report.
Quantitative	Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption, where applicable, are disclosed in the respective sections in this ESG Report.
Balance	The ESG Report is prepared on a fair and unbiased basis. The Group fully disclosed the material key performance indicators regardless of whether performance has improved or declined in line with the principle.
Consistency	Unless stated otherwise, the Group applies consistent methodology in compiling the ESG data reported to ensure a meaningful comparison of ESG performance over time and between entities. Any change in methods or Key Performance Indicators[1] (the "**KPI(s)**") used is explained.

In preparing the ESG Report, the Group has adopted the international standards and emission factors specified in the guidance materials set out on the Listing Rules for computing the KPIs, and there is no change from the previous year in the way the Report has been prepared. The application of materiality is detailed in the subsection headed "Materiality Assessment".

1 How to prepare an ESG Report – refer to

Appendix 2: Reporting Guidance on Environmental KPIs, https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/app2_envirokpis.pdf;

Appendix 3: Reporting Guidance on Social KPIs, https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules- and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/app3_socialkpis.pdf?la=en

1.4 Corporate Social Responsibility Vision, Policy and Strategy

The Group views corporate social responsibility (the "**CSR**") as a business philosophy that creates sustainable value for shareholders by embracing opportunities and managing risks deriving from economic, environmental and social developments. The Group also believes that the ability to identify, assess and manage ESG considerations in its business activities is vital to creating intrinsic value for the Group in the long run. Hence, ESG considerations are an integral part of its CSR objectives, and the Group has adopted CSR Policy in respect of the ESG dimensions that aim to integrate CSR seamlessly into the Group's business strategies and management approach.

The Group's CSR Policy describes its long-term approach to specific issues in the four cornerstones: Marketplace, Workplace, Community and Environment, which is instrumental in enabling its business to operate in a sustainable manner. Within each of the cornerstones, core principles and pragmatic objectives provide guidance on practicing CSR in our daily operations.

1.5 Environmental and Social Subject Areas

Strategies

Environmental and social responsibilities are viewed as the Group's core commitment to environment, internal workplace, and external community, and an integral part of the Group's practice to create value for stakeholders. Our strategy is to fulfil the Group's environmental and social responsibilities by achieving environmental and social objectives during daily operations.

Objectives

We integrate environmental and social considerations into the Group's business objectives to achieve:

Environmental objectives

- Add environmentally friendly elements to our daily service and operational activities;
- Reduce greenhouse gas ("**GHG**") emissions;
- Use energy and resources efficiently; and
- Continuously improve waste management.

Social objectives

- Respect employees' rights and promote an equal opportunity workplace;
- Commit to occupational safety and health, and provide a safe and healthy workplace;
- Commit to ethical business practices, and build integrity within the workplace; and
- Promote community participation.

Approach

Monitored by the Board, the Group is executing its environmental and social strategy and achieving its related objectives through a series of actions and commitments:

- Embed environmental and social objectives into business processes including the decision-making process;
- Establish and document environmental and social policies for management and staff members to follow;
- Comply with environmental and social laws and regulations;
- Report on our performance on a balanced picture;
- Disclose the KPIs as a measurement of actual results;
- Ensure appropriate and effective ESG risk management and internal control systems are in place; and
- Practise corporate citizenship in things we do.

Environmental and social management system comprises:

- The directions from the Board to fulfil the ESG responsibilities;
- Daily execution of environmental and social strategy and achieving its objectives by functional departments;
- Performance and achievements are done by employees in accordance with the Group's environmental and social policies;
- Compliance with environmental and social laws and regulations;
- Review and monitoring of ESG risk management and internal control systems by the Board; and
- Reporting and disclosure of our performance and KPIs.

Measures for the achievement of environmental and social objectives are:

- Environmental policies;
- Social policies;
- Checklists for compliance with applicable environmental and social laws and regulations;
- Requiring documentation for the performance and accomplishment of environmental and social related activities or matters; and
- Data collection, calculation, and disclosure of KPIs.

The implementation of environmental and social strategies, management of environmental activities, and measurement of achieving environmental and social objectives are monitored by dedicated managerial staff members and finally by the Board for its overall ESG responsibility.

1.6 Sustainability

The Group excels in the fabrication of designs and crafting of bags and packs. The Group is also known to cater to significant support in terms of quality supply chain management services to renowned global brands. In between the immense industry threats, the competitiveness of the Group is retained, among others, through extensive and extensible manufacturing capacity with high product and service quality. This is further brought about through the multi-regional manufacturing platform in the PRC, Vietnam and Cambodia.

The Group's multi-regional manufacturing platform comprises three manufacturing facilities that account for a factory gross floor area of approximately 164,000 m^2, 191 production lines as at 31 December 2024.

The Group will closely monitor the macroeconomic and geopolitical situations, in order to adjust to market changes from time to time, with a view to achieving sustainable business growth and returns for the shareholders of the Company.

1.7 Stakeholders Engagement and Materiality

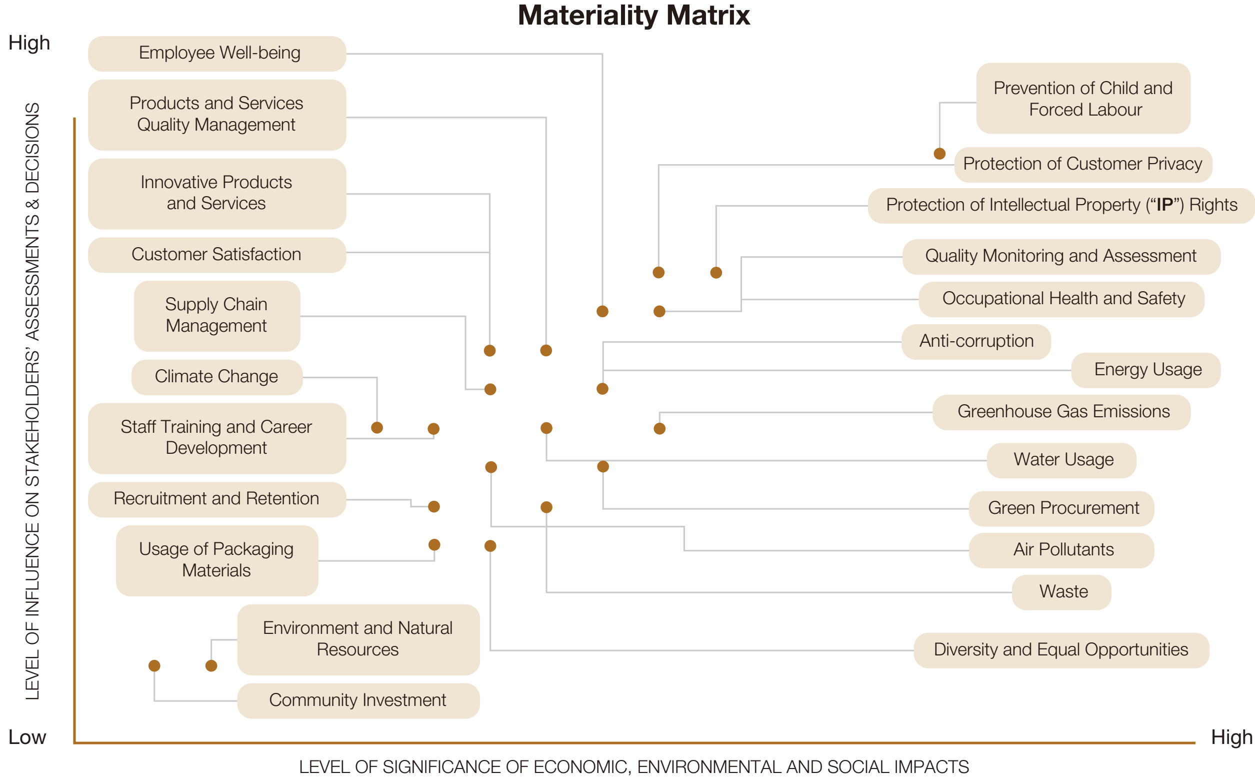
In order to create sustainable growth and long-term value for its stakeholders, who comprise the Group's employees, investors, customers and the wider community, the Group endeavours to address their expectations and concerns through regular communication. The Group continues to engage stakeholders on an ongoing basis to understand their views and collect their expectations and concerns regarding significant ESG related matters of the Group's businesses, which are evaluated, prioritised and incorporated into its ESG strategy, including the setting of practicable ESG targets. Our communication channels with our stakeholders include the company website, annual general meetings, business meetings and staff meetings. The Group is actively looking for every opportunity to understand and engage the stakeholders to ensure that improvement of the products and services can be implemented. The Group strongly believes that the stakeholders play a crucial role in sustaining the success of the business.

Stakeholders	Areas of concern	Communication and responses
HKEX	Compliance with Listing Rules, and timely and accurate disclosures.	Meetings, training, website updates and announcements.
Government and regulatory authorities	Compliance with laws and regulations, prevention of tax evasion and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Suppliers	Payment schedule and stable demand.	Business meetings, site visits.
Investors	Corporate governance, business strategies and performance, and investment returns.	Interviews, Company website, Shareholders' meetings, general meeting, financial reports and operational reports for investors, media and analysts.
Media and Public	Corporate governance, environmental protection and human rights.	Company's announcements, interim and annual reports.
Customers	Product and service quality, delivery schedule, reasonable prices, service value and personal data protection.	Meetings, after-sales services.
Employees	Rights and benefits, employees' compensation, training, and development, working hours, working environment, labour protection and work safety.	Training, interviews with employees, staff meetings.
Community	Community environment, employment and community development, and social welfare.	Community activities, employee voluntary activities and community welfare subsidies and donations.

1.8 Materiality Assessment

The Group has identified ESG issues that have potential or actual impact on its sustainable development from various sources, such as issues identified in previous ESG reports, internal policies, industry trends and the Sustainability Accounting Standards Board's Materiality Map[2]. The ESG issues have been analysed with reference to an array of factors, including the Group's overall strategy, development, and goals and targets. The Group has conducted a materiality assessment in the form of an online survey to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective levels of impact. After analyzing the results, the Group concluded that there have been no significant changes in the main concerns of stakeholders and that the priority of ESG matters remains consistent with the previous year. The assessment results are presented below:

Materiality Matrix



During the Reporting Year, through ongoing dialogue and materiality, the Group has identified 6 material issues that were deemed as the most important by the stakeholders:

- Prevention of Child and Forced Labour
- Protection of Customer Privacy
- Protection of Intellectual Property ("**IP**") Rights

2 Sustainability Accounting Standards Board's Materiality Map, https://materiality.sasb.org/

- Quality Monitoring and Assessment
- Occupational Health and Safety
- Employee Well-being

2. ENVIRONMENTAL

The Group is eminently devoted to promoting a sustainable working and living environment through continuous emissions reduction measures and effective use of resources. This is achieved by complying with laws and regulations adopted by the local authorities that primarily aim to reduce GHG gases emission and promote environmental awareness and optimise resource utilisation throughout the Group.

Our manufacturing operations are subject to extensive environmental regulations. To ensure compliance is achieved, a separate set of individuals has been set up by the Group, who are given the duty of handling issues related to environmental compliance in the jurisdictions in which we operate.

The Group strictly complies with the laws and regulations in relation to environmental protection, including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Appraising of Environment Impacts Law of the PRC (《中華人民共和國環境影響評估法》), the Law on Environmental Protection Environment Protection Law of in Vietnam (越南《環境保護法》) and the Law on Environmental Protection and Natural Resource Management of Cambodia (柬埔寨《環境與自然資源法典》), with a view to controlling emissions and conserving resources. During the Reporting Year, the Group complied with all relevant environmental laws and regulations that have significant impacts.

The Group believes to have sufficient protection measures that abide by all applicable current and national or local laws and regulations of the PRC, Vietnam and Cambodia.

2.1 Air Emissions

During the Reporting Year, the Group's operation involves the usage of gaseous fuel combustion, which is natural gas and liquefied petroleum gas (the "**LPG**") for cooking stoves in the canteens. Apart from that, some mobile combustion sources were also involved in our business operations during the Reporting Year. The material air pollutants emitted were mainly composed of Nitrogen Oxides ("**NO_x**"), Sulphur Oxides ("**SO_x**") and particulate matter ("**PM**").

	2023[3] kg	**2024** kg
NO_x emission	395.76	547.69
SO_x emission	1.23	1.28
PM emission	36.35	51.58

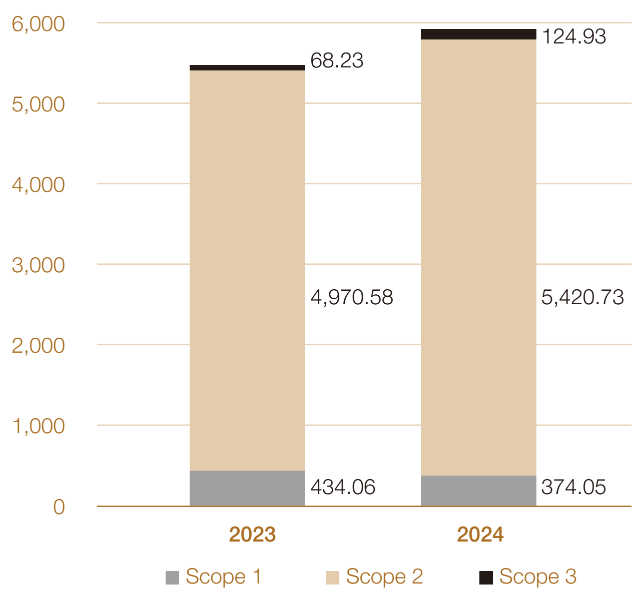
3 Due to the adjustment of statistical methods during the Reporting Year, the data in 2023 was restated for consistency.

During the Reporting Year, the air emission did not meet the target set last year due to increased vehicle usage resulting from expanding business development and operation. To uphold the principles of sustainable development, the Group is committed to maintaining the air emissions at a similar level to the baseline year ended 31 December 2024 in the next reporting year. These measures include, but are not limited to, requiring employees to turn off idle equipment and use energy-efficient appliances. For fleet management, regular maintenance checks are performed for all vehicles to enhance fuel consumption efficiency, ensure road safety and to keep carbon dioxide emissions at their minimum.

2.2 GHG Emissions[4]

The Group persistently strives to operate its business in an environmental-friendly manner, making every effort to achieve environmental conservation. The primary source of GHG emissions from the Group's operating activities is electricity consumption. An overview of the carbon footprint of the Group is summarised as follows:

GHG Emissions (tCO_2)



4 GHG emission data are presented in terms of carbon dioxide equivalent and are based on, including but not limited to, 2006 IPCC Guidelines for National GHG Inventories Volume 2 Energy, the "Notice on the Management of Enterprise GHG Emissions Reporting by Power Generation Industry for 2023–2025" (關於做好二零二三年至二零二五年發電行業企業温室氣體排放報告有關工作的通知) issued by the Ministry of Ecology and Environment of the PRC, the global warming potential values from the "Sixth Assessment Report" issued by Intergovernmental Panel on Climate Change, "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, ICAO Carbon Emissions Calculator (ICEC) by International Civil Aviation Organization, 2023 Sustainability Report released by CLP Power Hong Kong Limited, Department of Climate Change of the Ministry of Natural Resources and Environment of the Vietnam, Ministry of Economic Affairs of Taiwan and Ministry of Environment Cambodia.

	2023[3] tCO_2e	2024 tCO_2e	Variance Increase/ (decrease)
GHG emissions[5]			
Scope 1: Direct emissions	434.06	374.05	(13.83%)
Scope 2: Indirect emissions[6]	4,970.58	5,420.73	9.06%
Total GHG emissions from energy consumed (Scope 1+2)	5,404.64	5,794.78	7.22%
Scope 3: Other Indirect emissions	68.23	124.93	83.10%
Total GHG emissions (Scope 1+2+3)	5,472.87	5,919.71	8.16%
GHG emissions intensity (Scope 1+2+3)			
Per piece produced ($kgCO_2e$)[7]	0.29	0.24	(17.24%)
Per employee ($kgCO_2e$)[8]	642.66	702.22	9.27%

During the Reporting Year, the energy consumption accounts for approximately 98.75% (2023: 98.75%) of the Group's total GHG emissions, which is mainly derived from the Group's use of electricity in operating machineries and other equipment during the manufacturing process, natural gas and LPG used for cooking stove, refrigerant used for cooling, and consumption of fuels for motor vehicles. During the Reporting Year, the business operations of the Group increased, which led to higher usage of vehicles, as well as more frequent business air travel. This was attributed to a new ERP system in 2024 and a new Development Centre established in Vietnam. During the Reporting Year, the amount of total GHG emissions increased by 8.16% compared to the previous reporting year. However, during the Reporting Year, the Group's GHG emission intensity per production volume, decreased by 17.24% compared to last reporting year. The Group has met the GHG emission target set in the last year. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the GHG emission intensity per piece produced and per employee in between 80% to 120% of the level of baseline year ended 31 December 2024 in the next reporting year. These steps include, but are not limited to, mandating that staff switch off idle equipment and utilize energy-efficient appliances. For fleet management, regular maintenance inspections are done on all vehicles to improve fuel consumption efficiency, assure road safety, and reduce carbon dioxide emissions to a minimum.

5 During the Reporting Year, the value of the table has been disclosed to two decimal places to allow for meaningful comparisons over time with respect to ESG information.

6 According to the Ministry of Ecology and Environment of the People's Republic of China (2024), the national emission factor for China is 0.6205 tCO_2/MWh. The Institute for Global Environmental Strategies reports national emission factors of 0.66145 tCO_2/MWh for Vietnam and 0.47142 tCO_2/MWh for Cambodia. Additionally, the Ministry of Economic Affairs of Taiwan provides a national emission factor of 0.4950 tCO_2/MWh for Taiwan.

7 The production volume for 2023 and 2024 are approximately 18.8 million pieces and 24.2 million pieces respectively. This data is also used to calculate other intensity data.

8 The number of employees for 2023 and 2024 are 8,516 and 8,430 respectively. This data is also used to calculate other intensity data.

2.3 Waste Management

The Group has introduced a lean manufacturing model focusing on productivity improvement at its Vietnam manufacturing plant as a pilot testing point before overall implementation in all its production bases. This streamlined production process enables us to discover and resolve issues relating to production at the early stage, thereby allowing us to achieve "Do It Right the First Time", lowering defect rate and avoiding unnecessary waste during the manufacturing processes.

The Group's operating activities generate both hazardous and non-hazardous waste. In general, the Group's hazardous wastes mainly comprise glass waste, contaminated packaging waste and soiled rags produced by sewing machines and used fluorescent lamps. These hazardous solid wastes are collected by qualified companies and are handled in compliance with the stipulated laws and regulations of the respective countries. Non-hazardous waste produced by the Group mainly represent general industrial waste and domestic garbage. The Group has engaged third-party waste management companies to collect and dispose of its non-hazardous waste in an appropriate manner. The general waste, including paper, cardboard, plastic, and scrap iron, generated by the Group, is collected and recycled by third-party waste management company to contribute to sustainable development. Besides, scrapped fabric waste is collected and reused by third-party waste management company to transfer waste to energy.

Hazardous and non-hazardous waste produced by the Group are analysed below:

	2023	2024	Variance Increase/ (decrease)
Total Hazardous Waste (tonnes)[5]	3.86	5.55	43.78%
Hazardous Waste intensity			
Per piece produced (kg)[7]	0.0002	0.0002	0.00%
Per employee (kg)[8]	0.45	0.66	46.67%
Total Non-hazardous Waste (tonnes)[5]			
– Factory and office daily waste	2,245.15	2,350.39	4.69%
Non-hazardous Waste intensity			
Per piece produced (kg)[7]	0.12	0.10	(16.67%)
Per employee (kg)[8]	263.64	278.81	5.75%

During the Reporting Year, the Group produced 5.55 tonnes of hazardous waste which increased by 43.78% in comparison to 3.86 tonnes in 2023 and the Group produced 2,350.39 tonnes of non-hazardous waste which increased by 4.69% in comparison to 2,245.15 tonnes in 2023. During the Reporting Year, as a result of the increasing production activities, the Group's hazardous waste intensity per production volume remains stable as compared to the last reporting year. Besides, during the Reporting Year, the Group's non-hazardous waste intensity per production volume decreased by 16.67% compared to last reporting year. The Group has met the hazardous waste intensity target and the non-hazard waste intensity target set last year.

The Group is continuously making effort in reducing hazardous and non-hazardous waste, including providing relevant trainings for employees in handling hazardous waste, and guidance in the manufacturing process, which is conducive to reducing unnecessary wastage. The Group is cultivating a paperless working environment among its employees. For more details on the relevant measures, please refer to the "Use of Resources" section.

To uphold the principles of sustainable development, the Group is committed to reducing or maintaining both the hazardous waste intensity and non-hazardous waste intensity between 80% to 120% of the level of baseline year ended 31 December 2024 in the next reporting year.

2.4 Use of Resources

The Group encourages our employees to use their best endeavours to reduce waste and emissions, with a view to contributing to the community and the environment. Policies relating to the reduction of waste and emissions, and efficient use of resources include:

- encourage employees to use their best endeavours to take public transport during the business trip;
- encourage employees to reduce unnecessary overseas business trips, thus reducing indirect carbon emissions;
- consider energy efficient products when procuring and replacing equipment, e.g. replacing incandescent lighting with LED lighting;
- turn off electrical appliances or switch them to standby mode when they are not in use, thus reducing the amount of electricity used;
- use duplex printing, recycle papers and use electronic means to reduce paper usage;
- reuse office stationaries (e.g. envelopes and folders);
- turn off all unnecessary lighting, air conditioning and electrical appliances before leaving the office; and
- encourage employees to recycle paper, plastic bottles and tin cans.

Energy Consumption

The Group's energy consumption by fuel types is analysed below:

	2023[3] kWh	2024 kWh	Variance Increase/ (decrease)
Energy Consumption[5]			
Electricity	8,233,757.00	8,947,522.16	8.67%
Diesel	403,560.55	406,382.43	0.70%
Petrol	399,450.25	433,092.68	8.42%
LPG	72,838.58	198,275.07	172.21%
Natural Gas	167,781.50	190,760.62	13.70%
Total energy consumption	9,277,387.88	10,176,032.96	9.69%
Energy consumption intensity			
Per piece produced[7]	0.49	0.42	(14.29%)
Per employee[8]	1,089.41	1,207.12	10.80%

Electricity is the dominant energy source of the Group's production process. The Group's electricity consumption increased by 8.67% from 8,233,757.00 kWh in 2023 to 8.947,522.16 kWh in 2024. In addition, during the Reporting Year, diesel consumption increased by 0.70% and LPG consumption increased by 172.21% compared to 2023. Due to the adjustment of statistical methods during the Reporting Year, a more detailed investigation has been carried out on the vehicles of the Cambodian branch, contributing to the adjustment of diesel consumption in 2023. The adjustment is attributable to the correction of fuel classification errors. Specifically, several vehicles previously miscategorized as petrol-powered in Cambodia have been properly reclassified as diesel-powered. In light of the adjustment of statistical methods during the Reporting Year, the canteen of the Vietnam branch has been newly included, which accounted for the consumption of LPG. This change has led to an upward trend in LPG consumption. Moreover, petrol consumption increased by 8.42% compared to 2023. These changes are primarily contributed to the vehicle fleet's petroleum product consumption shifting from diesel to petrol. Regarding the increased natural gas consumption, the changes therein were predominantly due to the strategic transition from LPG to natural gas for the dual objectives of enhancing safety measures within the operational framework and improving overall operational convenience.

Considering the usage of resources, the Group is eminently devoted to using natural resources efficiently while emphasizing their conservation. Actions in this regard include monitoring electricity usage at the workplace and encouraging employees to share rides, where possible. Moreover, the potential of several other alternative ways such as improvements of air-conditioning, electrical equipment, instalment of sensors and timers that aim to help the Group accomplish its environmental agenda was assessed and implemented where feasible. As a result of the Group's effort in energy conservation, there is no significant change in the Group's overall energy consumption between 2023 and 2024.

The Group's energy consumption intensity per piece produced decreased by 14.29% compared to the last reporting year which contributed to effective usage of resources measures and has met the target set last year. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the energy consumption intensity per piece produced in between 80% to 120% of the level of baseline year ended 31 December 2024 in the next reporting year.

Relying on the observed results to date, the Group is acting to craft stable plans to accomplish environmental conservation. Primarily, the spotlight is given to energy consumption and waste as they are regarded as the most crucial segments that require a dedicated amount of attention.

Water Management

The Group recognises that water management is one of the material aspects of preserving the natural environment, in view of this, the Group collects sewage water through wastewater treatment plants in its factories to ensure that the discharge water quality meets the emission standards of industrial wastewater in respective countries in which they are discharged.

	2023	**2024**	**Variance Increase/ (decrease)**
	m^3	m^3	
Water consumption[5]	173,471.80	193,793.00	11.71%
Water consumption intensity			
Per piece produced[7]	0.01	0.01	0.00%
Per employee[8]	20.37	22.99	12.86%

Water is mainly consumed in the office premises for drinking and general cleaning and in factory premises for staff canteens, dormitories, and toilets. Hence, the Group does not have any concern in sourcing water that is fit for such purposes. During the Reporting Year, the Group's overall water consumption recorded 193,793.00 m^3, which increased by 11.71%. The Group's water consumption intensity per piece produced remains stable as compared to the last reporting year which contributed by effective water management measures and has met the target set last year. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the water consumption intensity per piece produced in between 80% to 120% of the level of baseline year ended 31 December 2024 in the next reporting year.

For the sake of saving water and reduction of wastewater to the surroundings, the Group has the following management measures to educate employees on acquiring the habit of water conservation:

- Performing regular inspections, repairs, and maintenance of water equipment to avoid unnecessary leakage and water seepage problems in water equipment;
- The principle of "On when in use, off when not in use" is required for water usage in toilets; and
- Posting promotional posters and cards in prominent areas of the workplace to remind employees of water saving.

Packaging Materials

Packaging materials used for finished goods mainly comprise corrugate and paper, which correlates to the production of those goods in the Group's manufacturing plant.

	2023 tonne	2024 tonne	Variance Increase/ (decrease)
Packaging materials[5]	4,235.37	6,076.65	43.47%
Packaging materials intensity[7]			
Per piece produced (kg)	0.23	0.25	8.70%

The total packaging materials used for finished goods of the Group increased by 43.47% from 4,235.37 tonnes in 2023 to 6,076.65 tonnes in 2024. The rising use of packaging materials is primarily attributed to the increase in manufacturing activities. Moreover, some backpack designs are larger and varied, which caused the higher consumption of packaging materials. While our products are designed to meet customer specifications, we acknowledge that the weight of the packaging materials is not the sole factor in making the choice of materials. The Group will continue to make a sincere effort in reducing the packaging materials, as well as encouraging our customers to use sustainable, eco-friendly and lighter packaging, where possible. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the packaging materials intensity per piece produced in between 80% to 120% of the level of baseline year ended 31 December 2024 in the next reporting year.

2.5 The Environmental and Natural Resources

The Group values environmental sustainability and strives to incorporate it into every aspect of its business. As aforementioned, we have adopted a variety of environmental-friendly practices in our business. There is no significant consumption of natural resources and therefore the Group's activities do not have any significant impact on the environment.

2.6 Climate Change

The Group reviews and identifies the climate-related risk annually while conducting the risk assessment. We have considered the potential climate-related risks in respect of the recommendations of the Task Force on Climate-related Financial Disclosure ("**TCFD**"), and identified the potential climate-related risks which are the physical risks such as acute extreme weather conditions, chronic sustained high temperature, and transition risks such as regulatory change on the environmental matter:

Risk Type	Risks	Potential Financial Impact	Short (current Reporting Year)	Medium (one to three years)	Long (four to ten years)	Mitigation Strategy
Physical Risks	• Extreme weather conditions such as flooding and typhoon	• Reduced revenue from business due to business and supply chain disruptions	✔	✔		• Establish adverse weather condition policy • Maintain diverse supplier base to avoid supply chain disruption
	• Sustained elevated temperature	• Increased in business operating costs			✔	• Adopt energy conservation measures to avoid overconsumption of natural resources
Transition Risks	• Changes in environmental-related regulations	• Higher operating costs to comply with new requirements/ adopt new practices or technologies		✔	✔	• Adopt energy conservation measures to reduce emissions • Continue to monitor the regulatory environment to ensure that the Group complied with the environmental-related law and regulation
	• Shift in consumer preference to suppliers incorporating more environmentally-friendly concept	• Reduced demand for manufactured products, decreased competitiveness and create adverse impact on revenues			✔	• Adhere to the Group's sustainable development concept, strictly control the production process and commit to produce high-quality products to meet the expectations of consumers and the market

Upon evaluation, the Group considers the risks relatively low, however, the Group will continue to monitor potential risks of climate change and its impacts on the Group's operations and customers, and devise and implement preventive and emergency measures accordingly.

2.7 Regulation and Compliance

The Group is not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land and generation of hazardous and non-hazardous wastes.

3. SOCIAL

3.1 Labour Practices

It is essential to acclaim the efficiency, quality, and commitment of the workforce towards the organisation that has resulted in the significant development and success of the Group in the marketplace. With the aim to institute a favorable work environment the organisation took several steps which included creating a cross-cultural workforce, developing the competencies of employees, recognising, motivating, rewarding talent, and ensuring the well-being and safety of all individuals. The Group also accolades the individuals continuously working to ensure enhanced skill and diversity. Moreover, the fundamental basis of the work culture that is publicised and boosted by the Group includes the maintenance of safety measures and the prosperity of the working members. Moreover, the Group established a Code of Conduct, which is in line with the Anti-Corruption Policy published by the Hong Kong Independent Commission Against Corruption, the Anti-Fraud and Whistle Blowing Policy.

To ensure that the Group's key policies are clearly and consistently communicated to the employees, the Group has established an "Employees' Handbook", which details the rights of the employees, such as working hours, leave entitlements and other benefits and welfare. "Employees' Handbook" is available to all employees upon request.

3.2 Employment

The Group has several non-discriminatory policies and practices well in place, to ensure equal opportunities across all sex, ethnicity, race, age, and religion. This opens avenues for every individual to be rendered with equal opportunities. Employing of individuals and promotions of existing employees is thus solely based on the qualifications, experience, and merits of the applicants and staff.

The enrolment of new employees is thus guided by policy that allows proficient aspirants who possess the appropriate outlook toward the job profile and are also endowed with the required qualifications, experience and merits. The Group strictly follows a non-discriminatory policy which prioritises only talent as the sole driver of the probability of getting recruited. Contractual papers for the labours are prepared on time and a steady affair is retained and promoted with the labourers to comply with the law. Although, the process of recruitment helps to identify talented individuals, simultaneously holding on to the same set of individuals is also indispensable to ensure enhanced growth rate and success. Considering this fact, the Group bestows the potential employees with bonuses, incentives and rewards, so as to keep them associated and motivated.

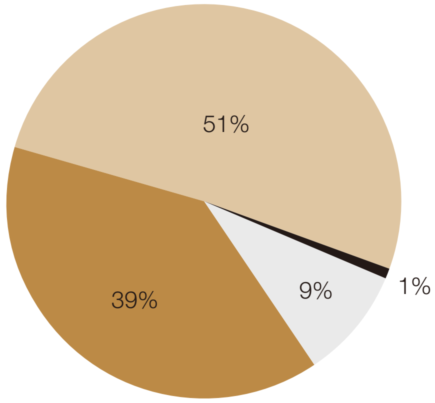
Environmental, Social and Governance Report

As per the records till 31 December 2024, the number of employees in the Group includes 8,430 employees, of which 2,386 are male and 6,044 are female. The distribution of employee nation wise includes 51% are located in Vietnam, 39% are located in Cambodia, 9% of employees in the PRC and the rest in other locations.

The Group offers salaries above the local minimum wage regulation. No non-compliance with the laws and regulations relating to labour and employment that have resulted or may result in a significant impact on the Company was identified during the year.

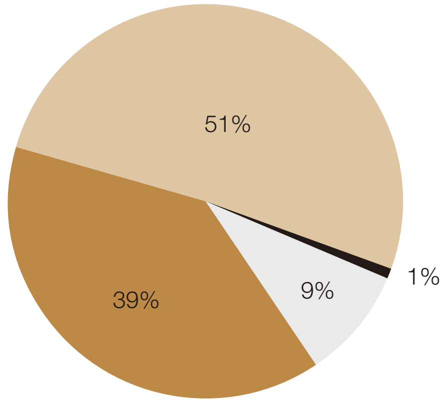
Percentage of Employees by Region

2023



The PRC Cambodia Vietnam Others

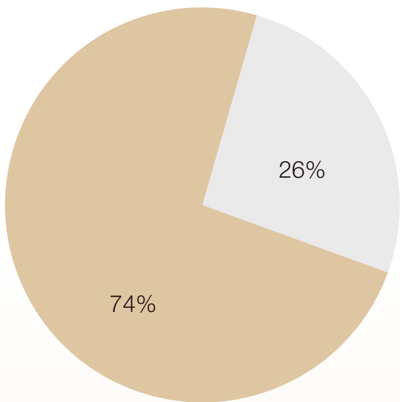
2024



The PRC Cambodia Vietnam Others

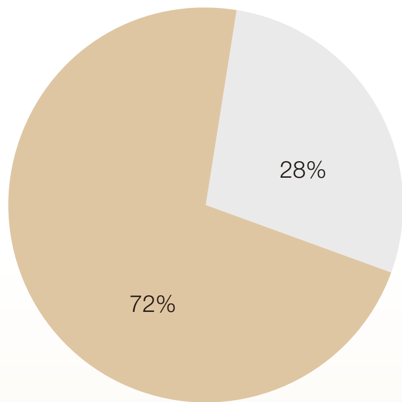
Percentage of Employees by Gender

2023



Male Female

2024



Male Female

As of 31 December 2024, the Group had 8,430 employees in total and the overall employee turnover rate was about 41% in 2024. The breakdown of the number of employees and the employee turnover rate by gender and age group are shown below.

	2023	2024
Number of employees		
Total	8,516	8,430
By Gender		
Male	2,228	2,386
Female	6,288	6,044
By Employment Type		
Full-time	8,512	8,429
Part-time	4	1
By Age Group		
30 or below	4,458	3,925
Between 31–40	2,886	2,881
Between 41–50	1,011	1,293
Above 50	161	331
By Region		
Cambodia	3,307	3,319
The PRC	739	731
Vietnam	4,400	4,314
Others	70	66
Employee turnover rate (%)[9]		
Total	21	41
By Gender		
Male	24	36
Female	21	42
By Age Group		
30 or below	27	53
Between 31–40	16	35
Between 41–50	13	21
Above 50	13	12
By Region		
Cambodia	48	56
The PRC	19	19
Vietnam	2	33
Others	20	15

9 In accordance with “Appendix 3: Reporting Guidance on Social KPIs” issued by HKEX, turnover rates by region, gender, and age group are calculated based on the number of employees in the relevant category during the Reporting Year. In the previous Reporting Year, the turnover rates in each category were shown as their percentage of total turnover.

3.3 Health and Safety

The Group intends to provide its employees with a healthy and secure workplace environment, which in turn ensures a sustainable corporate culture. Moreover, staying fit also makes the employees more apt to work efficiently thereby raising the all-round performance standards. In this regard, the employees are provided access to daylight and high levels technology solutions.

The permanent employees are insured, to comply with the Employees' Compensation Ordinance. On the contrary, the general staff are served accident and medical insurance. Also, liability insurance is provided to the officers and the directors. The Group is also in compliance with the Mandatory Provident Fund Schemes Ordinance (香港《強制性公積金計劃條例》) of Hong Kong, the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Law on Social Insurance of Vietnam (越南《社會保險法》), the Law on Occupational Safety and Hygiene of Vietnam (越南《勞動安全衛生法》), the Law on Social Security Schemes of Cambodia (柬埔寨《社會保障法》) and the Labour Law of Cambodia (《柬埔寨王國勞動法》).

The Administrative System of the Group's office area and the Safety and Security Management System are established to keep the employees secure and safe. Such systems comprise several daily basis actions such as office cleanliness in a consistent and timely manner, regular inspection of electricity, fire safety, water cleanliness and security etc. The steps adopted by the Group include:

1. In order to tackle incidences of fire outbreaks, appropriate fire extinguishers and other related equipment are administered along with measures to ensure the uninterrupted flow of fire channels. Moreover, the employees are also provided with the basic training to deal with fire eruptions;

2. Water safety is ensured through the acquisition of pure and safe water for the purpose of drinking; and

3. To ensure the health of the staff members, physical checkups are conducted annually to avert the occurrence of infectious and occupational diseases.

The table below shows the number of reported work-related fatalities and injury cases and lost days:

Occupational Health and Safety	2022	2023	2024
Number of work-related fatalities in the past three year (including the Reporting Year)	–	–	1
Number of work-related injury cases	64	67	131
Lost days due to work injury	449.00	396.50	1,034.00

During the Reporting Year, no non-compliance with the laws and regulations relating to occupational safety that has resulted or may result in a significant impact on the Group was identified.

3.4 Development and Training

The growth of business in terms of profit and reputation is positively influenced by the skilled and talented employees who are regarded as the precious belonging of any company. Also, the skilled employees of the Group are further embellished, not only to achieve growth and advancement in terms of business but also for their own growth. Regular training provides the employees with opportunities to share and gain knowledge. Appropriate assessment methods are employed to record the growth and progress of the employees. The benefits of comprehensive performance analysis include the acquisition of data on the productivity and work efficiency of the working members. Furthermore, it also helps to ascertain the power and shortcomings of an individual. A pellucid review method is employed on daily basis to keep a track record of the employees' performance, attitude and abilities. The ones who are identified as the best performers are also guerdoned with bonus incentives.

The Group searched for multiple facets of employee development and training activities. Moreover, the Group also incorporated a wide variety of activities that deal with human resource development and training systems, performance evaluations, and responsibilities. In addition to providing the training during the working hours, the employees are trained based on the prerequisites of the staff members before enrolling for the job. Such training schedules mainly comprises of internal lectures or field trips that again facilitate the employees to imbibe technical knowledge distribution, workplace ethics, customer relationship management and risk management. Managerial skill training on the other hand help to make the employees dealing with management, more apt for their work. During the Reporting Year, the Group has launched an e-learning platform. Team based activities are the best suitable platform for the employees to share knowledge of their skills and thereby help to maintain unity in the workplace.

Development and training data by various categories are shown below:

	2023 Hours	**2024** Hours
Total number of hours of training received by employees	7,133.5	82,903.0
Average training hours completed per employee[10]	0.8	9.8
Average training hours received training per employee[11]		
By gender		
Male	0.9	11.2
Female	0.8	9.3
By employee category		
Senior management	0.1	0.6
Middle management	2.7	0.7
General staff	0.8	9.9

10 Average training hours completed per employee = Total number of training hours completed during the financial year / Total number of employees at the end of the financial year.

11 Average training hours = Number of training hours completed by category during the financial year / Number of employees by category at the end of the financial year.

	2023	2024
Percentage of total number of employees trained (%)[12]	46	92
Percentage of employees received training (%)[13]		
By gender		
Male	26	27
Female	74	73
By employee category		
Senior management	0.03	0.08
Middle management	3.19	0.26
General staff	96.78	99.66

3.5 Labour Standards

The employees are boosted further by the allocation of competitive remuneration and welfare packages. A strong and strict system of remunerations and associated benefits is maintained to execute promotion opportunities, salary adjustments, rewards and recognition. Such a system primarily intends to value the talent of potential workers and thereby make them cling to the Group.

The Group strictly adheres the Labour Law of the People's Republic of the PRC (《中華人民共和國勞動法》), the Labour Code of Vietnam (越南《勞動法》), the Labour Law of Cambodia (柬埔寨《勞動法》), and laws and regulations of Hong Kong in respect of the Employment Ordinance (香港《僱傭條例》), the Minimum Wage Ordinance of Hong Kong (香港《最低工資條例》), and other ordinances relating to occupational safety, as well as disability, sex, family status, and race discrimination. All the statements on the part of the Group such as the non-discrimination statement, the statement on work hours and the abolition of child and forced labour are included in the Employee Handbook, which depicts that the Group complies with all human rights.

The Group prohibits any employment which would constitute child labour and forced labour. The Group has provided a safe working environment and protecting employees from occupational hazards, and child and forced labor. The Group guarantees that no employee is made to work against employee's will, work under forced labor, or be subject to coercion related to work. The Group's implemented employment policies are in strict adherence to the local employment laws and regulations. Prior to any confirmation of employment of the Group, our human resources department will require job applicants to provide valid identity documents to verify that the applicants are lawfully employable and ensure full compliance with relevant laws and regulations that prohibit child and forced labour. In addition, the Group's employees work overtime on a voluntary basis to avoid any violation of the labour standards and protect employee's legal rights and interests. If any violations were to be detected, the Group would immediately cease any labour activities. Any false documents would be considered fraudulent and the Group would have the right to terminate the labour contract immediately. The Group will regularly review the employees' information to ensure there is no violation of any regulations and policies.

During the Reporting Year, the Group was unaware of any material breaches of employment labour laws and regulations related to child and forced labour in its operations, and other benefits and welfare concerning its employees.

[12] Total percentage of employees trained = Total number of employees trained during the financial year / Total number of employees at the end of the financial year x 100%.

[13] Percentage of employees trained = Number of employees trained by category during the financial year / Number of employees trained during the financial year x 100%.

4. OPERATING PRACTICES

4.1 Supply Chain Management

Several renowned brands are catered with quality supply chain management services rendered by the Group. Such practices have made the Group aware of the significant contribution of the suppliers in influencing the sustainability of business operations. It is worthwhile mentioning that the suppliers apart from impacting the overall performance, also act to uphold the stature of the Group among the societies who are served by the organisation. The business relies on several factors such as behaviour, equality and sensitivity towards the dynamic needs of stakeholders. Actions in this regard include employing a fair and just attitude while conducting business activities with the supply chain partners.

The Procurement Team, Quality Assurance Team and Operation Team executed meticulous on site evaluations to set up an alliance in the expert skill or knowledge. Evaluation is a critical instrument utilised by the team in order to implement acceptance and also search for measures that could be implemented by the suppliers to boost their performance. The adopted materials and methods used by the Group for supplier assessment are kept pellucid.

The Group expects the suppliers to implement good employment measures by dealing with their employees fairly and reasonably, respecting employees' rights and providing employees with an environment free from discrimination, child labour and forced labour. The suppliers also need to adhere to transparent business processes and high standards of conduct which they have to avoid conflicts of interest and prohibit corruption and bribery. Before making any procurement decisions, the Group will conduct due diligence and assessments on suppliers to avoid environmental and social risks along the supply chain. Our supply chain management policies and procedures include assessment, selection, approval, procurement and performance evaluation. We regularly evaluate our key suppliers' performance to determine whether to extend our partnership with them. Performance evaluation is based on capacity, delivery accuracy and punctuality, service, environmental protection and social responsibilities.

As of 31 December 2024, we had 945 suppliers mainly located in the following regions.

Region	**Number of Suppliers in 2024**
Cambodia	23
Hong Kong	193
Korea	10
Taiwan	64
The PRC	573
Vietnam	76
Others	6
Total	945

4.2 Product Responsibility

The Group strictly complies with the relevant laws and regulations relating to product responsibility that have significant impacts, including but not limited to the Product Quality Law of the People's Republic of the PRC (《中華人民共和國產品質量法》), Law of the People's Republic of the PRC on the Protection of Customer Rights and Interests (《中華人民共和國消費者權益保護法》), Civil Law of the People's Republic of the PRC (《中華人民共和國民法典》) and Law on Protection of Consumer Rights in Vietnam (越南《消費者權益保護法》).

The business primarily relies on keeping the customers elated. This is accomplished through continuous efforts made by the Group to modify the products and services so as to ensure customer satisfaction. The uncompromising and trustworthy production process acts as the pillar of the business. Moreover, the employees endeavour to serve vigilant service to the customers.

The pledge to ensure customer contentment is achieved through catering environmental friendly products of supreme quality. The infrastructure, systems and policies are continuously scrutinised to uphold the standards, quality and texture of the products and services.

The quality control department facilitates preserving strict quality standards and traceability. Moreover, with the aim to preserve traceability and safety, the various production processes and operations from the inspection of raw materials to finished goods are kept in a close check. The outcome is secured quality and reduced chances of associated risks. The products are also investigated regularly for product assessment and ascertaining the efficacy of the procedures. Further, the Group have obtained and maintained the ISO 9001:2008 certification for the design, development, manufacture, and sales and service of bags and packs in its PRC factories since 2009.

IP Rights Protection

As we go forward, we place a high value on IP. Workers have a duty to protect the Group's IP while also honoring that of others. Our IP is protected by patents, copyrights, trademarks, personal information, related contract rights, and other legal limitations. Workers are expected to get the necessary licenses or permissions in order to comply with the Group's internal rules regarding IP. We will strongly advise anybody violating our IP to stop, and if the violation persists, additional action will be taken. The Group requires that labelling is accurate, legitimate, clear, and not misleading, and IP rights, if applicable, are protected. We ensure that the information and marketing materials we provided do not contain any misleading content to protect customers' interests.

Methods of Redress

The Group considers that product recall procedures are not applicable to its operation, as products are tested by customers before acceptance for shipment. Should products be rejected for shipment or complaints are received, the Group would communicate with the customer in concern, understand and investigate into the matter then formulate a solution for resolution of the matter which may involve modification of the product or re-production of the product depending on the actual situation.

Privacy Matters

The Group is committed to protecting customer data and privacy information and keeping business information confidential. Its employees are obligated to retain in confidence all information obtained during the course of their employment, including, but not limited to, trade secrets, know-how, customer information and personal data, supplier information and other confidential information. Training in this regard and proper information system security is provided to employees.

The Group has established internal policies that cover intellectual property and privacy protection. An internal policy which governs the collection, handling, and disclosure of clients' data has been developed and communicated to its staff. The Group has prohibited the use of any personal information of customers by other parties for direct marketing purposes if unlawful or without explicit and implicit consent of customers. To protect confidential information, IT systems are protected with passwords and periodically changed, and different access levels are also granted to employees based on their position to prevent any unauthorised access.

During the Reporting Year, the Group was unaware of any material instances of non-compliance with relevant laws and regulations regarding advertising, health and safety, labeling and privacy matters. There are no current or pending regulatory actions or other litigation that is anticipated to have a significant impact on the Group.

Customer Handling

The Group values the feedback from its customers and ensures that customers feedback and complaints are addressed efficiently. Customers may lodge a formal complaint and the responsible department would respond accordingly, conduct internal investigations, propose suitable solutions to customers, and take corrective actions to settle the issue within a proposed timeframe. Our management would monitor the status of the complaint handling process to ensure that all complaints are handled promptly.

During the Reporting Year, the Group has received 5 (2023: 22) products and service-related complaints, the complaints were all related to minor defects. All complaints have been solved subject to above mentioned process in a timely manner. There were no products sold or shipped (2023: Nil) subject to recalls for safety and health reasons during the Reporting Year.

4.3 Anti-corruption

During the Reporting Year, the Group complied with all relevant laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering, including but not limited to, the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) (香港法例第201章《防止賄賂條例》), and Criminal Law of the People's Republic of the PRC (《中華人民共和國刑法》) and Anti-Money Laundering Law of the People's Republic of the PRC (《中華人民共和國反洗錢法》), Anti-corruption Laws of Cambodia (柬埔寨《反貪腐條例》) and Vietnam (越南《反貪腐條例》).

Anti-corruption measures and laws are enforced within the business area of the Group. The Group endeavours to maintain high moral standard and integrity, and forbids any forms of corruptions by setting out guidance in the Group's Code of Conducts. Whistleblowing policy is a good example of an Anti-corruption, anti-fraud, and anti-malpractice policy followed by the Group which encourages reporting of any inappropriate behaviour. The Group has a whistleblowing policy in place to encourage employees to report any suspicious fraudulent activities. The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation. Therefore, the employee(s) reporting in good faith under this procedure shall be assured of the protection against unfair termination or victimization, even if the reports are subsequently proved to be unsubstantiated. A full investigation will then be conducted by the management in confidential, disciplinary action will be applied to the employee involved upon confirmation of the occurrence, and further legal action may be taken depending on the nature and particular circumstances of each case.

The Group established anti-corruption policies to prohibit employees from receiving any advantages offered by customers, suppliers, colleagues, or other parties, while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. In addition, we provide publications on anti-corruption practices to our directors and senior management personnel regularly. The Group closely monitors the regulatory development and will arrange relevant trainings for the Directors and its staff, where necessary. Also, fraud risk assessment is conducted annually and any internal control deficiencies identified are communicated to the Board and senior management. Financial control activities are documented and at a minimum cover control around cash disbursement, accounts receivable, accounts payable, and inventory management. During the Reporting Year, the Group has provided anti-corruption training materials to its employees (including Board members and management staff). The Group will closely monitor the regulatory development and arrange relevant anticorruption training for our employees and directors, where necessary.

The Group is not aware of any complaints of corruption against the Group or any of the staff and there are no concluded legal cases regarding corrupt practices brought against the Group or its employees during the year ended 31 December 2024.

5. COMMUNITY

5.1 Community Investment

The ideology and outlook of the Group are to render the community with a good corporate citizen. The Group aims to identify the areas that require attention and hence act to engage with customers, employees, beneficiaries and the community at large, so that positive and long-lasting results can be obtained. Furthermore, the community is an integral part of the long-lasting success of the Group. This necessitates the Group to be identified as a responsible corporate citizen. To portray that the Group acts in the sense of shared value, they inspire their employees to render support to the charitable organisations and encourage them to participate in the charitable activities of the Group itself. It is notable to mention that the Group has also succeeded in imbibing a sense of responsibility among the staff members and their families towards society, the needy and particularly the physically disabled. Harmony, equality, and fairness are considered to lay the basis of such an attitude. This acts as an indicator of the active enthusiasm of the employees and their allegiance towards the organisation.

During the Reporting Year, the Group made charitable donations of US$8,900 to various organizations, including Guangzhou Panyu District Charity Association, Doun Mann & Trapaing Tunleabb villages, An Binh Primary School, and Hoang Tu Be Village.

Additionally, the Group actively participated in charitable activities, dedicating a total of 288 hours to contribute their time and effort for the betterment of the community. These endeavors aimed to create meaningful change, enhance environmental sustainability, and improve the overall well-being of the community.

STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE CODE CONTENT INDEX

Aspect	Description	Statement/Section	Remarks
A. Environment			
A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment	
KPI A1.1	The types of emissions and respective emissions data.	Air Emissions	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GHG Emissions and Energy Consumption	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Air Emissions; GHG Emissions and Use of Resources	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management	

Aspect	Description	Statement/Section	Remarks
A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources	
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	GHG Emissions; Use of Resources; The Environmental and Natural Resources	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GHG Emissions; Use of Resources; The Environmental and Natural Resources	
A4 Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	

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

Aspect	Description	Statement/Section	Remarks
B4 Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Labour Standards	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Labour Standards	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards	
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	

Aspect	Description	Statement/Section	Remarks
B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility	
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights Protection	
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility	
B7 Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Year and the outcomes of the cases.	Anti-corruption	
KPI B7.2	Description of preventive measures, how they are implemented and monitored.	Anti-corruption	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption	

Aspect	Description	Statement/Section	Remarks
B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment	

Independent Auditor's Report

EY 安永

To the shareholders of Prosperous Industrial (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Prosperous Industrial (Holdings) Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 82 to 162, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Income tax estimation	
The Group operates in a number of countries or jurisdictions where income tax regulations and practices are different. In addition, the Group may be subject to enquiries or tax audits from time to time by tax authorities on a range of tax matters during the normal course of business. These result in complexities of the Group's income tax provision estimation. The estimation of income tax provision was complex and involved significant management judgement to determine whether the Group's income was subject to tax and the applicable tax rates for these transactions, taking into consideration the relevant tax regulations, interpretations and practices prevailing in the jurisdictions in which the Group operates. Given the complexity and judgemental nature of the income tax provision, we considered this a key audit matter. Related disclosures are included in notes 2.4, 3 and 11 to the consolidated financial statements.	As part of our audit procedures, we obtained an understanding of and evaluated the assumptions used by management in the estimation of the Group's income tax provision, with the assistance of our internal tax specialists. We also checked the latest correspondence with the related tax authorities and assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated 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.

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

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

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

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

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

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

21 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2024

	Notes	2024 US$'000	2023 US$'000
REVENUE	5	**243,612**	208,138
Cost of sales		**(182,858)**	(164,386)
Gross profit		**60,754**	43,752
Other income and gains, net	6	**5,635**	3,764
Selling and distribution expenses		**(13,173)**	(10,953)
Administrative expenses		**(18,310)**	(17,635)
Impairment losses under expected credit loss model		**(40)**	(330)
Other expenses, net		**(1,494)**	(2,434)
Finance costs	7	**(247)**	(264)
PROFIT BEFORE TAX	8	**33,125**	15,900
Income tax expense	11	**(3,283)**	(1,021)
PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**29,842**	14,879
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**(868)**	(895)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Defined benefit plan			
– Actuarial gain/(loss)	27(a)	**49**	(4)
– Income tax effect	26	**(10)**	–
Change in fair value of equity investment at fair value through other comprehensive income		**115**	(645)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**154**	(649)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		**(714)**	(1,544)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**29,128**	13,335
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	13		
Basic and diluted (US cent)		**2.66**	1.33

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 US$'000	2023 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**12,239**	14,800
Investment properties	15	**8,615**	9,389
Right-of-use assets	16(a)	**12,678**	13,997
Intangible assets	17	**149**	122
Equity investments at fair value through other comprehensive income	18	**1,572**	1,457
Prepayments, deposits and other receivables	21	**4,581**	1,927
Financial assets at fair value through profit or loss	22	**195**	186
Deferred tax assets	26	**379**	258
Total non-current assets		**40,408**	42,136
CURRENT ASSETS			
Inventories	19	**41,600**	38,177
Trade receivables	20	**55,828**	49,233
Prepayments, deposits and other receivables	21	**5,501**	7,571
Financial assets at fair value through profit or loss	22	**508**	420
Income tax recoverable		**97**	62
Time deposits	23	**5,696**	15,824
Cash and cash equivalents	23	**70,918**	42,269
Total current assets		**180,148**	153,556
CURRENT LIABILITIES			
Trade and bills payables	24	**23,710**	21,342
Other payables and accruals	25	**15,577**	13,792
Lease liabilities	16(b)	**1,117**	1,353
Income tax payables		**6,541**	6,671
Total current liabilities		**46,945**	43,158
NET CURRENT ASSETS		**133,203**	110,398
TOTAL ASSETS LESS CURRENT LIABILITIES		**173,611**	152,534

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 US$'000	2023 US$'000
NON-CURRENT LIABILITIES			
Other payables and accruals	25	**28**	129
Defined benefit obligations	27(a)	**50**	195
Lease liabilities	16(b)	**1,383**	1,869
Deferred tax liabilities	26	**1,242**	1,390
Total non-current liabilities		**2,703**	3,583
Net assets		**170,908**	148,951
EQUITY			
Share capital	28	**1,436**	1,436
Reserves	30(a)	**169,472**	147,515
Total equity		**170,908**	148,951

Yeung Shu Kin
Director

Yeung Shu Kai
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

		Attributable to shareholders of the Company									
	Note	Share capital US$'000	Share premium account US$'000 (note 30(b))	Capital reserve US$'000	Defined benefit plan reserve US$'000	Exchange fluctuation reserve US$'000	Asset revaluation reserve US$'000	Fair value reserves – financial assets US$'000	Statutory reserves US$'000 (note 30(c))	Retained profits US$'000	Total equity US$'000
Year ended 31 December 2024											
At 1 January 2024		**1,436**	**28,633**	**19,052**	**578**	**(473)**	**3,910**	**(645)**	**383**	**96,077**	**148,951**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29,842**	**29,842**
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**(868)**	**–**	**–**	**–**	**–**	**(868)**
Actuarial gain of a defined benefit plan, net of income tax		**–**	**–**	**–**	**39**	**–**	**–**	**–**	**–**	**–**	**39**
Change in fair value of an equity investment at fair value through other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**115**	**–**	**–**	**115**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**39**	**(868)**	**–**	**115**	**–**	**29,842**	**29,128**
Transfer from retained profits		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**75**	**(75)**	**–**
Final 2023 dividend	12	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,171)**	**(7,171)**
At 31 December 2024		**1,436**	**28,633***	**19,052***	**617***	**(1,341)***	**3,910***	**(530)***	**458***	**118,673***	**170,908**
Year ended 31 December 2023											
At 1 January 2023		1,436	28,633	19,052	582	422	3,910	–	331	87,252	141,618
Profit for the year		–	–	–	–	–	–	–	–	14,879	14,879
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	(895)	–	–	–	–	(895)
Actuarial loss of a defined benefit plan, net of income tax		–	–	–	(4)	–	–	–	–	–	(4)
Change in fair value of an equity investment at fair value through other comprehensive income		–	–	–	–	–	–	(645)	–	–	(645)
Total comprehensive income/(loss) for the year		–	–	–	(4)	(895)	–	(645)	–	14,879	13,335
Transfer from retained profits		–	–	–	–	–	–	–	52	(52)	–
Final 2022 dividend	12	–	–	–	–	–	–	–	–	(6,002)	(6,002)
At 31 December 2023		1,436	28,633*	19,052*	578*	(473)*	3,910*	(645)*	383*	96,077*	148,951

* These reserve accounts comprise the consolidated reserves of US$169,472,000 (2023: US$147,515,000) in the consolidated statement of financial position as at 31 December 2024.

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 US$'000	2023 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**33,125**	15,900
Adjustments for:			
Interest income	6	**(2,557)**	(1,638)
Finance costs		**247**	264
Depreciation of property, plant and equipment	8	**3,457**	2,785
Depreciation of right-of-use assets	8	**2,182**	2,078
Amortisation of intangible assets	8	**158**	137
Loss on disposal/write-off of items of property, plant and equipment, net	8	**444**	21
Write-off of investment properties	8	**544**	–
Gain on termination of leases	8	**–**	(180)
Impairment losses under expected credit loss model		**40**	330
Change in fair value of investment properties	8	**98**	99
Change in fair value of financial assets at fair value through profit or loss	8	**(97)**	486
Gain on disposal of financial assets at fair value through profit or loss	6	**(187)**	–
Impairment/(write-back of impairment) of obsolete inventories	8	**(258)**	221
		37,196	20,503
Decrease/(increase) in inventories		**(3,167)**	5,346
Increase in trade receivables		**(6,640)**	(7,674)
Decrease/(increase) in prepayments, deposits and other receivables		**(563)**	1,057
Increase in trade and bills payables		**2,369**	837
Increase in other payables and accruals		**1,685**	1,389
Decrease in defined benefit obligations		**(86)**	(56)
Cash generated from operations		**30,794**	21,402
Income tax paid		**(3,755)**	(2,848)
Net cash flows from operating activities		**27,039**	18,554
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,728)**	(1,909)
Proceeds from disposal of items of property, plant and equipment		**89**	640
Additions to intangible assets		**(185)**	(81)
Placement of time deposits with original maturity of more than three months when acquired		**(18,812)**	(31,281)
Withdrawal of time deposits with original maturity of more than three months when acquired		**28,940**	22,769
Decrease in financial assets at fair value through profit or loss		**187**	3,500
Interest received		**2,557**	1,638
Net cash flows from/(used in) investing activities		**11,048**	(4,724)

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Note	2024 US$'000	2023 US$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid		**(247)**	(264)
Principal portion of lease payments		**(1,645)**	(1,468)
Dividends paid		**(7,171)**	(6,002)
Net cash flows used in financing activities		**(9,063)**	(7,734)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**29,024**	6,096
Cash and cash equivalents at beginning of year		**42,269**	36,730
Effect of foreign exchange rate changes, net		**(375)**	(557)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**70,918**	42,269
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows	23	**70,918**	42,269

Notes to Financial Statements

31 December 2024

1. CORPORATE AND GROUP INFORMATION

Prosperous Industrial (Holdings) Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the principal place of business of the Company is located at Unit 1–2, 1/F, Join-In Hang Sing Centre, 71–75 Container Port Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively, the "**Group**") were principally involved in the manufacture and sale of sport bags, handbags and luggage bags.

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company is Prosperous Holdings (Overseas) Limited, which was incorporated in the British Virgin Islands (the "**BVI**").

Information about principal subsidiaries

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

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Glorieux International (H.K.) Limited	Hong Kong	HK$1	100	–	Provision of raw material sourcing services and trading of sport bags, handbags and luggage bags
廣州澤榮旅行用品有限公司^	People's Republic of China ("**PRC**")/ Mainland China	HK$92,000,000	–	100	Bag product development and design and property investment
Starite International Vietnam Limited	Vietnam	US$2,500,000	–	100	Manufacture and sale of sport bags, handbags and luggage bags
東莞澤榮箱包有限公司^	PRC/Mainland China	HK$27,000,000	–	100	Manufacture and sale of sport bags, handbags and luggage bags
Starite (Cambodia) Co., Ltd.	Cambodia	US$10,000,000	–	100	Manufacture and sale of sport bags, handbags and luggage bags
Prosperous Enterprises (Taiwan) Limited ("**PEL**")	Taiwan	NT$30,000,000	100	–	Provision of raw material sourcing services and retail sale of sport bags, handbags and luggage bags

^ Registered as wholly-foreign-owned enterprises under PRC Law

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

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for (i) equity investments at fair value through other comprehensive income; (ii) defined benefit obligations; (iii) investment properties; and (iv) financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

2. ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Basis of consolidation *(continued)*

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

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's 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* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRSs are described below:

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

2. ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

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

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

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

2. ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective Hong Kong financial reporting standards

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

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

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

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

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

2. ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective Hong Kong financial reporting standards *(continued)*

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

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

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

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

2. ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective Hong Kong financial reporting standards *(continued)*

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

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

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

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

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Fair value measurement

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

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

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

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

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

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Impairment of non-financial assets

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

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

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of different categories of property, plant and equipment are as follows:

Freehold land	Not depreciated
Buildings	Over the shorter of lease terms of the relevant land and 20 to 42 years
Leasehold improvements	Over the shorter of lease terms and 4 to 10 years
Machinery and equipment	4 to 10 years
Furniture and fixtures	4 to 10 years
Motor vehicles	4 to 10 years

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

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the accounting policy under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as movements in the asset revaluation reserve.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives include computer software and a licence, and are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The estimated useful lives of intangible assets with finite lives for the purpose of amortisation are as follows:

Computer software	3 to 8 years

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Prepaid land lease payments	50 years
Leasehold land and buildings	3 to 44 years

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(b) Lease liabilities

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

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

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of motor vehicles, staff quarters and warehouses that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Leases *(continued)*

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement (continued)

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

Derecognition of financial assets

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

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

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

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

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

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

Simplified approach

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables and other payables and accruals.

Subsequent measurement

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Income tax *(continued)*

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Revenue recognition

Revenue from contracts with customers

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

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

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

Sale of sport bags, handbags and luggage bags

Revenue from the sale of sport bags, handbags and luggage bags is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the sport bags, handbags and luggage bags.

Interest income

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Revenue recognition *(continued)*

Dividend income

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

Rental income

Rental income is recognised on a time proportion basis over the lease terms.

Contract liabilities

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

Employee benefits

Defined contribution plans

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

The employees of the Group's subsidiaries which operate in Mainland China, Vietnam and Cambodia are required to participate in central pension schemes or social security schemes operated by local governments, the assets of which are held separately from those of the Group. Contributions are made by the subsidiaries based on a percentage of the participating employees' salaries and are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes and social security schemes. The employer contributions vest fully once made.

The Group also operates a defined contribution retirement benefit scheme under the Labour Pension Act of Taiwan for its employees recruited on and subsequent to 1 July 2005 by the Group's subsidiary in Taiwan. Based on the Labour Pension Act of Taiwan, the Group's monthly contribution to individual pension accounts of employees covered by the defined contribution plan is at 6% of monthly salaries and wages. The funds are deposited in individual labour pension accounts at the Bureau of Labour Insurance of Taiwan.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Employee benefits *(continued)*

Defined benefits plans

The Group operates a defined benefit pension plan in Taiwan. The plan requires contributions to be made to a separately administered fund and the benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from the defined benefit pension plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

Dividends

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

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Foreign currencies

These financial statements are presented in the US dollar, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the US$. As at the end of the reporting period, the assets and liabilities of these entities are translated into the US$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into the US$ at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Impairment of non-financial assets

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

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

Income tax

The Group is subject to income taxes in Hong Kong, Mainland China, Vietnam and overseas. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain during the ordinary course of business. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of current tax payables carried as liabilities in the consolidated statement of financial position as at 31 December 2024 was US$6,541,000 (2023: US$6,671,000).

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements.

4. OPERATING SEGMENT INFORMATION

Operating segment information

No operating segment information is presented as the Group only operates in one single operating segment, i.e., the manufacturing and sale of sport bags, handbags and luggage bags.

Geographical information

(a) Revenue from external customers

	2024 US$'000	2023 US$'000
The United States of America (the "**USA**")	**65,103**	73,359
Belgium	**34,381**	28,192
Mainland China	**30,977**	16,076
Netherlands	**18,358**	12,670
Italy	**16,336**	12,560
Japan	**16,225**	16,682
Others	**62,232**	48,599
Total revenue	**243,612**	208,138

The revenue information above is based on the destination of goods delivered, irrespective of the origin of the goods.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

(b) Non-current assets

	2024 US$'000	2023 US$'000
Mainland China	**16,401**	17,328
Vietnam	**11,176**	10,043
Cambodia	**4,146**	6,949
Taiwan	**4,703**	4,212
Others	**365**	631
Total non-current assets	**36,791**	39,163

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

Information about major customers

During the year, the Group had transactions with three (2023: three) external customers, the sales to which individually contributed over 10% of the Group's total revenue. The revenue generated from sales to each of these customers is set out below:

	2024 US$'000	2023 US$'000
Customer A	**91,162**	81,646
Customer B	**62,808**	31,654
Customer C	**58,415**	52,954

5. REVENUE

Revenue represents sales of sport bags, handbags and luggage bags.

(a) Disaggregation of revenue

	2024 US$'000	2023 US$'000
By geographical markets		
The USA	**65,103**	73,359
Belgium	**34,381**	28,192
Mainland China	**30,977**	16,076
Netherlands	**18,358**	12,670
Italy	**16,336**	12,560
Japan	**16,225**	16,682
Others*	**62,232**	48,599
Total revenue from contracts with customers	**243,612**	208,138

* Including countries with sales less than 5% of total balance for the year, e.g. United Kingdom, Canada, Korea, etc.

	2024 US$'000	2023 US$'000
By product		
Sales of outdoor and sporting bags	**206,846**	159,849
Sales of functional bags	**11,203**	10,779
Sales of fashion and casual bags	**24,692**	35,549
Sales of other products	**871**	1,961
Total revenue from contracts with customers	**243,612**	208,138
By timing of revenue recognition		
Goods transferred at a point of time	**243,612**	208,138

The revenue recognised during the year ended 31 December 2024 that was included in contract liabilities as at 1 January 2024 amounted to US$130,000 (2023: US$27,000). No revenue recognised during the years ended 31 December 2024 and 2023 related to performance obligations satisfied or partially satisfied in previous years.

5. REVENUE *(continued)*

(b) Performance obligation

Sale of sport bags, handbags and luggage bags

The performance obligation is satisfied upon delivery of the sport bags, handbags and luggage bags and payment is generally due within 15 to 105 days from delivery.

6. OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net is as follows:

	2024 US$'000	2023 US$'000
Other income		
Bank interest income	**2,557**	1,638
Gross rental income from investment property operating leases, fixed payment	**951**	816
Charges levied on customers	**463**	438
Government grants*	**7**	25
Others	**354**	493
Total other income	**4,332**	3,410
Gains, net		
Foreign exchange gains, net	**1,029**	231
Gain of disposal of financial assets at fair value through profit or loss	**187**	–
Gain on sale of scrap materials	**87**	123
Total gains, net	**1,303**	354
Total other income and gains, net	**5,635**	3,764

* There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

	2024 US$'000	2023 US$'000
Factoring fee on certain designated trade receivables	**–**	5
Interest on lease liabilities	**247**	259
	247	264

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8. PROFIT BEFORE TAX

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

	Notes	2024 US$'000	2023 US$'000
Cost of inventories sold		**179,637**	160,856
Depreciation of property, plant and equipment	14	**3,457**	2,785
Less: Amount included in cost of sales		**(1,957)**	(1,832)
		1,500	953
Depreciation of right-of-use of assets	16(a)	**2,182**	2,078
Less: Amount included in cost of sales		**(1,521)**	(1,475)
		661	603
Amortisation of intangible assets*	17	**158**	137
Less: Amount included in cost of sales		**(1)**	(2)
		157	135
Lease payments not included in the measurement of lease liabilities	16(c)	**435**	450
Gain on termination of leases	16(c)	**–**	(180)
Auditor's remuneration		**324**	299
Employee benefit expense (including directors' remuneration):			
Salaries, allowances and benefits in kind		**60,387**	52,857
Defined contribution scheme contributions#		**1,991**	1,913
Net benefit expense of a defined benefit plan	27(a)	**2**	3
		62,380	54,773
Less: Amount included in cost of sales		**(46,290)**	(39,402)
Total		**16,090**	15,371
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**69**	65
Changes in fair value of investment properties	15	**98**	99
Research and development costs		**2,429**	2,311
Impairment/(write-back of impairment) of obsolete inventories***		**(258)**	221
Loss on disposal/write-off of items of property, plant and equipment, net**		**444**	21
Write-off of investment properties**	15	**544**	–
Changes in fair value of financial assets at fair value through profit or loss**		**(97)**	486

8. PROFIT BEFORE TAX *(continued)*

* The amortisation of intangible assets are included in the following line items on the face of the consolidated statement of profit or loss and other comprehensive income:

	2024 US$'000	2023 US$'000
Cost of sales	**1**	2
Selling and distribution expenses	**6**	5
Administrative expenses	**151**	130
Total	**158**	137

** These amounts are included in "Other expenses, net" on the face of the consolidated statement of profit or loss and other comprehensive income.

*** This amount is included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2024 US$'000	2023 US$'000
Fees	**87**	81
Other emoluments:		
Salaries, allowances and benefits in kind	**1,048**	1,046
Discretionary bonus	**797**	850
Defined contribution scheme contributions	**21**	21
Subtotal	**1,866**	1,917
Total	**1,953**	1,998

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

An analysis of the directors' and chief executive's remuneration, on a named basis, is as follows:

Year ended 31 December 2024

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Discretionary bonus US$'000	Defined contribution scheme contributions US$'000	Total US$'000
Executive directors:					
Mr. Yeung Shu Kin	–	293	193	–	486
Mr. Yeung Shu Kai	–	213	154	2	369
Mr. Yeung Wang Tony	–	249	193	17	459
Non-executive directors:					
Mr. Chau Chi Ming	–	–	–	–	–
Mr. Liao Yuang-Whang*	–	–	–	–	–
Mr. Lin Wang-Chyan**	–	–	–	–	–
Independent non-executive directors:					
Mr. Chiu Che Chung Alan	28	–	–	–	28
Ms. Sze Tak On	28	–	–	–	28
Mr. Yip Kwok Cheung#	7	–	–	–	7
Mr. Wong Kwun Ho##	24	–	–	–	24
Chief executive:					
Mr. Yeung Shu Hung	–	293	257	2	552
	87	1,048	797	21	1,953

* Retired as a non-executive director on 19 June 2024.

** Appointed as a non-executive director on 19 June 2024.

Resigned as an independent non-executive director on 28 March 2024.

Appointed as an independent non-executive director on 28 March 2024.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

An analysis of the directors' and chief executive's remuneration, on a named basis, is as follows: *(continued)*

Year ended 31 December 2023

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Discretionary bonus US$'000	Defined contribution scheme contributions US$'000	Total US$'000
Executive directors:					
Mr. Yeung Shu Kin	–	293	198	–	491
Mr. Yeung Shu Kai	–	212	185	2	399
Mr. Yeung Wang Tony	–	248	211	17	476
Non-executive directors:					
Mr. Chau Chi Ming	–	–	–	–	–
Mr. Liao Yuang-Whang*	–	–	–	–	–
Independent non-executive directors:					
Mr. Chiu Che Chung Alan	28	–	–	–	28
Mr. Ko Siu Tak^	14	–	–	–	14
Mr. Yip Kwok Cheung	28	–	–	–	28
Ms. Sze Tak On^^	11	–	–	–	11
Chief executive:					
Mr. Yeung Shu Hung	–	293	256	2	551
	81	1,046	850	21	1,998

^ Retired as an independent non-executive director on 19 June 2023.

^^ Appointed as an independent non-executive director on 4 August 2023.

Notes:

(a) The remuneration of the directors disclosed above only included their remuneration during the year when they are holding the office as directors of the Company.

(b) There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2023: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2024 included three (2023: three) directors and the chief executive of the Company, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2023: one) non-director highest paid employee for the year are as follows:

	2024 US$'000	2023 US$'000
Salaries, allowances and benefits in kind	249	249
Discretionary bonus	232	237
Defined contribution scheme contributions	2	2
Total	483	488

The remuneration of the non-director highest paid employee fell within the following band:

	2024	2023
HK$3,500,001 to HK$4,000,000	1	1

11. INCOME TAX

An analysis of the Group's income tax is as follows:

	Note	2024 US$'000	2023 US$'000
Current:			
Charge for the year		6,032	2,741
Overprovision in prior years		(2,442)	(1,677)
		3,590	1,064
Deferred tax	26	(307)	(43)
Total tax expense for the year		3,283	1,021

11. INCOME TAX *(continued)*

Notes:

(a) Applicable income tax rates

A summary of applicable income tax rates of the jurisdictions in which the Group had operations during the year is as follows:

	2024	2023
	%	%
Hong Kong	**16.5**	16.5
Vietnam	**20**	20
Mainland China	**25**	25
Cambodia*	**20**	20

* In accordance with the relevant tax rules and regulations in Cambodia, the Group's subsidiary in Cambodia enjoys an income tax exemption during the years ended 31 December 2024 and 2023.

(b) A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rate is as follows:

	2024	2023
	US$'000	US$'000
Profit before tax	**33,125**	15,900
Tax expense at the statutory tax rates	**7,034**	2,975
Lower tax rate for specific province or enacted by local authority	**(365)**	(382)
Adjustments in respect of current tax of previous periods	**(2,442)**	(1,677)
Income not subject to tax	**(1,053)**	(1,229)
Expenses not deductible for tax	**273**	1,309
Tax losses not recognised as deferred tax assets, net	**248**	142
Unrecognised tax losses from previous periods utilised	**(495)**	–
Others	**83**	(117)
Tax expense at the Group's effective tax rate	**3,283**	1,021

12. DIVIDENDS

	2024 US$'000	2023 US$'000
Dividends paid during the year:		
Final dividend for 2023 – HK5.0 cents (equivalent to approximately US0.64 cents) (2022: HK4.2 cents (equivalent to approximately US0.54 cents)) per ordinary share	**7,171**	6,002
Proposed final dividend – HK7.0 cents (equivalent to approximately US0.90 cents) (2023: HK5.0 cents (equivalent to approximately US0.64 cents)) per ordinary share	**10,100**	7,165

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company of US$29,842,000 (2023: US$14,879,000), and the number of ordinary shares outstanding of 1,120,000,000 (2023: 1,120,000,000) during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2024 and 2023 in respect of a dilution as the Company had no potentially dilutive ordinary shares outstanding during each of these years.

14. PROPERTY, PLANT AND EQUIPMENT

31 December 2024

	Freehold land US$'000	Buildings US$'000	Leasehold improvements US$'000	Machinery and equipment US$'000	Furniture and fixtures US$'000	Motor vehicles US$'000	Total US$'000
At 1 January 2024:							
Cost	2,546	7,026	16,387	20,350	9,500	1,402	57,211
Accumulated depreciation	–	(3,223)	(13,180)	(17,236)	(7,760)	(1,012)	(42,411)
Net carrying amount	2,546	3,803	3,207	3,114	1,740	390	14,800
At 1 January 2024, net of accumulated depreciation	2,546	3,803	3,207	3,114	1,740	390	14,800
Additions	–	–	78	939	662	49	1,728
Depreciation provided during the year	–	(217)	(1,201)	(1,281)	(693)	(65)	(3,457)
Disposals/write-off	–	(454)	(5)	(42)	(24)	(8)	(533)
Exchange realignment	(142)	(131)	(9)	(4)	(10)	(3)	(299)
At 31 December 2024, net of accumulated depreciation	2,404	3,001	2,070	2,726	1,675	363	12,239
At 31 December 2024:							
Cost	2,404	5,402	16,137	20,355	9,993	1,351	55,642
Accumulated depreciation	–	(2,401)	(14,067)	(17,629)	(8,318)	(988)	(43,403)
Net carrying amount	2,404	3,001	2,070	2,726	1,675	363	12,239

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

31 December 2023

	Freehold land US$'000	Buildings US$'000	Leasehold improvements US$'000	Machinery and equipment US$'000	Furniture and fixtures US$'000	Motor vehicles US$'000	Total US$'000
At 1 January 2023:							
Cost	2,546	7,200	16,511	20,578	8,138	1,390	56,363
Accumulated depreciation	–	(2,886)	(11,852)	(16,890)	(7,301)	(956)	(39,885)
Net carrying amount	2,546	4,314	4,659	3,688	837	434	16,478
At 1 January 2023, net of accumulated depreciation	2,546	4,314	4,659	3,688	837	434	16,478
Additions	–	–	15	454	1,392	48	1,909
Depreciation provided during the year	–	(399)	(1,439)	(406)	(479)	(62)	(2,785)
Disposals/write-off	–	–	(5)	(621)	(6)	(29)	(661)
Exchange realignment	–	(112)	(23)	(1)	(4)	(1)	(141)
At 31 December 2023, net of accumulated depreciation	2,546	3,803	3,207	3,114	1,740	390	14,800
At 31 December 2023:							
Cost	2,546	7,026	16,387	20,350	9,500	1,402	57,211
Accumulated depreciation	–	(3,223)	(13,180)	(17,236)	(7,760)	(1,012)	(42,411)
Net carrying amount	2,546	3,803	3,207	3,114	1,740	390	14,800

15. INVESTMENT PROPERTIES

	Note	2024 US$'000	2023 US$'000
Carrying amount at 1 January		**9,389**	9,649
Changes in fair value	8	**(98)**	(99)
Write-off	8	**(544)**	–
Exchange realignment		**(132)**	(161)
Carrying amount at 31 December		**8,615**	9,389

The Group's investment properties consist of two industrial properties (2023: two industrial properties and one residential complex) in the PRC. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., industrial and residential, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2024 based on valuations performed by Asset Appraisal Limited, independent professionally qualified valuers, at US$8,615,000 (2023: US$9,389,000).

Valuation process

Each year, the Group's management decides to appoint external valuer for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuations are performed for interim and annual financial reporting.

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2024 using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Recurring fair value measurement for:				
Industrial properties	–	–	8,615	8,615

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Recurring fair value measurement for:				
Industrial properties	–	–	8,754	8,754
Residential complex	–	–	635	635
Total	–	–	9,389	9,389

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Industrial properties US$'000	**Residential complex** US$'000
Carrying amount at 1 January 2023	8,988	661
Net loss from a fair value adjustment recognised in other expense in profit or loss	(85)	(14)
Exchange realignment	(149)	(12)
Carrying amount at 31 December 2023 and at 1 January 2024	8,754	635
Write-off	–	(544)
Reclassification	88	(88)
Net loss from a fair value adjustment recognised in other expense in profit or loss	(96)	(2)
Exchange realignment	(131)	(1)
Carrying amount at 31 December 2024	8,615	–

15. INVESTMENT PROPERTIES *(continued)*

Fair value measurement using significant unobservable inputs (Level 3)

Valuations are based on the income approach. The income approach is based on capitalisation of the net income and the reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Description	Valuation techniques	Significant unobservable inputs	Weighted average/ range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties	Income approach	Average monthly market rent per square metre	RMB23 (2023: RMB19 to RMB26)	The higher the market rent, the higher the fair value
		Term yield	6.30% (2023: 6.05%)	The higher the term yield, the lower the fair value
Residential complex	Income approach	Average monthly market rent per square metre	Nil (2023: RMB13 to RMB14)	The higher the market rent, the higher the fair value
		Term yield	Nil (2023: 6.05%)	The higher the term yield, the lower the fair value

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and buildings, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with a lease period of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of other land and buildings generally have lease terms between 3 and 44 years, while motor vehicles, staff quarters, warehouses and other equipment generally have lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Prepaid land lease payments	**Leasehold land and buildings**	**Total**
	US$'000	US$'000 (note (i))	US$'000
As at 1 January 2023	2,551	13,849	16,400
Additions	–	424	424
Depreciation charge	(102)	(1,976)	(2,078)
Termination of leases	–	(679)	(679)
Exchange realignment	(42)	(28)	(70)
As at 31 December 2023 and 1 January 2024	2,407	11,590	13,997
Additions	–	930	930
Depreciation charge	(101)	(2,081)	(2,182)
Exchange realignment	(33)	(34)	(67)
As at 31 December 2024	2,273	10,405	12,678

Note:

(i) The Group leased certain factory buildings and related leasehold land from a shareholder of the Company for production of the Group's products in Vietnam. In accordance with the lease agreements entered into between the two parties, the Group is subject to the payment of rentals, which have been settled in full by the Group in prior years, and certain ancillary service fees (including public facility maintenance, utility and building management expenses), which shall be charged by the subsidiary of that shareholder on a monthly basis.

The lease period of these factory buildings and related leasehold land shall expire on 11 January 2055, which represents the end of the lease period of the leasehold land use rights owned by the fellow subsidiary of that shareholder.

The carrying amount of these right-of-use assets as at 31 December 2024 was US$7,762,000 (2023: US$8,021,000).

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) Lease liabilities

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

	2024 US$'000	2023 US$'000
Carrying amount at 1 January	**3,222**	5,129
New lease	**930**	449
Termination of leases	**–**	(859)
Accretion of interest recognised during the year	**247**	259
Payments	**(1,892)**	(1,727)
Exchange realignment	**(7)**	(29)
Carrying amount at 31 December	**2,500**	3,222
Analysed into:		
Within one year	**1,117**	1,353
In the second year	**563**	872
In the third to fifth years, inclusive	**820**	997
	2,500	3,222
Less: Current portion	**(1,117)**	(1,353)
Non-current portion	**1,383**	1,869

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

16. LEASES *(continued)*

The Group as a lessee *(continued)*

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

	2024 US$'000	2023 US$'000
Interest on lease liabilities	247	259
Depreciation charge of right-of-use assets	2,182	2,078
Gain on termination of leases	–	(180)
Expense relating to short-term leases (included in cost of sales)	200	329
Expense relating to leases of low-value assets (included in administrative expenses)	215	101
Expense relating to leases of low-value assets (included in selling expenses)	20	20
Total amount recognised in profit or loss	2,864	2,607

The Group as a lessor

The Group leases its investment properties (note 15) in Guangzhou, the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was US$951,000 (2023: US$816,000), details of which are included in note 6 to the financial statements.

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

	2024 US$'000	2023 US$'000
Within one year	429	985
After one year but within two years	171	607
After two years but within three years	–	287
Total	600	1,879

17. INTANGIBLE ASSETS

	Computer software US$'000	Club membership US$'000	Total US$'000
31 December 2024			
At 1 January 2024:			
Cost	**1,768**	**74**	**1,842**
Accumulated amortisation	**(1,720)**	**–**	**(1,720)**
Net carrying amount	**48**	**74**	**122**
Net carrying amount:			
At 1 January 2024	**48**	**74**	**122**
Additions	**185**	**–**	**185**
Amortisation provided during the year	**(158)**	**–**	**(158)**
At 31 December 2024	**75**	**74**	**149**
At 31 December 2024:			
Cost	**1,899**	**74**	**1,973**
Accumulated amortisation	**(1,824)**	**–**	**(1,824)**
Net carrying amount	**75**	**74**	**149**
31 December 2023			
At 1 January 2023:			
Cost	1,719	74	1,793
Accumulated amortisation	(1,615)	–	(1,615)
Net carrying amount	104	74	178
Net carrying amount:			
At 1 January 2023	104	74	178
Additions	81	–	81
Amortisation provided during the year	(137)	–	(137)
At 31 December 2023	48	74	122
At 31 December 2023:			
Cost	1,768	74	1,842
Accumulated amortisation	(1,720)	–	(1,720)
Net carrying amount	48	74	122

18. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 US$'000	2023 US$'000
Unlisted equity investments, at fair value:		
友勁投資股份有限公司	2	2
Venturous Holdings Limited	1,570	1,455
Total	1,572	1,457

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

19. INVENTORIES

	2024 US$'000	2023 US$'000
Raw materials	11,839	13,365
Work in progress	6,407	7,087
Finished goods	23,354	17,725
Total	41,600	38,177

20. TRADE RECEIVABLES

	Notes	2024 US$'000	2023 US$'000
Trade receivables	(a)	56,068	49,433
Impairment	(b)	(240)	(200)
Net carrying amount		55,828	49,233

Notes:

(a) The Group's trading terms with its customers for sale of goods are mainly on credit. The credit period is generally 15 to 105 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to certain customers with good reputation, in the opinion of the directors of the Company, there is no significant credit risk. Trade receivables are non-interest-bearing.

(b) The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 US$'000	2023 US$'000
At beginning of year	200	356
Impairment losses	40	330
Write-off	–	(486)
At end of year	240	200

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the average of historical incurred credit loss experience on each ageing group of trade receivables. Customers with credit deterioration (i.e., overdue by more than 6 months) will be assessed on an individual basis for the provision of expected credit losses. Generally, trade receivables are written off if they are not considered recoverable by the Group and are not subject to enforcement activity.

20. TRADE RECEIVABLES *(continued)*

Notes: *(continued)*

(b) *(continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

At 31 December 2024

	Current and past due less than 1 month US$'000	Past due 1 to 3 months US$'000	Past due Over 3 months US$'000	Total US$'000
Category:				
(i) Customers with good credit	**47,162**	**-**	**-**	**47,162**
(ii) Customers with credit deterioration	**8,899**	**1**	**6**	**8,906**
Gross trade receivables	**56,061**	**1**	**6**	**56,068**
Less: Expected credit losses	**(240)**	**-**	**-**	**(240)**
Net trade receivables	**55,821**	**1**	**6**	**55,828**
ECL rates	**0.4%**	**0%**	**0%**	**0.4%**

At 31 December 2023

	Current and past due less than 1 month US$'000	Past due 1 to 3 months US$'000	Past due Over 3 months US$'000	Total US$'000
Category:				
(i) Customers with good credit	45,511	1,488	–	46,999
(ii) Customers with credit deterioration	2,413	1	20	2,434
Gross trade receivables	47,924	1,489	20	49,433
Less: Expected credit losses	(198)	–	(2)	(200)
Net trade receivables	47,726	1,489	18	49,233
ECL rates	0.4%	0%	10.0%	0.4%

(c) An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2024 US$'000	2023 US$'000
Within 1 month	**22,948**	13,464
1 to 2 months	**20,311**	19,762
2 to 3 months	**11,661**	14,522
Over 3 months	**908**	1,485
Total	**55,828**	49,233

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 US$'000	2023 US$'000
Prepayments	5,028	2,380
Deposits and other receivables	5,054	7,118
Total	10,082	9,498
Less: Portion classified as current assets	(5,501)	(7,571)
Non-current portion	4,581	1,927

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 US$'000	2023 US$'000
Corporate bonds' listed	315	311
Listed equity investments	388	295
	703	606
Less: Portion classified as current assets	(508)	(420)
Non-current portion	195	186

The above bond investments were classified as financial assets at fair value through profit or loss as the contractual cash flows were not SPPI.

23. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	2024 US$'000	2023 US$'000
Cash and bank balances other than time deposits	**23,681**	20,572
Time deposits	**52,933**	37,521
Total cash and bank balances	**76,614**	58,093
Less: Time deposits with original maturity of more than three months when acquired	**(5,696)**	(15,824)
Cash and cash equivalents	**70,918**	42,269

Notes:

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between 1 month and 6 months (2023: between 1 months and 12 months) depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

(b) At 31 December 2024, cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to US$9,270,000 (2023: US$7,579,000), of which US$9,092,000 (2023: US$7,241,000) were kept or deposited in banks in Mainland China. The RMB is not freely convertible into other currencies in Mainland China. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. TRADE AND BILLS PAYABLES

Trade and bills payables are unsecured, interest-free, and are normally settled on terms of 45 to 60 days.

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 US$'000	2023 US$'000
Within 1 month	**17,255**	12,071
1 to 2 months	**4,781**	8,243
2 to 3 months	**174**	421
Over 3 months	**1,500**	607
Total	**23,710**	21,342

25. OTHER PAYABLES AND ACCRUALS

	Notes	2024 US$'000	2023 US$'000
Accruals		**10,830**	9,421
Other payables and deposits received	(a)	**4,775**	4,370
Contract liabilities	(b)	**–**	130
Total		**15,605**	13,921
Less: Portion classified as current liabilities		**(15,577)**	(13,792)
Non-current portion		**28**	129

Notes:

(a) Other payables are non-interest-bearing and have an average term of two months.

(b) Contract liabilities represented customers' deposits received to deliver sport bags, handbags and luggage bags. Balance amounted to US$27,000 at 1 January 2023. The increase and decrease in contract liabilities in 2023 and 2024, respectively, were mainly due to the increase and decrease in advances received from customers in relation to the sale of sport bags, handbags and luggage bags before 31 December 2023 and 2024, respectively.

26. DEFERRED TAX

Deferred tax assets

	Arising from			
	Lease liabilities US$'000	Defined benefit obligations US$'000	Accruals and others US$'000	Total US$'000
At 1 January 2023	1,149	93	109	1,351
Deferred tax credited/(charged) to the profit or loss during the year (note 11)	(390)	1	54	(335)
Exchange realignment	–	1	–	1
At 31 December 2023 and 1 January 2024	759	95	163	1,017
Deferred tax credited/(charged) to the profit or loss during the year (note 11)	(313)	(76)	235	(154)
Deferred tax charged to comprehensive income during the year	–	(10)	–	(10)
Exchange realignment	–	1	(29)	(28)
At 31 December 2024	446	10	369	825

Deferred tax liabilities

	Arising from			
	Right-of-use assets US$'000	Depreciation allowance in excess of related depreciation US$'000	Revaluation of properties US$'000	Total US$'000
At 1 January 2023	(1,149)	(61)	(1,317)	(2,527)
Deferred tax credited/(charged) to the profit or loss during the year (note 11)	390	(37)	25	378
At 31 December 2023 and 1 January 2024	(759)	(98)	(1,292)	(2,149)
Deferred tax credited/(charged) to the profit or loss during the year (note 11)	313	(11)	159	461
At 31 December 2024	(446)	(109)	(1,133)	(1,688)

26. DEFERRED TAX *(continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024	2023
	US$'000	US$'000
Deferred tax assets recognised in the consolidated statement of financial position	**379**	258
Deferred tax liabilities recognised in the consolidated statement of financial position	**(1,242)**	(1,390)
Net deferred tax liabilities	**(863)**	(1,132)

Notes:

(a) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group.

At 31 December 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised amounted to approximately US$16,596,000 (2023: US$12,990,000) as at 31 December 2024.

(b) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. DEFINED BENEFIT OBLIGATIONS

PEL, a subsidiary incorporated in Taiwan, has adopted a defined benefit pension plan (the "**Plan**"), covering substantially all employees recruited by PEL before the implementation of the Labour Pension Act of Taiwan on 1 July 2005. The defined benefit pension plan requires contributions to be made to separately administered funds.

(a) The movements in the defined benefit obligations and the fair value of plan assets during the year are as follows:

	2024			2023		
	Defined benefit obligations US$'000	Fair value of plan assets US$'000	Net benefit liability US$'000	Defined benefit obligations US$'000	Fair value of plan assets US$'000	Net benefit liability US$'000
At 1 January	479	(284)	195	467	(219)	248
Pension cost charged/(credited) to profit or loss:						
Interest cost	5	(3)	2	6	(3)	3
Remeasurement losses/(gains) in other comprehensive income:						
Return on plan assets (excluding amounts included in net interest expense)	–	(22)	(22)	–	(2)	(2)
Actuarial losses/(gains) arising from changes in financial assumptions	(6)	–	(6)	2	–	2
Actuarial losses/(gains) arising from experience adjustments	(21)	–	(21)	4	–	4
	(27)	(22)	(49)	6	(2)	4
Benefits paid	(156)	156	–	–	–	–
Contributions from the employer	-	(88)	(88)	–	(59)	(59)
Exchange realignment	(27)	17	(10)	–	(1)	(1)
At 31 December	274	(224)	50	479	(284)	195

27. DEFINED BENEFIT OBLIGATIONS *(continued)*

(b) An analysis of the fair value of each category of the plan assets at the end of the reporting period is as follows:

	2024 **US$'000**	2023 US$'000
Equity investments	**136**	174
Debt instruments	**33**	44
Cash and cash equivalents	**29**	35
Others	**26**	31
	224	284

(c) Principal assumptions

The most recent actuarial valuation of the present value of the defined benefit obligations was carried out at the end of the reporting period by ClientView Management Consulting Co., Ltd, an independent professionally qualified actuary, using the projected unit credit method. The material actuarial assumptions used in determining the defined benefit obligations for the Group's defined benefit plan are as follows:

	2024	2023
Discount rate	**1.55%**	1.20%
Expected rate of salary increase	**3.00%**	3.00%

A quantitative sensitivity analysis for the effect of changes in the discount rate and the expected rate of salary increase on the net defined benefit obligations as at the end of the reporting period is as follows:

	Increase in rate %	**Increase/ (decrease) in net defined benefit obligations** US$'000	**Decrease in rate** %	**Increase/ (decrease) in net defined benefit obligations** US$'000
At 31 December 2024				
Discount rate	**0.25**	**(4)**	**0.25**	**4**
Expected rate of salary increase	**0.25**	**4**	**0.25**	**(4)**
At 31 December 2023				
Discount rate	0.25	(9)	0.25	9
Expected rate of salary increase	0.25	9	0.25	(9)

27. DEFINED BENEFIT OBLIGATIONS *(continued)*

(c) Principal assumptions *(continued)*

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

At 31 December 2024, the expected contribution to be made within the next 12 months out of the defined benefit obligations was US$71,000 (2023: US$74,000).

28. SHARE CAPITAL

	2024	2023
Shares		
Authorised:		
100,000,000,000 ordinary shares of HK$0.01 each	**HK$1,000,000,000**	HK$1,000,000,000

	2024 **US$'000**	2023 US$'000
Issued and fully paid:		
1,120,000,000 ordinary shares of HK$0.01 each	**1,436**	1,436

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") which became effective on 13 July 2018. The board of directors of the Company may grant options to eligible persons to subscribe for shares in the Company subject to the terms of the Scheme.

Options may be exercised at any time during a period to be determined by the directors which shall not be later than ten years from the date of grant of the option subject to the provisions for early termination thereof.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the scheme as an equity-settled plan.

No share options were granted during 2024 and 2023, and hence, there was no outstanding option under the Scheme as at 31 December 2024 and 2023.

30. RESERVES

(a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) The capital reserve represents shareholders' additional contributions in prior years.

(c) The statutory reserves are reserves set aside in accordance with the Taiwan Companies Ordinance applicable to the Group's subsidiary established in Taiwan. None of the Group's statutory reserves was distributable in the form of cash dividend.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of US$930,000 (2023: US$424,000) and US$930,000 (2023: US$449,000), respectively, in respect of lease arrangements for leasehold land and buildings.

(b) Changes in liabilities arising from financing activities

2024

	Lease liabilities US$'000
At 1 January 2024	**3,222**
Changes from financing cash flows	**(1,892)**
New lease	**930**
Interest expense	**247**
Exchange realignment	**(7)**
At 31 December 2024	**2,500**

2023

	Lease liabilities US$'000
At 1 January 2023	5,129
Changes from financing cash flows	(1,727)
New lease	449
Termination of leases	(859)
Interest expense	259
Exchange realignment	(29)
At 31 December 2023	3,222

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 US$'000	2023 US$'000
Within operating activities	435	450
Within financing activities	1,892	1,727
Total	2,327	2,177

32. COMMITMENTS

(a) Capital commitments

The Group had the following contractual commitments as at the end of the reporting period:

	2024 US$'000	2023 US$'000
Development of an industrial park	598	–
Acquisition of items of intangible assets	–	442
	598	442

(b) Operating lease commitments

In the prior year, the Group had various lease contracts that had not yet commenced as at 31 December 2023. The future lease payments for these non-cancellable lease contracts were US$45,000 due within one year, and US$188,000 due in the second to fifth years, inclusive.

33. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following material transactions with related parties during the year:

	Notes	2024 US$'000	2023 US$'000
A company beneficially owned by certain directors of the Company			
Lease payments*	(i)	**246**	245
Subsidiaries of a company with significant influence over the Company			
Public facility maintenance expenses*	(iii)	**157**	159
Utility expenses and other charges*	(iii)	**520**	500
Building management expenses*	(ii)	**366**	311

Notes:

(i) These transactions were determined with reference to prevailing market rates.

(ii) These transactions were carried out at mutually agreed prices.

(iii) The public facility maintenance expenses and utility expenses and other charges were reimbursed to the related party on the actual cost basis.

* These transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules. Upon adoption of HKFRS 16, the lease of the office premises from the related company was recognised as a right-of-use asset of US$522,000 (2023: US$58,000) and a lease liability of US$531,000 (2023: US$61,000) as at 31 December 2024 and a lease payment of US$246,000 (2023: US$245,000) was paid during the year ended 31 December 2024.

(b) The compensation of the key management personnel of the Group is summarised as follows:

	2024 US$'000	2023 US$'000
Short term employee benefits	**1,297**	1,295
Discretionary bonuses	**1,029**	1,087
Defined contribution schemes contributions	**23**	23
Total compensation paid and payable to key management personnel	**2,349**	2,405

34. FINANCIAL INSTRUMENTS BY CATEGORY

2024

	Financial assets at fair value through other comprehensive income US$'000	Financial assets at fair value through profit or loss, mandatorily designated as such US$'000	Financial assets at amortised cost US$'000	Total US$'000
Equity investments at fair value through other comprehensive income	1,572	-	-	1,572
Trade receivables	-	-	55,828	55,828
Financial assets included in prepayments, deposits and other receivables	-	-	5,054	5,054
Financial assets at fair value through profit or loss	-	703	-	703
Cash and cash equivalents and time deposits	-	-	76,614	76,614
Total	1,572	703	137,496	139,771

	Financial liabilities at amortised cost US$'000
Trade and bills payables	23,710
Financial liabilities included in other payables and accruals	1,911
Lease liabilities	2,500
Total	28,121

34. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2023

	Financial assets at fair value through other comprehensive income US$'000	Financial assets at fair value through profit or loss, mandatorily designated as such US$'000	Financial assets at amortised cost US$'000	Total US$'000
Equity investments at fair value through other comprehensive income	1,457	–	–	1,457
Trade receivables	–	–	49,233	49,233
Financial assets included in prepayments, deposits and other receivables	–	–	7,118	7,118
Financial assets at fair value through profit or loss	–	606	–	606
Cash and cash equivalents and time deposits	–	–	58,093	58,093
Total	1,457	606	114,444	116,507

	Financial liabilities at amortised cost US$'000
Trade and bills payables	21,342
Financial liabilities included in other payables and accruals	2,102
Lease liabilities	3,222
Total	26,666

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance controller reports directly to the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption was used to estimate the fair values:

The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current price within the bid-ask spread which is the most representative of the fair value in the given circumstances. The fair values of other financial assets and financial liabilities are determined in accordance with the generally accepted pricing models based on discounted cash flow analysis.

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a comparable valuation technique, namely comparable transactions approach. The valuation requires the directors to determine market information of recent transactions (e.g., recent fund raising transactions undertake by the investees, open offer proposed by investees, etc.). The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. A 5% (2023: 5%) increase/decrease in the market value of recent transactions would result in an increase/decrease in the fair value of unlisted equity investments by US$79,000 (2023: US$73,000).

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments that are carried at fair value in the consolidated statement of financial position:

	Fair value measured using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
At 31 December 2024				
Equity investments at fair value through other comprehensive income	**–**	**–**	**1,572**	**1,572**
Financial assets at fair value through profit or loss	**703**	**–**	**–**	**703**
	703	**–**	**1,572**	**2,275**
At 31 December 2023				
Equity investments at fair value through other comprehensive income	–	–	1,457	1,457
Financial assets at fair value through profit or loss	606	–	–	606
	606	–	1,457	2,063

The movements in fair value measurements within Level 3 during the year are as follows:

	2024 US$'000	2023 US$'000
Equity investments at fair value through other comprehensive income		
At 1 January	**1,457**	2,102
Gain/(loss) recognised in other comprehensive income	**115**	(645)
At 31 December	**1,572**	1,457

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities (2023: Nil).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than equity investments at fair value through other comprehensive income and financial assets at fair value through profit or loss, comprise cash and cash equivalents and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are (a) interest rate risks, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has minimal use of derivatives and other instruments for trading purposes. The board of directors review and agree policies for managing each of these risks and they are summarised as follows:

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash at banks with floating interest rates.

If interest rates had been 100 basis points higher (lower) and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2024 would have increased (decreased) by US$237,000 (2023: US$206,000).

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of its significant investment operations in Mainland China and Vietnam, the Group's consolidated statement of financial position can be affected significantly by movements in the RMB/US$ and Vietnamese Dong ("**VND**")/US$ exchange rates.

The following table demonstrates the sensitivity at the end of the reporting period to reasonably possible changes in the RMB/US$ and VND/US$ exchange rates, with all other variables held constant, of the Group's profit before tax.

	Increase/(decrease) in profit before tax	
	2024	2023
	US$'000	US$'000
If RMB weakens against US$ by 5%	**257**	54
If RMB strengthens against US$ by 5%	**(257)**	(54)
If VND weakens against US$ by 5%	**(419)**	(428)
If VND strengthens against US$ by 5%	**419**	428

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Credit risk

At the end of the reporting period, trade receivables from six (2023: six) customers of the Group accounted for approximately 81% (2023: 85%) of the Group's trade receivables.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, as receivable balances are monitored on an ongoing basis and the counterparty has a good history of repayment, the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs	
	Stage 1 US$'000	Simplified approach US$'000	Total US$'000
Trade receivables*	–	56,068	56,068
Financial assets included in prepayments, deposits and other receivables – Normal**	5,054	–	5,054
Cash and bank balances and time deposits – Not yet past due	76,614	–	76,614
Total	81,668	56,068	137,736

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 December 2023

	12-month ECLs	Lifetime ECLs	
	Stage 1 US$'000	Simplified approach US$'000	Total US$'000
Trade receivables*	–	49,433	49,433
Financial assets included in prepayments, deposits and other receivables – Normal**	7,118	–	7,118
Cash and bank balances and time deposits – Not yet past due	58,093	–	58,093
Total	65,211	49,433	114,644

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(d) Liquidity risk

The Group's objective is to maintain a balance between maintaining an adequate level of cash and cash equivalents to finance the Group's operations and investing surplus cash for higher return.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2024				
	Less than 3 months US$'000	3 to 12 months US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Lease liabilities	439	809	640	878	2,766
Trade and bills payables	22,210	1,500	–	–	23,710
Other payables and accruals	1,911	–	–	–	1,911
Total	24,560	2,309	640	878	28,387

	2023				
	Less than 3 months US$'000	3 to 12 months US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Lease liabilities	422	1,106	2,087	–	3,615
Trade and bills payables	20,735	607	–	–	21,342
Other payables and accruals	2,102	–	–	–	2,102
Total	23,259	1,713	2,087	–	27,059

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(e) Price risk

The Group is exposed to securities price risk because investments held by the Group are classified as financial assets at fair value through profit or loss. Unrealised gains and losses arising from the change in the fair value of financial assets at fair value through profit or loss are recognised in the profit or loss. To manage its price risk arising from investments in financial assets at fair value through profit or loss, the Group diversifies its portfolio. Diversification of the portfolio is determined in accordance with the limits set by the Group.

As at 31 March 2024, if market price of the Group's publicly-traded investments increased/decreased by 5% with all other variables held constant, the profit before tax of the Group would have increased/decreased by approximately US$35,000 (2023: US$30,000).

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to its shareholders or issue new shares to increase capital. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company as at the end of the reporting period is as follows:

	2024 US$'000	2023 US$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**14,064**	12,682
CURRENT ASSETS		
Prepayments, deposits and other receivables	**62**	113
Due from subsidiaries	**86,597**	80,193
Time deposits	**2,000**	8,000
Cash and cash equivalents	**1,380**	2,973
Total current assets	**90,039**	91,279
CURRENT LIABILITIES		
Other payables and accruals	**299**	271
Due to subsidiaries	**44,979**	44,957
Total current liabilities	**45,278**	45,228
Net current assets	**44,761**	46,051
Net assets	**58,825**	58,733
EQUITY		
Issued capital	**1,436**	1,436
Reserves (note)	**57,389**	57,297
Total equity	**58,825**	58,733

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account US$'000	Retained profits US$'000	Total US$'000
At 1 January 2023	28,633	40,105	68,738
Loss for the year and total comprehensive loss for the year	–	(5,439)	(5,439)
Final 2022 dividend	–	(6,002)	(6,002)
At 31 December 2023 and 1 January 2024	28,633	28,664	57,297
Profit for the year and total comprehensive income for the year	–	7,263	7,263
Final 2023 dividend	–	(7,171)	(7,171)
At 31 December 2024	28,633	28,756	57,389

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2025.

Particulars of Investment Properties

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Factory Block 5 No. 31 Qijie First Road Nancun Town Panyu Guangzhou People's Republic of China	Industrial	Medium term lease	100%
Plant Room No. 31 Qijie First Road Nancun Town Panyu Guangzhou People's Republic of China	Industrial	Medium term lease	100%

Five-Year Financial Summary

A summary of the consolidated results and of the assets, liabilities and equity of the Group for the last five financial years is as follows:

RESULTS

	Year ended 31 December				
	2024	2023	2022	2021	2020
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**243,612**	208,138	218,188	146,673	156,022
Profit before tax	**33,125**	15,900	11,868	1,145	3,752
Income tax	**(3,283)**	(1,121)	(1,523)	2,757	(763)
Profit for the year	**29,842**	14,879	10,345	3,902	2,989

ASSETS, LIABILITIES AND EQUITY

	At 31 December				
	2024	2023	2022	2021	2020
	US$'000	US$'000	US$'000	US$'000	US$'000
TOTAL ASSETS	**220,556**	195,692	189,831	190,781	192,610
TOTAL LIABILITIES	**(49,648)**	(46,741)	(48,213)	(51,237)	(47,805)
NET ASSETS	**170,908**	148,951	141,618	139,544	144,805
TOTAL EQUITY	**170,908**	148,951	141,618	139,544	144,805