TRISTATE

Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Annual Report 2023

Stock code: 458

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Corporate Information

WANG KOO Yik Chun
Honorary Chairlady

Board of Directors

Executive Director

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Share Option Committee

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

Chief Financial Officer

CHAN Man Ying, Vivian

Company Secretary

CHAN Man Ying, Vivian

Auditor

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

Legal Advisors

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

Principal Bankers

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

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

5th Floor, 66-72 Lei Muk Road
Kwai Chung, New Territories
Hong Kong
Tel : (852) 2279-3888
Fax : (852) 2480-4676
Website : http://www.tristateww.com

Corporate Communications

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

Listing Information

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1988
Stock short name : Tristate Hold
Stock code : 458
Board lot : 1,000 shares

Principal Registrar and Transfer Office

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

Branch Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong
Tel : (852) 2862-8555
Fax : (852) 2865-0990/2529-6087

Five-Year Financial Summary

	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Consolidated Statement of Profit or Loss					
Revenue	**4,215,667**	3,731,194	3,037,662	2,277,114	3,001,253
Profit/(loss) for the year attributable to:					
Equity shareholders of the Company	**171,232**	30,772	21,134	(169,437)	(38,829)
Non-controlling interests	**8,941**	9,052	8,063	2,646	1,892
Profit/(loss) for the year	**180,173**	39,824	29,197	(166,791)	(36,937)
Basic earnings/(loss) per share attributable to equity shareholders of the Company	**HK$0.63**	HK$0.11	HK$0.08	HK$(0.62)	HK$(0.14)

	At 31 December 2023 HK$'000	At 31 December 2022 HK$'000	At 31 December 2021 HK$'000	At 31 December 2020 HK$'000	At 31 December 2019 HK$'000
Consolidated Statement of Financial Position					
Non-current assets	**1,272,954**	1,321,384	983,859	1,112,347	1,147,448
Current assets	**1,843,724**	1,754,825	1,430,878	1,128,693	1,129,211
Current liabilities	**1,107,123**	1,225,123	890,961	697,620	624,904
Net current assets	**736,601**	529,702	539,917	431,073	504,307
Total assets less current liabilities	**2,009,555**	1,851,086	1,523,776	1,543,420	1,651,755
Non-current liabilities	**804,497**	811,608	487,559	505,218	515,151
Net assets	**1,205,058**	1,039,478	1,036,217	1,038,202	1,136,604
Total equity attributable to equity shareholders of the Company	**1,180,201**	1,020,151	1,025,942	1,035,990	1,137,038
Non-controlling interests	**24,857**	19,327	10,275	2,212	(434)
Total equity	**1,205,058**	1,039,478	1,036,217	1,038,202	1,136,604

Note:

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

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Our Business

I am pleased to present to shareholders the annual results for the year ended 31 December 2023 of Tristate Holdings Limited (the "**Company**"). In the reporting year, our revenue increased 13% to HK$4,216 million and profit attributable to equity shareholders of the Company substantially increased to HK$171 million from HK$31 million a year earlier.

Building on a solid foundation, the Company and its subsidiaries (collectively, the "**Group**") have been consistently investing in the long-term success of our business. Over the past five years, revenue grew from HK$3,001 million in 2019 to HK$4,216 million in 2023. The Group has successfully implemented its strategy of expanding our brands business. With the success of our own brand C.P. Company and the signing of long-term licensed brands agreements, the aggregate revenue of our brands business had accounted for 54% of the Group's total revenue in 2023, up from 23% in 2019. Besides, over the years, our garment manufacturing business has proven its success and resilience by overcoming market challenges and navigating through COVID-19 disruptions. This business has been continually contributing profits and cash flow to support the Group.

In this reporting year, our garment manufacturing business continued to post strong revenue with steady bottom line results and our own brand C.P. Company also recorded steady revenue and profit contributions. Overall, the substantial increase in the Group's profit for the year was primarily attributable to the significant reduction in losses of our licensed brands, Nautica and Spyder, due to their revenue increase and improved performance.

In 2023, C.P. Company's revenue remained strong and was flat at constant exchange rates as compared to last year. The fashion market slowdown coupled with a warm autumn in Europe had caused wholesale revenue to drop by 6% in 2023 while e-commerce and retail sales saw revenue growth. Italy, the United Kingdom and France were still the largest contributors to the wholesale revenue of C.P. Company. The brand added two more direct retail stores in Cannes and Lyon of France and a new showroom in Milan of Italy in 2023.

After the lifting of all COVID-19 restrictions in China in late 2022, all our licensed brands in China recorded revenue rise in 2023. Nautica's revenue grew 53% over last year. We had expanded its collections and added e-commerce channels and full-price image stores for Nautica in the year. The brand reported a substantial reduction in net loss mainly attributable to the increase in top line and stringent cost control.

Soon after its launch in late 2019, Spyder was severely hit by the COVID-19 outbreak in early 2020 followed by the lockdowns in China in 2022. After the pandemic, Spyder's 2023 revenue increased by 67% over last year. The brand also narrowed its operating loss as compared to last year, mainly due to increased revenue, write-back of inventory provisions and continued effort on cost control.

Reebok recorded a full year revenue in 2023 as compared to revenue contribution starting from May in 2022. Reebok's China and Hong Kong businesses were primarily direct-to-consumer through mono-brand stores and e-commerce. During the year, the brand expanded its retail network, added e-commerce platforms and invested in elevating brand heat. Net losses of the brand in 2023 increased over last year as we are still in the process of rebuilding the brand after taking it over from the previous operator in 2022.

Chairman's Statement

Our Performance

Brands business

Revenue from the brands business reached HK$2,283 million in 2023, which was 27% higher than 2022. The Group's own brand, C.P. Company, recorded a low single-digit growth in revenue in 2023 and was flat at constant exchange rates as compared to last year. Nonetheless, this brand continued to contribute a steady and strong profit in 2023. After the pandemic, all our licensed brands in China recorded revenue jump in 2023. Revenue of Nautica and Spyder were up 53% and 67% respectively in the year and their operating losses were substantially narrowed because of the increased revenue and reduced inventory provisions. Reebok recorded a full year revenue in 2023 as compared to revenue contribution from May in 2022. This brand reported an increase in losses in 2023 during the brand rebuilding process. As a whole, our brands business reported a substantial reduction in losses in the reporting year due to narrowing the losses of Nautica and Spyder.

Garment manufacturing

Revenue from our garment manufacturing business was HK$1,933 million, representing a stable performance as compared to 2022. The business also recorded a steady and strong profit in 2023 as compared to 2022.

Outlook

The Group is dedicated to strengthening and investing in the long-term success of our business. Our own brand C.P. Company has a sound business foundation and has been focusing on implementing new strategies to achieve breakthroughs and further developments. In the new year, the Group will continually exert every effort to increase brand awareness, expand customer segment and create brand momentum through marketing initiatives and collaborations. The team will stay vigilant on geopolitical tension and economic volatility that could affect consumer sentiment.

In early 2024, the Group launched to the market its newly licensed brand – Massimo Osti Studio, a contemporary label honoring and building on the legacy of the late Italian designer Massimo OSTI, the founder of C.P. Company. The brand focuses on fabric research, experimental silhouettes, functional shapes and innovative industrial processes.

For our licensed brands – Nautica and Spyder, we aim to enhance the brand image, increase sell-through and further improve store performance. We will also keep controlling their operating costs.

Reebok has a celebrated heritage and is deeply rooted in professional sports, sneaker culture, and performance apparel. The Group will leverage Reebok's heritage and deploy strategy to rebuild the brand. Key initiatives in the new year include designing successful collections for the China market, elevating brand heat and icons, opening quality retail stores, driving e-commerce sales and strengthening our Reebok community.

For our garment manufacturing business, cautious consumer spending, strong competition and rising factory costs will continue to challenge our business. We will keep streamlining our operations, improving production efficiency through automation and controlling stringently our costs in order to remain competitive and flexible. We have expanded the capacity of our factory in Vietnam to address our customers' demand and expect to start production around the end of March 2024. Our diversified production base, unique production system together with flexible supply chain will enable us to work closely with our customers and respond to their needs.

Against a challenging economic environment, we expect our own brand C.P. Company and our garment manufacturing business will continue to post profits and generate strong cash flow. Amid the challenging China economic conditions, we will strive to improve the performance of our licensed brands in China. We will continue to focus on operational efficiency improvement, brand innovation and product optimisation to strengthen the Group's competitiveness and drive sustainable long-term value creation. By this, we are confident that the Group can achieve a sustainable long-term growth.

Dividends

The board of directors of the Company, after considering the financial position and cash requirement of the Group, recommends for shareholders' approval the payment of a final dividend of HK$0.19 per share. Together with the interim dividend of HK$0.06 per share paid in September 2023, there will be a total full year dividend of HK$0.25 per share.

Appreciation

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

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 25 March 2024

Management Discussion and Analysis

In this Management Discussion and Analysis, we present the business review and a discussion on the financial performance of Tristate Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023.

Overview

For the year ended 31 December 2023, the Group recorded profit attributable to equity shareholders of HK$171 million as compared to the profit of HK$31 million for 2022. While our garment manufacturing business and our own brand C.P. Company continued to contribute steady revenue and profit in 2023, the overall substantial increase in profit attributable to equity shareholders of the Company in the year was primarily attributable to the significant reduction in losses of the Group's licensed brands, Nautica and Spyder, due to revenue increase and improved performance.

Own Brands

C.P. Company continued to contribute steady revenue and profitability in 2023. The brand's revenue recorded a low single-digit growth in 2023 and was flat in 2023 at constant exchange rates due to slowdown in the fashion market and a warm autumn in Europe. In 2023, wholesale business in Europe dropped by 6% while retail sales and e-commerce saw revenue increase. Italy, the United Kingdom ("**UK**") and France remained the largest contributors to C.P. Company's wholesale revenue. The brand opened two more direct retail stores in Lyon and Cannes of France and a new showroom in Milan, Italy during 2023. At the end of December 2023, this brand had eight directly managed retail stores and outlets in the upmarket streets of London, Milan, Riccione, Amsterdam, Cannes, Lyon, Mendrisio and Noventa di Piave.

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

Licensed Brands

After the lifting of COVID-19 control measures in China in late 2022 and the recovery of local economic activities, all our licensed brands in China recorded revenue jump in 2023 as compared to 2022. Revenue of Nautica grew 53% over the last year. We added e-commerce channels and full-price image stores for this brand in the year. The brand reported a substantial reduction in operating loss mainly attributable to the top line increase and tight cost control. At 31 December 2023, Nautica had 71 directly managed retail stores and another 90 stores operated by partners (31 December 2022: 167 stores in total).

Spyder was officially launched in China in November 2019 and soon after that, it was severely hit by the COVID-19 outbreak in China in early 2020, followed by the elongated lockdowns in 2022. After the pandemic, Spyder reported an increase in revenue of 67% over 2022. The brand also narrowed its net losses as compared to last year, mainly due to increased revenue, write-back of inventory provisions and continued effort on cost control. At 31 December 2023, Spyder had 50 stores across China (31 December 2022: 58 stores).

Reebok recorded a full year revenue in 2023 as compared to revenue contribution only from 1 May in 2022. Reebok's China and Hong Kong businesses were primarily direct-to-consumer through mono-brand stores and e-commerce. The brand expanded e-commerce platforms, added retail stores, and invested in elevating brand heat during 2023. Nonetheless, store revenue and performance in 2023 were still behind our expectations. Net losses of the brand increased in 2023 as compared to last year, including impairment losses of HK$49 million on licence rights and property, plant and equipment. At 31 December 2023, Reebok had 30 stores across China (31 December 2022: 15 stores).

Garment Manufacturing

In the year under review, our garment manufacturing business continued to post strong revenue. Our China and Thailand factories are serving our "premium business" for fashion and complicated outerwear products. Our Vietnam and Myanmar factories allow us to stay competitive in cost to support our "better business" for better tailoring products. In the year, we saw some customer revenue mix changes within both our premium business and better business. Overall, our garment manufacturing business was able to achieve a slightly improved gross margin and continued to report steady bottom line results in 2023.

Management Discussion and Analysis

Financial Highlights

	Note	2023	2022	Change
Operating results (HK$ million)				
Revenue		**4,216**	3,731	+13%
Gross profit		**1,783**	1,449	+23%
EBITDA		**602**	424	+42%
Depreciation on right-of-use assets	1	**(108)**	(88)	-23%
Interest on lease liabilities	1	**(10)**	(7)	-43%
Amortisation of licence rights	2	**(56)**	(52)	-8%
Interest on licence fees payable	2	**(51)**	(47)	-9%
Depreciation on owned property, plant and equipment		**(76)**	(65)	-17%
Impairment losses of intangible assets		**(46)**	(16)	-188%
Impairment losses of property, plant and equipment		**(6)**	(20)	+70%
Income tax charge		**(67)**	(81)	+17%
Profit attributable to equity shareholders		**171**	31	+452%
Segment results (HK$ million)				
Garment manufacturing EBITDA		**280**	273	+3%
Depreciation on right-of-use assets	1	**(10)**	(8)	-25%
Interest on lease liabilities	1	**(2)**	(2)	–
Depreciation on owned property, plant and equipment		**(18)**	(19)	+5%
Garment manufacturing results before tax		**250**	244	+2%
Brands business EBITDA		**304**	129	+136%
Depreciation on right-of-use assets	1	**(91)**	(70)	-30%
Interest on lease liabilities	1	**(8)**	(6)	-33%
Amortisation of licence rights	2	**(56)**	(52)	-8%
Interest on licence fees payable	2	**(51)**	(47)	-9%
Depreciation on owned property, plant and equipment		**(51)**	(37)	-38%
Impairment losses of intangible assets		**(46)**	(16)	-188%
Impairment losses of property, plant and equipment		**(6)**	(20)	+70%
Brands business results before tax		**(5)**	(118)	+96%
Cash flow (HK$ million)				
Cash generated from operations		**590**	107	+451%
Income tax paid		**(118)**	(46)	-157%
Payment for the purchase of property, plant and equipment		**(98)**	(90)	-9%
Rental payments under capitalised leases	1	**(120)**	(97)	-24%
Financial position (HK$ million)				
Cash and bank balances		**463**	301	+54%
Bank borrowings		**33**	107	+69%
Total equity		**1,205**	1,039	+16%
Key ratios				
Gross profit margin		**42.3%**	38.8%	+3.5pp
Net profit margin attributable to equity shareholders		**4.1%**	0.8%	+3.3pp
Return on average equity ("**ROE**")	3	**15.3%**	3.0%	+ 12.3pp

Notes:

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

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

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

Management Discussion and Analysis

Financial Review

Revenue

Total revenue of the Group for the year was HK$4,216 million (2022: HK$3,731 million), representing an increase of 13% over last year.

Revenue from our brands business was increased to HK$2,283 million in 2023 as compared to HK$1,792 million in 2022. Revenue of C.P. Company remained strong and was flat at constant exchange rates in 2023 due to slowdown in the fashion market and a warm autumn in Europe. After the lifting of all pandemic control measures in China in late 2022, all our licensed brands in China recorded revenue jump in 2023 as compared to last year. Revenue of Nautica and Spyder were up 53% and 67% respectively over last year, while Reebok recorded a full year revenue in 2023 as compared to revenue contribution from May in 2022.

Revenue from garment manufacturing business in the year was HK$1,933 million as compared to HK$1,939 million in 2022. Revenue from premium business, which accounted for 71% (2022: 76%) of the segment revenue, dropped by 6% as compared to last year. Revenue from better business rose 15% in 2023. During the year under review, we saw some customer revenue mix changes within both our premium and better businesses.

Geographically, major markets of the Group are The People's Republic of China ("**PRC**"), UK, Italy and Canada, which accounted for 32% (2022: 27%), 22% (2022: 20%), 13% (2022: 11%) and 9% (2022: 12%) of the Group's total revenue respectively. The change in proportion among different geographical markets in the year was mainly due to the increase in revenue of our licensed brands in China and change in customer revenue mix of our garment manufacturing business.

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

Gross Profit

During the year, the Group's overall gross profit recorded at HK$1,783 million (2022: HK$1,449 million), representing a gross profit margin of 42.3% (2022: 38.8%). The increase in gross profit was mainly attributable to the increased turnover. Gross profit margin of our garment manufacturing business was slightly better than a year ago due to change in customer revenue mix, lowered freight-in costs and the weakening of Renminbi. The gross profit margin of our brands business remained stable as compared to last year. Gross profit margin of C.P. Company slightly dropped while gross profit margins of the licensed brands in China increased mainly due to less inventory provisions in the year. Overall, the Group's gross profit margin increased to 42.3% in 2023 from 38.8% in 2022. This was due to the rise in the revenue proportion of the brands business which contributed a relatively higher gross profit margin.

Other Net Losses

In 2023, other net losses included impairment losses on intangible assets and property, plant and equipment totaling HK$52 million (2022: HK$36 million), of which HK$49 million was in relation to impairment of Reebok licence rights and property, plant and equipment (2022: HK$31 million relating to Spyder).

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly retail shop expenses, advertising and promotion, commissions to retail partners and sales agents and brand licence rights amortisation. Selling and distribution expenses increased as compared to 2022 mainly due to the increase in shop expenses paid for Nautica along with its revenue increase as well as the full year shop and other selling expenses incurred for Reebok.

General and Administrative Expenses

General and administrative expenses were increased by 6% as compared to 2022. This was mainly due to increased administrative costs in line with business growth.

Income Tax Charge

Income tax was charged on profits of our garment manufacturing and C.P. Company business. Income tax charges decreased as compared to 2022 mainly due to the write-back of tax overprovided for previous years and income tax was attributable to different entities in these two years.

Segment Results

Our garment manufacturing business recorded a steady segment result in 2023 as compared to 2022. For our brands business, C.P. Company continued to report a steady profit during the year. The operating losses of Nautica and Spyder substantially narrowed because of the rise in revenue and improved gross margin. Reebok reported an increase in losses in 2023 as store revenue and performance were behind our expectations. Our brands business as a whole reported a substantial reduction in losses for the reporting year.

Financial Resources and Liquidity

At 31 December 2023, cash and bank balances amounted to HK$463 million (31 December 2022: HK$301 million) which mainly represented United States dollars ("**US dollars**"), Renminbi and Euro bank deposits and balances.

The Group maintained sufficient banking facilities to support its business. At 31 December 2023, the Group had short-term bank borrowings of HK$33 million (31 December 2022: HK$107 million). At the end of 2023, short-term bank borrowings were denominated in Renminbi (31 December 2022: denominated in US dollars, Euro and Renminbi) and bearing interest at fixed rates. At 31 December 2023, bank deposits of HK$10 million (31 December 2022: HK$11 million) were pledged to secure bank facilities granted to the Group. Gearing ratio of the Group is calculated as net borrowings divided by total capital. Net borrowings are calculated as total bank borrowings less cash and bank balances, while total capital comprised total equity plus net borrowings. The Group did not have any net borrowings at 31 December 2023 and 31 December 2022, and accordingly, no information on gearing ratio at these dates is provided.

For the cash flow, the Group generated more cash flow from operation in 2023 than 2022 due to better operating performance while more cash was used for Reebok initial inventory purchase in the last year. For working capital, inventories at 31 December 2023 were lower than a year earlier as the Group has been reducing inventories of brands business after the pandemic.

Shareholders' equity at 31 December 2023 increased over 2022 mainly due to profit attributable to equity shareholders for the year less interim dividend paid during the year.

Most of the Group's receipts and payments are denominated in US dollars, Hong Kong dollars, Renminbi, Pound Sterling and Euro. The Group manages the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the years ended 31 December 2022 and 2023, the Group had forward foreign exchange contracts to hedge against the foreign exchange exposures arising from Renminbi manufacturing costs of our PRC factories and Pound Sterling sales receipts of a European subsidiary.

Contingent Liabilities and Capital Commitments

Apart from the capital commitments as disclosed in Note 34 to the consolidated financial statements, there were no other material capital commitments or contingent liabilities at 31 December 2023.

Event after the Reporting Period

On 15 January 2024, Eltshore Enterprises Limited, an indirect wholly-owned subsidiary of the Company, had, in consideration of a grant price of EUR687,000, acquired an option which, if exercised during the option period commencing from 1 January 2027, would enable the Group to purchase 45% of the issued capital of an Italian company MO IP Srl at the purchase consideration of EUR3,435,000. MO IP Srl owns the MASSIMO OSTI brand (including, among others, Massimo Osti Studio). Also, on 15 January 2024, the Group, through Tristate International SA (an indirect 95% owned subsidiary of the Company), had signed up an exclusive licence with MO IP Srl to use certain trademarks and domain names related to the MASSIMO OSTI brand (including, among others, Massimo Osti Studio) in the manufacturing, sale and distribution of apparel products.

Further details relating to the option and the licence are set out in the paragraph headed "Event after the Reporting Period – Discloseable and Connected Transactions" in the "Report of the Directors" on pages 58 to 59 of this annual report.

Human Resources

The Group had about 6,370 employees at 31 December 2023 (2022: 6,360). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance may also be awarded discretionary bonuses and share options.

Outlook

Our own global brand C.P. Company has a sound business foundation. The brand is attentive to its market-winning trajectory and new strategies to achieve breakthroughs and further developments, and at the same time stays vigilant on the geopolitical tension and economic volatility that could affect consumer sentiment. The brand will further increase its brand awareness, expand customer segment, and create brand momentum through marketing initiatives and collaborations. We will continue to focus on existing key wholesale markets (Italy, UK, France, Germany and Benelux) and expand into other countries in Europe, Asia, the Middle East and South America by partnering with key wholesale accounts. We will continue to grow e-commerce and plan to open more direct retail stores in key European markets in coming years. In early 2024, after the Group entered into the licence agreement for the use of trademarks related to the MASSIMO OSTI brand, Massimo Osti Studio, a contemporary label celebrating the legacy of the late Italian designer Massimo OSTI, the founder of C.P. Company, was launched to the market. This brand pays homage to the work of the late Massimo OSTI and his ongoing legacy by redefining the paradigms of modern sportswear and focusing on fabric research, experimental silhouettes, and functional shapes. The addition of Massimo Osti Studio has further enlarged the Group's brand offerings.

Leveraging on our strong design and supply chain teams, combined with Nautica's aspirational position, we have a clear path for the brand in terms of distribution channel mix, key retail metrics, and business model. We have identified a clear product concept and merchandise mix, pricing strategies and strategic promotion plans across channels. We aim to enhance the Nautica brand image, increase sell-through and further improve store performance and profitability. For e-commerce, we will grow existing and new online platforms. We will also continue to invest in our CRM systems with the goal of enhancing membership services and promoting engagement with our customers.

Spyder's positioning is on-trend with the backdrop of a growing snow sports market and the huge premium sports apparel segment in China. We will continue to focus our investment on quality stores together with selected retail partners, and control the operating expenses of the brand.

Reebok has a celebrated heritage and has inspired, connected and created great products for athletes and consumers across the world for decades. The brand is deeply rooted in professional sports, sneaker culture, and performance apparel. The Group will continue to leverage Reebok's heritage and deploy strategy to fuse street and fitness styles that provide consumers with Reebok in the fast-growing sports, activewear, and outerwear segments. The team will focus on designing successful collections for the China market, elevating brand heat and icons, opening quality retail stores, driving e-commerce sales and strengthening our Reebok community. We are committed to driving innovation and growth of the brand.

Our garment manufacturing business had continued to deliver strong performance in 2023. Looking ahead, cautious consumer spending, strong competition and rising factory costs remain challenging to the business. To stay resilient, we will continue to streamline our operations and control costs in order to remain competitive and flexible. We have expanded the capacity of our factory in Vietnam to cope with the demand from customers and expect to start production around the end of the first quarter of 2024. Our diversified production base, unique production system together with flexible supply chain will enable us to work closely with our customers and respond to their needs.

The Group is dedicated to continually strengthening its own capability and investing in every valuable opportunity it may come across, with a view to striving for the long-term success of our business. Against a challenging economic backdrop, we expect our own brand C.P. Company and garment manufacturing business will continue to post profits and generate strong cash flow to support the Group's businesses. China's economy is facing challenges. We will strive to improve the performance of our licensed brands in China and keep a firm grip on costs. The Group has adequate cash and available bank credit facilities to finance working capital and operational requirements. We are confident that we will achieve long-term profitable growth for the Group.

Principal Risks and Uncertainties

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

Principal risks and uncertainties affecting the Group are outlined below:

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

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

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

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

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

Relationship with Business Partners and Stakeholders

Relationship with Customers

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

Relationship with Suppliers

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

Relationship with Employees

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

Compliance with Relevant Laws and Regulations

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

Environmental and Social Policies

The Group is committed to creating a sustainable and greener environment and continues to explore ways to reduce carbon emission, conserve energy and reduce wastage. We have implemented various environmental and sustainability initiatives in our factories. Being a responsible corporate citizen, the Group is committed to supporting various charitable events, including making donations in relation to education, disaster reliefs and for the less-privileged, in particular supporting local society needs where members of the Group locate for the long term. Since 2015, the Company has been participating in the Caring Company Scheme and we collaborated with The Salvation Army on various charitable activities, such as fund raising and volunteer works. Details of our environmental and social initiatives and performance are set out in the "Environmental, Social and Governance Report" on pages 25 to 48 of this annual report .

Corporate Governance Report

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

Compliance with Corporate Governance Code

Throughout the year ended 31 December 2023, the Company had applied the principles and complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the deviations from code provisions C.2.1 and F.2.2.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year ended 31 December 2023 and up to the date of this report, Mr. WANG Kin Chung, Peter is the Chairman of the Board and Chief Executive Officer of the Company, which constitutes a deviation from the said code provision C.2.1. Mr. WANG Kin Chung, Peter has been with the Group since 1999 and has considerable experience in the garment industry. He leads the Board in formulating the overall strategic planning and business development of the Group. The Board considers that it is in the interest of the Group to have Mr. WANG Kin Chung, Peter to hold both the offices of the Chairman of the Board and Chief Executive Officer so that the Board can enjoy the benefit of a chairman who is knowledgeable about the business of the Group and capable of guiding discussions and briefing the Board in a timely manner on key issues and developments.

Code provision F.2.2 of the CG Code requires the chairman of the board to attend the annual general meeting. Mr. WANG Kin Chung, Peter, the Chairman of the Board, was not able to attend the annual general meeting of the Company held on 19 June 2023 (the "**2023 AGM**") due to his prior commitment to another important business engagement. Ms. MAK WANG Wing Yee, Winnie, a Non-Executive Director, was invited to take the chair of the 2023 AGM who, together with other members of the Board and representative of the external auditor present at the 2023 AGM, was of sufficient calibre to handle the meeting proceedings and answer questions from the shareholders of the Company thereat.

Details of the corporate governance practices adopted by the Company for the year ended 31 December 2023 are set out in this report.

Corporate Culture

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

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

The Board

Board Composition

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

The Board is mainly responsible for setting and approving the Company's strategic direction and determining all important matters, including (among others) the approval of interim and annual results, reports and financial statements; dividends; business plans; financial policies; and annual budgets.

At the date of this report, our Board comprises eight Directors, including one Executive Director, namely Mr. WANG Kin Chung, Peter, who is also the Chairman of the Board and Chief Executive Officer; three Non-Executive Directors, namely Ms. WANG KOO Yik Chun (Honorary Chairlady), Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick; and four Independent Non-Executive Directors, namely Mr. LO Kai Yiu, Anthony, Mr. James Christopher KRALIK, Mr. Peter TAN and Professor Chen LIN. Biographical details of the Directors are set out in the "Directors' and Senior Management's Profiles" on pages 49 to 50 of this annual report.

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

The Nomination Committee had reviewed the structure, size and composition of the Board and the four Board committees currently in place, and after giving due regard to the scale and complexity of the Group's business and affairs, considered that the Board and the four Board committees each maintained an optimal structure with an appropriate balance of skills, experience and diversity of perspectives to ensure its effectiveness.

Chairman of the Board and Chief Executive Officer

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

Non-Executive and Independent Non-Executive Directors

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

Board Independence

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

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

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

Mechanisms regarding Independent Views to the Board

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

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

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

Nomination, Appointment and Election/ Re-election of Directors

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

Under our Nomination Policy (which was lastly updated on 25 March 2024), when considering a candidate nominated for directorship or a Director's proposed election/re-election, the Nomination Committee will have regard to the following factors:

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

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

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

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

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

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

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

By reference to the criteria set out in the Nomination Policy and as recommended by the Nomination Committee, Professor Chen LIN was appointed by the Board as an Independent Non-Executive Director on 13 February 2023. Her appointment has rendered the Company's compliance with code provision B.2.4 of the CG Code.

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

All Non-Executive Directors and Independent Non-Executive Directors are subject to retirement by rotation and re-election at annual general meetings of the Company at least once every three years in accordance with the bye-laws of the Company. The Executive Director and Chairman of the Board is not subject to retirement by rotation but will retire voluntarily once every three years to uphold good corporate governance practice. In addition, any person appointed by the Directors to fill a casual vacancy on or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment, and shall then retire and stand for re-election. Re-election of Director (including any Independent Non-Executive Director who has served on the Board for more than nine years) is subject to a separate resolution to be approved by the shareholders.

At the forthcoming annual general meeting of the Company, Mr. WANG Kin Chung, Peter (Executive Director and Chairman of the Board) will retire voluntarily while Dr. WANG Shui Chung, Patrick (Non-Executive Director) and Mr. LO Kai Yiu, Anthony (Independent Non-Executive Director) will retire by rotation. Being eligible, all the three retiring Directors have indicated that they will offer themselves for re-election. All of them, including Mr. LO Kai Yiu, Anthony who has served on the Board for more than nine years, will be re-elected by separate resolutions. The Nomination Committee had reviewed and the Board had endorsed the recommendations to the shareholders to re-elect each of Mr. WANG Kin Chung, Peter, Dr. WANG Shui Chung, Patrick and Mr. LO Kai Yiu, Anthony at the forthcoming annual general meeting.

Diversity

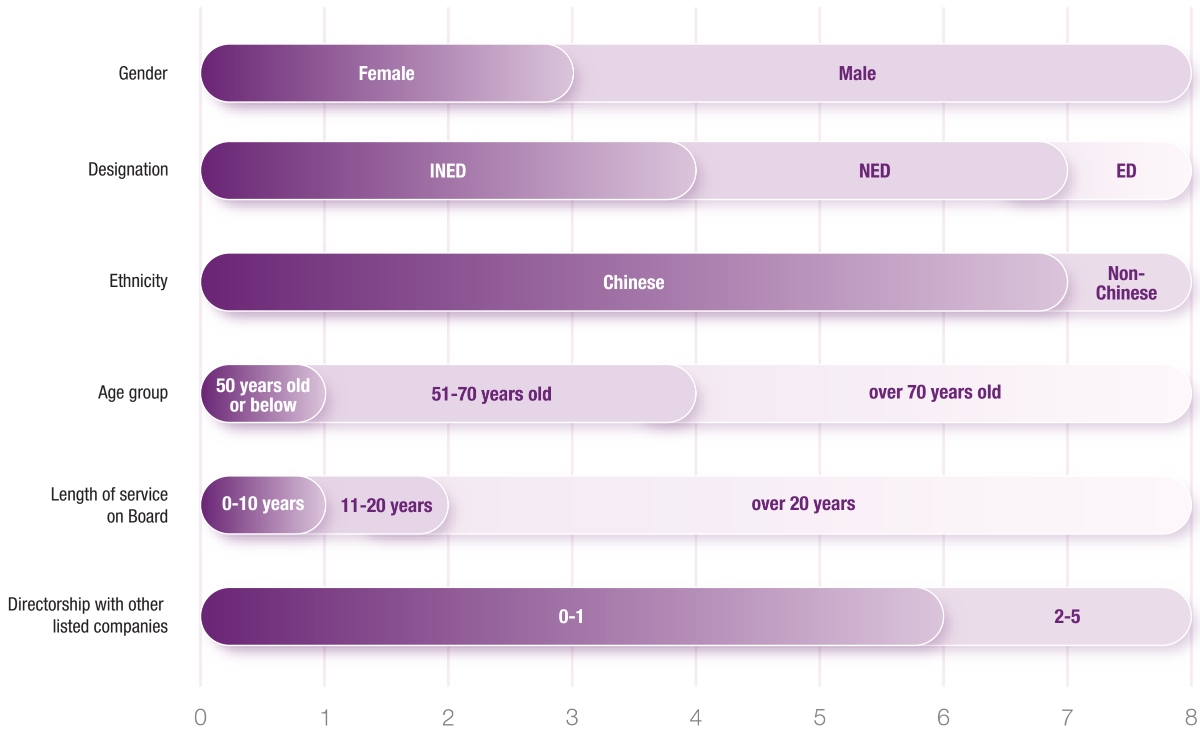
Board Diversity

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of the Board's performance and hence has adopted the Board Diversity Policy. In determining Board diversity, factors such as gender, age, ethnicity, cultural and educational background, professional experience, skills and knowledge will be taken into consideration. The Board Diversity Policy is reviewed annually to ensure proper implementation and effectiveness.

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

On gender, female representation of Board members now accounts for approximately 38%. The Board considers that gender diversity of the Board has been achieved, and the current female proportion is sufficient to ensure views of the female Directors are being heard and such percentage is aligned with the Board's objective to achieve gender diversity.

An analysis of our Board diversity is set out below:



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

Diversity across Workforce

At workforce level, the Group employed about 6,370 employees (including the senior management) at 31 December 2023, among which approximately 21% were male and approximately 79% were female. At 31 December 2023, among the five senior management (whose names are shown in the "Directors' and Senior Management's Profiles" of this annual report), four are female and one is male, thereby male-to-female ratio of senior management was 1:4. The Group has relatively larger female workforce as compared to male as the Group is in the garment/fashion industry where most garment workers are women. Nevertheless, the Group pursues equal job opportunities for male and female in recruitment, staff development and promotion. In reviewing our succession planning, the Group will also put appropriate consideration and emphasis on enhancing gender diversity across the workforce.

Director's Commitments

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

Written procedures are laid down for Directors to seek independent professional advice at the expense of the Company with respect to performing their duties.

Induction and Development

Every newly appointed Director will receive a comprehensive and tailored induction on appointment. After onboarding, a new Director would be provided with the necessary briefing, whether arranged by the Company or through legal adviser, to enable such new Director to gain a thorough understanding of the business, operations and governance policies of the Group as well as his/her role and responsibilities as a Director under the Listing Rules and other applicable laws and regulations. Professor Chen LIN, a new Board member appointed during the year, was provided with a full and comprehensive induction package by the Company upon her appointment and other Director's training materials by the Group's legal adviser.

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

During the year ended 31 December 2023, continuous professional development undertaken by the Directors are as follows:

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

* appointed on 13 February 2023 and received induction training

Notes:

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

B: giving speech at seminars and/or conferences

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

Board Process

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

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

Minutes of the meetings of the Board and Board committees are kept by the company secretary of the Company. Draft and final versions of minutes are sent to Directors/Board committee members for comment and records, respectively, within a reasonable time after the meeting is held.

Directors' Meeting Attendance

During the year ended 31 December 2023, four meetings of the Board and eight meetings of the Board committees were held. Attendance of each Director at Board/Board committee meetings as well as the 2023 AGM held in the year is set out below:

	Number of meetings attended/eligible to attend				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	2023 AGM
Executive Director:					
Mr. WANG Kin Chung, Peter	4/4	–	2/2	–	0/1
Non-Executive Directors:					
Ms. WANG KOO Yik Chun	0/4	–	–	–	0/1
Ms. MAK WANG Wing Yee, Winnie	4/4	3/3	–	3/3	1/1
Dr. WANG Shui Chung, Patrick	4/4	–	–	–	0/1
Independent Non-Executive Directors:					
Mr. LO Kai Yiu, Anthony	4/4	3/3	2/2	3/3	1/1
Mr. James Christopher KRALIK	4/4	3/3	2/2	3/3	1/1
Mr. Peter TAN	3/4	–	–	2/3	0/1
Professor Chen LIN*	3/3	–	–	–	0/1

* appointed on 13 February 2023

Delegation by the Board

Board Committees

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

Audit Committee

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

A majority of members (including the chairman) of the Audit Committee are Independent Non-Executive Directors. During the year ended 31 December 2023 and up to the date of this report, the members of the Audit Committee are:

Non-Executive Director:

Ms. MAK WANG Wing Yee, Winnie

Independent Non-Executive Directors:

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

Mr. LO Kai Yiu, Anthony has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

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

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

During the year ended 31 December 2023, the Audit Committee held three meetings and a summary of work performed is set out below:

(i) reviewed the 2023 annual budget and the 2023 internal audit plan;

(ii) reviewed the annual results announcement, annual report and audited consolidated financial statements of the Company for the year ended 31 December 2022 and recommended the same to the Board for approval;

(iii) reviewed the independence, quality of work and performance of the external auditor; discussed with the external auditor the nature and scope of its work, including its audit plan for the year ended 31 December 2023; and considered and approved its terms of engagement;

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

(v) made recommendation to the Board on the re-appointment of the external auditor by shareholders at the 2023 AGM;

(vi) reviewed the interim results announcement, interim report and unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2023 and recommended the same to the Board for approval;

(vii) adopted the revised non-audit services policy;

(viii) conducted annual review of the internal controls and risk assessment systems and periodic review of internal audit progress reports;

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

(x) monitored the implementation of the whistleblowing policy;

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

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

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

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

Remuneration Committee

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

A majority of members (including the chairman) of the Remuneration Committee are Independent Non-Executive Directors. During the year ended 31 December 2023 and up to the date of this report, the members of the Remuneration Committee are:

Non-Executive Director:

Ms. MAK WANG Wing Yee, Winnie

Independent Non-Executive Directors:

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

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

During the year ended 31 December 2023, the Remuneration Committee held three meetings and a summary of work performed is set out below:

(i) made recommendation to the Board on the remuneration of a newly appointed Independent Non-Executive Director (Professor Chen LIN);

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

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

(iv) reviewed and approved the recommendation to the Board on grant of options;

(v) reviewed the remuneration policy as disclosed in the corporate governance report; and

(vi) reviewed and approved the payment of special bonuses to certain senior employees to reward their outstanding performance.

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

With regards to (iv) above, the Remuneration Committee had reviewed the proposed grant of 3,000,000 options to three grantees who were directors of subsidiaries of the Group and when considering the vesting arrangements, the Remuneration Committee considered that the relevant share option scheme did not provide any restriction for the vesting period of options and that (a) only the first tranche (being 25%) of the options granted had a vesting period of less than 12 months; (b) the options were granted based on the grantees' past performance achievements in the last financial year; and (c) the options granted constituted part of the performance awards for the grantees in the last financial year. The Remuneration Committee thus was of the view that the relevant vesting arrangements (with only one of the vesting periods shorter than 12 months) were appropriate for retaining, incentivising, rewarding, remunerating and compensating valuable employees and such grant had aligned with the purpose of the relevant share option scheme. Since the options granted were determined by reference to the grantees' past performance for the last financial year, and the value of the options would be subject to future market price of the shares of the Company, which in turn would depend on the business performance of the Group to which the relevant grantees would directly contribute, the Remuneration Committee was of the view that such grant already aligned the interests of the grantees with that of the Company and its shareholders and no additional performance target was required to be imposed on such options on vesting. Save for reviewing and recommending to the Board the said grant of options, the Remuneration Committee did not review nor approve any material matters relating to the share option scheme of the Company in the year. Further details of the grant of options in the year are disclosed in the paragraph headed "Share Options" in the "Report of the Directors" of this annual report.

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

Nomination Committee

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

A majority of members of the Nomination Committee are Independent Non-Executive Directors and Mr. WANG Kin Chung, Peter, Executive Director and the Chairman of the Board, is the chairman of the Nomination Committee. During the year ended 31 December 2023 and up to the date of this report, the members of the Nomination Committee are:

Executive Director:

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

Independent Non-Executive Directors:

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

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

During the year ended 31 December 2023, the Nomination Committee held two meetings and a summary of work performed is set out below:

(i) assessed and made recommendation to the Board on the appointment of a new Independent Non-Executive Director (Professor Chen LIN) by reference to the Nomination Policy;

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

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

(iv) considered and made recommendation to the Board on the re-election of those Directors retiring at the 2023 AGM.

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

Share Option Committee

The Share Option Committee is primarily responsible for dealing with the administration of share options after the relevant share option grant proposal is reviewed by the Remuneration Committee and approved by the Board. During the year ended 31 December 2023 and up to the date of this report, members of the Share Option Committee are Mr. WANG Kin Chung, Peter, Executive Director who is the chairman of the Share Option Committee and Ms. MAK WANG Wing Yee, Winnie, a Non-Executive Director. During the year ended 31 December 2023, the Share Option Committee passed a written resolution for approval of various administration matters relating to the options granted under the recommendation of the Remuneration Committee and the approval of the Board.

The Board and the Management

An optimal balance of responsibility is maintained between the Board and the management. It was laid down in the written terms of reference of the Board and the management those functions reserved to the Board against those delegated to the management. The written terms of reference are subject to periodic review by the Board to ensure that they remain appropriate to the Group's needs.

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

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

Remuneration of Directors and Senior Management

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

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

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

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

For the year ended 31 December 2023, Non-Executive and Independent Non-Executive Directors were entitled to annual fees and meeting attendance fees, while the Executive Director, being also the Chief Executive Officer, was not entitled to any director's fee but was paid other director's emoluments including salary, bonus and other benefits to compensate his role and executive duties in the Group. Details of Directors' emoluments for the year ended 31 December 2023 are set out in Note 12 to the consolidated financial statements.

Subsequent to the year end, on 25 March 2024, the Board (subject to authority granted to it by the shareholders to fix directors' remuneration) had, under the recommendation of the Remuneration Committee, reviewed and adjusted the fees payable to Non-Executive and Independent Non-Executive Directors for the year ending 31 December 2024 to the following rates:

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

(ii) Meeting attendance fees

	Column A (As chairman/ chairlady) *(Note 1)*	**Column B (As participating member)** *(Note 2)*
Fee for attending each Board meeting	HK$22,800	HK$22,800
Fee for attending each Audit Committee meeting	HK$45,500	HK$22,800
Fee for attending each Remuneration Committee meeting	HK$13,700	HK$13,700
Fee for attending each Nomination Committee meeting	HK$36,300	HK$18,200
Fee for attending each Share Option Committee meeting	HK$9,100	HK$9,100
Fee for attending each other Board committee meeting (if any)	HK$36,300	HK$18,200
Fee for attending each independent Board committee meeting (if any)	HK$36,300	HK$18,200

Notes:

1. The fee under column A applies if a Director participates in the relevant meeting as chairman/chairlady.

2. The fee under column B applies if a Director participates in the relevant meeting only as a participating member.

The remuneration of the senior management by band for the year ended 31 December 2023 is set out below:

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

Accountability and Audit

Financial Reporting

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects. The Directors acknowledge that they are responsible for the preparation of financial statements for each financial period which give a true and fair view of the financial position of the Group and of the financial performance and cash flow for that period. In preparing the financial statements for the year ended 31 December 2023, the Directors had:

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

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

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

The external auditor's reporting responsibilities are set out in its "Independent Auditor's Report" on pages 60 to 63 of this annual report.

Auditor's Remuneration

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

For the year ended 31 December 2023, auditor's remuneration in respect of audit and non-audit services provided to the Group is set out below:

	HK$'000	*HK$'000*
Audit		3,632
Non-audit services:		
– Taxation	44	
– Others *(Note)*	341	
		385
Total		4,017

Note:

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

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

Risk Management and Internal Controls

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

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

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

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

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

The Board, through the Audit Committee and as assisted by the internal audit department, had reviewed the adequacy and effectiveness of the risk management and internal control systems for the year ended 31 December 2023. It was not aware of any major issue of concern and considered the risk management and internal control systems adequate and effective. Appropriate measures had been taken to address areas identified for improvement.

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

Internal Audit Function

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

The tasks performed by the internal audit department during the year ended 31 December 2023 are set out below:

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

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

(iii) oversaw the implementation of the whistleblowing policy.

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

Inside Information Disclosure Policy

The Board has adopted the inside information disclosure policy to set guidelines for handling inside information with a view to ensuring that inside information of the Group is promptly identified, assessed and disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Proper safeguards are in place to prevent a breach of the disclosure requirements relating to the Company. Access to inside information is restricted to a limited number of employees on a need-to-know basis. Directors, officers and all relevant employees of the Group who have possessed inside information are required to preserve confidentiality until such inside information is publicly disclosed.

Whistleblowing Policy and Code of Conduct

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

The Group has also adopted a comprehensive code of conduct to lay down the policy and procedures regarding the prohibition of corruption and bribery in order to promote and support anti-corruption and comply with relevant laws and regulations. All managers, irrespective of functions, and other employees in sensitive positions are required to sign an annual declaration of compliance to ensure strict adherence to the requirements of the code of conduct.

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

Securities Transactions by Directors and Relevant Employees

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company on each of them, that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

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

Company Secretary

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

Ms. CHAN Man Ying is the company secretary of the Company who was appointed by the Board to succeed this role on 13 February 2023. She is also the Chief Financial Officer of the Group and her biographical details are set out in the "Directors' and Senior Management's Profiles" of this annual report. Ms. CHAN Man Ying had undertaken professional training in compliance with Rule 3.29 of the Listing Rules in the year.

Shareholders' and Investors' Relation

Shareholders' Communication Policy

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

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

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

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

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

Annual General Meetings

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

2023 AGM

At the 2023 AGM:

(i) separate resolution was proposed and dealt with by poll vote for each separate issue, including receiving financial statements, re-electing each retiring Director, re-appointing auditor, granting share issue mandate, granting share buy-back mandate, extending the share issue mandate granted, and amending the bye-laws of the Company;

(ii) Ms. MAK WANG Wing Yee, Winnie, a Non-Executive Director, took the chair of the meeting in the absence of Mr. WANG Kin Chung, Peter, the Chairman of the Board and the chairman of the Nomination Committee, and she, together with the chairman of the Audit Committee, the chairman of the Remuneration Committee and members of the Nomination Committee, had ensured meeting proceedings were properly followed and shareholders' questions were addressed (and, the absence of the Chairman of the Board from the meeting constituted a deviation from code provision F.2.2 of the CG Code which has been explained above);

(iii) representative of the Company's external auditor was present at the meeting to answer questions from the shareholders; and

(iv) Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch registrar, acted as scrutineer for vote-taking at the meeting.

2024 Annual General Meeting

The forthcoming annual general meeting of the Company will be held at Room 5A, 5th Floor, 66-72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong on Monday, 24 June 2024 at 10:00 a.m. The circular containing the notice of annual general meeting will be sent to the shareholders together with this annual report.

Shareholders' Rights

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

1. ***Convening a special general meeting***

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

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

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

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

2. ***Putting forward proposals at general meetings***

   The number of shareholders required to move a resolution at general meetings by written requisition shall be (i) either any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the general meeting; or (ii) not less than one hundred shareholders.

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

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

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

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

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

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

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

4. Sending enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary:

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

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

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

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

Dividend Policy

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

Subject to the bye-laws of the Company and applicable laws and regulations, the Company shall consider declaring dividends on a half-yearly basis from the Company's distributable profits for any particular financial year. In addition, the Company could also consider declaring special dividends from time to time. Also, the Board has the discretion to determine the form of payment, such as in cash or in scrip, and the payment date of dividends.

Amendments to the Constitutional Documents

At the 2023 AGM, a set of new bye-laws of the Company was adopted to incorporate certain amendments thereto. Details of the amendments were set out in the circular of the Company dated 28 April 2023. The memorandum of association and new bye-laws of the Company has been published on the website of the Company and the HKEXnews website of the Hong Kong Exchanges and Clearing Limited.

Changes after Closure of Financial Year

This report has taken into account of changes that occurred between the end of 2023 and the date of approval of this report.

Important Dates to Shareholders

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

Event	Date
Book closure dates for annual general meeting	Wednesday, 19 June 2024 to Monday, 24 June 2024 (both days inclusive)
Annual General Meeting	Monday, 24 June 2024
Ex-entitlement date of proposed final dividend	Thursday, 27 June 2024
Book closure dates for proposed final dividend	Tuesday, 2 July 2024 to Friday, 5 July 2024 (both days inclusive)
Payment date of proposed final dividend	Tuesday, 16 July 2024

Hong Kong, 25 March 2024

Environmental, Social and Governance Report

1 Message from the Chairman

Our Group is committed to pursuing the principles of sustainable development across all our business units and delivering enduring values to our stakeholders. Over the years, the Group has incorporated the core values of our Environmental, Social and Governance ("**ESG**") initiatives into different aspects of our operations.

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

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

2 About this Report

2.1 Overview

This is the ESG report of Tristate Holdings Limited (the "**Company**" or "**Tristate**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 ("**this Report**").

2.2 About Our Business

Founded in 1937, Tristate is a globally recognised manufacturer of premium fashion apparels famous for its unrivalled ability to integrate cutting-edge technologies into the production of innovative fashions. As a vertically integrated garment manufacturer, the principal business activities of the Group are garment manufacturing and branded product distribution for global customers, with major markets spanning across Europe, North America and Asia. Besides garment manufacturing, the Group is also a brands business operator managing different licensed and in-house brands including, among others, C.P. Company which is covered by this Report.

2.3 Reporting Period

This Report adopted the reporting period from 1 January 2023 to 31 December 2023 (the "**reporting year**"), which is in alignment with the reporting period for the Group's annual report.

2.4 Scope of this Report

The scope of this Report primarily covers: (i) the Group's garment manufacturing business, including one production facility in Hefei, China, two production facilities in Panyu, China and one production facility in each of Thailand, Vietnam and Myanmar; (ii) the Group's own brand business, focusing on our C.P. Company brand mainly operated in Europe; and (iii) the operations of our Hong Kong head office.

2.5 Reporting Reference

This Report has been prepared according to the ESG Reporting Guide set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange ESG Reporting Guide**"). This Report focuses mainly on the environmental and social issues of the Group. In order to understand more about the corporate governance policy and practices adopted by the Group, you are invited to read this Report in conjunction with the Corporate Governance Report for the year ended 31 December 2023 as contained in this annual report.

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

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

2.6 Endorsement and Approval

The board of directors of the Company (the "**Board**") is responsible for overseeing the statutory compliance, stakeholder engagement and ESG performance and risk management. This Report has been approved by the Board for publication on 25 March 2024.

3 Our Value and Mission

3.1 Our Vision

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

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

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

3.1.1 Corporate Citizenship

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

We have developed a clear vision and mission for the Group's sustainability. As such, we proactively develop policies and activities that exceed basic compliance with relevant laws and regulations, and we are active in promoting the involvement of our employees to pursue their professional and personal development.

The Group believes that transparency and accountability are vital foundations for building trust with our stakeholders. To advance progressively, we are committed to continuously extending the scope of engagement of our stakeholders to better understand their needs and expectations. To improve transparency regarding the progress of our community involvement, our achievements are being made available via proper channels such as regular updating of our website. We also highly encourage our management to integrate corporate citizenship considerations into the business decisions and daily operations of the Group.

3.2 Our Mission

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

Facilitating Responsible Production Along the Value Chain

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

Most of the customers of our garment manufacturing business are international apparel brands who have high expectations regarding the sustainability performance of both the brand itself and its supply chain. We, as part of the supply chain, play an important role in helping these international brands achieve their sustainability goals. Tristate – being a key third-party supplier to these international brands – is therefore subject to regular client audits and site visits. Working with these customers has fostered our determination to abide by local environmental standards and to promote improvement in resource efficiency, thereby contributing to the sustainable development of the apparel industry.

Promoting Equality and Fairness

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

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

Promising Quality and Safe Products

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

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

3.3 ESG Governance Structure

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

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

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

Details of our ESG governance structure and the relevant parties' responsibilities are listed below:

ESG Steering Committee

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

Responsibilities:
– Implement ESG strategies
– Steer business development in accordance with the Group's ESG goals and commitment

Business Units

Group Sustainability Manager

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

Business Units

General Managers of Business Units

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

4 Stakeholder Engagement and Materiality Assessment

4.1 Stakeholder Engagement

In preparing this Report, we have continued to adopt the results of the materiality assessment and survey conducted with our internal and external stakeholders in 2021 as we found the results remain applicable to the reporting year.

However, we will review such stakeholders' engagement practice and may expand it to include other different stakeholders as and when appropriate so that we will cover all topics that are and may be material to the Group's ESG performance in order to strive for continuous improvement.

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

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

4.2 Materiality Assessment

Tristate recognises stakeholders' concerns and expectations are crucial for the Group's sustainable development. Through continuous communications with both our internal and external stakeholders, we got to understand their opinions on Tristate's material issues and identified key material issues that are relevant to the Group's current ESG policy and practices as well as serving as a direction of future development. In this regard, the ESG Steering Committee has discussed and analysed the materiality of relevant ESG topics applicable to the reporting year and the most material ESG issues and their relevance to the business operations of the Group are listed below in descending order categorised by environmental and social aspects:

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

5 Facilitating Green Production along the Value Chain

5.1 Our Commitment

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

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

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

Our performance against these targets in 2023 is presented below in this Report. Also, we will continue to enhance our reporting practice in the future in light of any regulatory changes or industry trends. With the various ongoing energy and water efficiency initiatives taken place, we aim at achieving continuous efficiency enhancement in our utility consumptions. Details of measures adopted are described in this Report.

Apart from our factory operations, Tristate, as a brands business operator, has also made our own brands conscious of the environmental risk and climate impact.

In the reporting year, we have started to drive the focus on the sustainability of our continuously growing brand, C.P. Company, by defining a clear sustainability strategy for it. With the support of an external consulting agency, we measured the sustainability performance of C.P. Company through the Benefit Impact Assessment and identified the current sustainability profile for this brand. Five different areas, being governance, environment, suppliers, community and customers, were measured. In addition, a Life Cycle Assessment was carried out on a C.P. Company jacket to identify the strategic actions to be taken to reduce the environmental and social impact of the product. Based on the results of the assessment, we have defined the sustainability roadmap for C.P. Company.

5.2 Resources Efficiency

While our garment manufacturing business is subject to the increasingly stringent environmental requirements of our clients, the Group is endeavour to mitigate its environmental impact by implementing various resource conservation measures and initiatives to promote efficient consumption of energy, water and other materials along the production chain. For example, we continuously adopted the Higg Facility Environmental Module to measure and evaluate the environmental performance of our production facilities in China and Vietnam on the Worldly platform developed by the Sustainable Apparel Coalition. In addition, in the reporting year, we had organised various workshops and seminars for our management team in the factories with a view to enhancing their knowledge and awareness on environmental protection.

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

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

5.2.1 Use of Energy

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

Use of Energy		Unit	2023	2022
Electricity	**Head office**	kWh	**370,823**	461,070
	Production facility			
	Hefei China	kWh	**2,617,329**	2,443,366
	Panyu China (Factory No.1 & No.2)	kWh	**4,116,497**	3,881,581
	Thailand	kWh	**2,646,340**	2,543,752
	Vietnam	kWh	**1,291,661**	1,247,399
	Myanmar	kWh	**1,288,000**	1,851,200
	Brand office & stores			
	C.P. Company Europe	kWh	**304,114**	221,139
Petrol	**Head office**	kWh	**30,704**	29,817
	Production facility			
	Hefei China	kWh	**145,230**	135,188
	Panyu China (Factory No.1 & No.2)	kWh	**196,543**	174,470
	Thailand	kWh	**2,503**	1,083
	Vietnam	kWh	**1,066**	436
	Myanmar	kWh	**Nil**	Nil
	Brand office & stores			
	C.P. Company Europe	kWh	**67,721**	42,867
Diesel	**Head office**	kWh	**16,481**	12,989
	Production facility			
	Hefei China	kWh	**151,265**	180,338
	Panyu China (Factory No.1 & No.2)	kWh	**46,274**	80,405
	Thailand	kWh	**77,285**	82,104
	Vietnam	kWh	**2,033,616**	2,140,649
	Myanmar	kWh	**1,944,266**	2,156,340
	Brand office & stores			
	C.P. Company Europe	kWh	**441,624**	405,031
Steam	**Production facility**			
	Hefei China	kWh	**5,725,660**	5,376,516
Natural Gas	**Production facility**			
	Panyu China (Factory No.1 & No.2)	kWh	**6,338,632**	4,980,198
	Brand office & stores			
	C.P. Company Europe	kWh	**10,703**	73,194
LPG	**Production facility**			
	Thailand	kWh	**2,708,215**	2,511,015
Annual total		kWh	**32,572,552**	31,032,147

Energy Intensity *(Note)*	Unit	2023	2022
Head office	kWh/number of employees	**2,518.12**	2,981.51
Production facility			
Hefei China	kWh/standard piece	**16.3030**	18.8153
Panyu China (Factory No.1 & No.2)	kWh/standard piece	**12.4007**	11.6237
Thailand	kWh/standard piece	**10.2107**	11.1397
Vietnam	kWh/standard piece	**7.4155**	8.8109
Myanmar	kWh/standard piece	**8.3075**	5.4992
Brand office & stores			
C. P. Company Europe	kWh/number of employees	**5,494.42**	5,890.72

Note:

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

Energy Performance (compared to the 2021 baseline)	Unit	2023	2021	Rate
Production facility				
Hefei China	kWh/standard piece	**16.3030**	20.1712	**–19.18%**
Panyu China (Factory No.1 & No.2)	kWh/standard piece	**12.4007**	13.2730	**–6.57%**
Thailand	kWh/standard piece	**10.2107**	9.4591	**7.95%**
Total (only includes the factories above since the target baseline was defined from 2021 data collected from these factories)	kWh/standard piece	**12.8695**	13.76	**–6.47%**

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

(a) Ongoing Maintenance and Update of Equipment and Facilities

Improvement/Initiatives in the reporting year

- Solar panels at our Thailand factory kept operating throughout the reporting year. The total electricity generated by solar panels and consumed by our factory was 878,340 kWh in the reporting year, which contributed to 33% of onsite electricity usage. During the reporting year, our Thailand factory had reduced 386.47 tons CO_2e GHG emission through this solar panel programme.
- Continued to suspend the use of two electrical transformers (1,600 kVA and 1,000 kVA) at our Hefei factory based on actual electricity demand in order to reduce electricity consumption.
- New cooling system installed to additional production floors at Panyu factory partly powered by waste steam to enhance the energy efficiency.
- Insulated the feedwater water tank and pipeline in the boiler room and the front cover of the fusing machine to reduce the heat loss at our factory in Vietnam.
- Repaired the leakage points of the compressed air pipelines to decrease the energy wastage at our factory in Vietnam.
- Reduced half of the lighting in the passageway to avoid over-lighting at our factory in Vietnam.

Highlighted Initiatives Carried Out in Previous Years

- Installed an insulation layer on the rooftop of our factory in Panyu and roof greening at several of our factory buildings with full or partial vegetation cover, which reduced the air-conditioning demand for the upper levels and hence reduced the consumption of energy.
- Replaced part of the step-motor powered equipment with server-motor powered models, reducing the idle energy consumption by step-motors and improving occupational safety of our workers.
- Upgraded to Variable Speed Drive chillers to reduce annual energy consumption while maintaining reliable operation.
- Installed solar lighting tubes at the ceiling of our Hefei factory where the flexible tubing harvested natural sunlight from reflective surfaces and transported the light indoor to provide natural daylight for workstations.
- Installed water curtains paired with ventilation fans at our factories in Hefei and Panyu, China for more energy-efficient temperature control.
- Conducted regular inspection of our boilers to ensure full compliance with the regulations and allow timely repair of the boilers.
- Improved the insulation of steam pipes and steam traps which reduced the energy loss to the surrounding environment at our Hefei factory.
- Reduced air pressure of air compressors to most energy efficiency level and set up regular inspection of outlets to ensure minimising air pressure leaking.
- Continued to gradually replace lighting fixtures with LED, aiming at reducing our energy consumption while maintaining sufficient lighting for our workers with our Thailand factory achieving 100% LED lighting.
- Obtained ISO 14001 Environmental Management System Certificate for our Hefei factory.

(b) Environmental Data Collection and Monitoring

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

(c) Enhancement of Awareness of Employees

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

We further improve environmental performance in our production facilities by organising related workshops and seminars for the management team in the factories to reflect on the past work done and way forward.

5.2.2 Use of Water

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

In terms of water management, we seek to reduce our consumption through behavioural changes and hardware maintenance.

Improvements/Initiatives in the reporting year

- Continued maintenance work with repair and replacement of leaking water inlets and fire service pipes during the year.
- Installed new real-time monitors at the wastewater discharge point to precisely control the pollutants at our Hefei factory.

Highlighted Initiatives Carried Out in Previous Years

- Reduced flushing water consumption by retrofitting existing toilets with dual-flush capability and sensor controls.
- Replaced conventional water fixtures with newer models with low flow regulators.
- Installed water-softening filters for boilers to improve flow rate and efficiency.
- Reduced pressure of water pipes in factories to reduce water usage and leakages through the burst of pipes.
- At our Thailand factory, water system was switched from underground to municipal water where water pipe system was replaced which avoided further water leakage from the aged water system of the whole factory.
- Enhanced control of overtime shifts to better utilise the boilers and reduce both water and energy consumption from nightshifts.
- More water meters were installed in our Panyu factories for a more integrated data management system in order to monitor water consumption.
- At our Hefei factory, an emergency plan was set up to deal with incidents that would have an impact on the environment and the plan had been approved by local government.
- Increased onsite wastewater data collections and inspections to identify issues in a timely manner and kept updating and improving the information board of wastewater discharge point to meet the new municipal regulation.

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

Use of Water	Unit	2023	2022
Head office	m^3	**1,763**	1,569
Production facility			
Hefei China	m^3	**97,553**	94,879
Panyu China (Factory No.1 & No.2)	m^3	**55,832**	52,995
Thailand	m^3	**37,044**	33,620
Vietnam	m^3	**41,334**	55,025
Myanmar	m^3	**45,500**	28,215
Brand office & stores			
C.P. Company Europe	m^3	**670**	479
Annual total	m^3	**279,696**	266,782

Water Intensity *(Note)*	Unit	2023	2022
Head office	m^3／number of employees	**10.62**	9.28
Production facility			
Hefei China	m^3／standard piece	**0.1841**	0.2194
Panyu China (Factory No.1 & No.2)	m^3／standard piece	**0.0647**	0.0676
Thailand	m^3／standard piece	**0.0696**	0.0729
Vietnam	m^3／standard piece	**0.0921**	0.1431
Myanmar	m^3／standard piece	**0.1169**	0.0387
Brand office & stores			
C.P. Company Europe	m^3／number of employees	**4.47**	3.80

Note:

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

Water Performance (compared to the 2021 baseline)	Unit	2023	2021	Rate
Production facility				
Hefei China	m^3／standard piece	**0.1841**	0.2241	**–17.85%**
Panyu China (Factory No.1 & No.2)	m^3／standard piece	**0.0647**	0.0822	**–21.29%**
Thailand	m^3／standard piece	**0.0696**	0.0788	**–11.68%**
Total (only includes the factories above since the target baseline was defined from 2021 data collected from these factories)	m^3／standard piece	**0.0989**	0.1157	**–14.52%**

5.2.3 Use of Packaging Materials

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

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

Use of Packaging Materials (Plastic Bags and Carton)	Unit	2023	2022
Production facility			
Hefei China	tonnes	**114.23**	120.70
Panyu China (Factory No.1 & No.2)	tonnes	**199.90**	340.15
Thailand	tonnes	**121.10**	119.18
Vietnam	tonnes	**135.51**	82.54
Myanmar	tonnes	**30.82**	95.68
Brand Stores & E-commerce			
C.P. Company Europe	tonnes	**41.89**	34.08
Annual total	tonnes	**643.45**	792.33

5.3 Emissions Control

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

5.3.1 Greenhouse Gas Emissions

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

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

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

Direct GHG emissions (Scope 1)	Unit	2023	2022
Head office	tCO_2e	**12.85**	11.70
Production facility			
Hefei China	tCO_2e	**97.36**	119.67
Panyu China (Factory No.1 & No.2)	tCO_2e	**1,410.44**	1,180.49
Thailand	tCO_2e	**629.66**	590.59
Vietnam	tCO_2e	**526.60**	554.12*
Myanmar	tCO_2e	**503.18**	558.06
Brand office & stores			
C.P. Company Europe	tCO_2e	**135.37**	131.43
Annual total	tCO_2e	**3,315.46**	3,146.06*

* The figures have been amended and re-stated. Please refer to Note 6 under paragraph 8 – Key Performance Data of this Report for details.

Indirect GHG emissions (Scope 2)	Unit	2023	2022
Head office	tCO_2e	**144.62**	179.82
Production facility			
Hefei China	tCO_2e	**3,760.02**	3,619.80
Panyu China (Factory No.1 & No.2)	tCO_2e	**2,347.64**	2,368.15
Thailand	tCO_2e	**777.92**	782.28
Vietnam	tCO_2e	**730.69**	705.65
Myanmar	tCO_2e	**926.07**	1,331.01
Brand office & stores			
C.P. Company Europe	tCO_2e	**111.18**	81.90
Annual total	tCO_2e	**8,798.14**	9,068.61

GHG intensity (Scope 1 and 2) *(Note)*	Unit	2023	2022
Head office	tCO_2e/no. of employees	**0.95**	1.13
Production facility			
Hefei China	$kgCO_2e$/standard piece	**7.279**	8.650
Panyu China (Factory No.1 & No.2)	$kgCO_2e$/standard piece	**4.356**	4.525
Thailand	$kgCO_2e$/standard piece	**2.645**	2.977
Vietnam	$kgCO_2e$/standard piece	**2.803**	3.276*
Myanmar	$kgCO_2e$/standard piece	**3.673**	2.592
Brand office & stores			
C.P. Company Europe	tCO_2e/number of employees	**1.64**	1.69

* The figure has been amended and restated. Please refer to Note 6 under paragraph 8 – Key Performance Data of this Report for details.

Note:

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

GHG Performance (compared to the 2021 baseline)	Unit	2023	2021	Rate
Production facility				
Hefei China	kgCO$_2$e/standard piece	**7.279**	9.172	**–20.64%**
Panyu China (Factory No.1 & No.2)	kgCO$_2$e/standard piece	**4.356**	4.832	**–9.85%**
Thailand	kgCO$_2$e/standard piece	**2.645**	2.924	**–9.54%**
Total (only includes the factories above since the target baseline was defined from 2021 data collected from these factories)	kgCO$_2$e/standard piece	**4.688**	5.290	**–11.38%**

5.3.2 Air Emissions

Given the nature of our garment manufacturing business, we do not have significant air emissions from our production processes. The majority of our air emissions comes from the use of boilers for steam production and the use of back-up generator inside our production facilities.

Since 2022, all the old diesel boilers had been replaced by natural gas in our factories in Panyu, China or by LPG boiler in our factory in Thailand. Besides the switching of fuels, we also appointed external agencies to perform regular assessment of the air emissions of our boilers and performed timely maintenance when problems were identified.

5.3.3 Wastewater Discharge

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

5.3.4 Waste Management

General Waste

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

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

Hazardous Waste

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

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

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

Types of Hazardous Waste	Unit	2023	2022
Light tubes	tonnes	**0.694**	0.894
Empty chemical containers	tonnes	**1.250**	1.784
Expired chemicals	tonnes	**2.075**	0.154

5.4 Climate Change

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

In the reporting year, we volunteered to have our Hefei factory to participate in the Carbon Leadership Program launched by our client, which aimed to help tackle the climate change we faced by reducing our carbon emission and water consumption. The environmental policy in our ESG policy includes climate-related commitments aiming to mitigate climate change issues by adopting environmental-friendly approach in our business operations. Below are the climate-related commitments emphasised in our ESG policy:

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

5.5 The Environmental and Natural Resources

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

5.6 Regulatory Compliance

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

6 Creating a Positive Work Environment

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

6.1 Employment and Labour Practices

Our people are the most valuable assets to the Group. We believe a transparent recruitment practice and a competitive remuneration package are both essential for recruiting and retaining high calibre employees, thereby contributing to the Group's long-term development and success. Concerning the employment practices, we have made reference to the relevant laws and regulations of the regions in which members of the Group operate including, among others, the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Labour Law of The People's Republic of China. During the reporting year, we were not aware of any material non-compliance with laws and regulations regarding employment and labour practice.

Recruitment and Promotion

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

Encouraging Communication

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

Benefits Entitlement

We provide rewarding remuneration and welfare packages with a view to motivating and retaining talents. Our employee remuneration is on par with market level and through annual appraisal, performance is reviewed regularly and adjustments to salary are provided to high-performing employees. All employees are entitled to the provision of mandatory provident fund, pension, paid leaves, medical insurance and a range of other welfare benefits in compliance with relevant labour laws and regulations.

6.2 Health and Safety

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

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

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

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

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

6.3 Development and Training

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

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

6.4 Labour Standards

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

We respect the basic rights of our employees and prohibit any unfair treatment of them. To protect their rights, the Group has put in place a Grievance Policy which clearly sets out a formal mechanism for our employee to voice out their grievances and concerns to higher level of management. We also ensure that all employees work on a voluntary basis and can resign according to the requirements of their employment contracts.

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

6.5 Anti-corruption

Tristate is committed to achieving and maintaining the highest standards of openness, probity and accountability. Employees at all levels are required to conduct business with integrity, impartiality and honesty. Not only does the Group comply with applicable laws and regulations on anti-corruption, including (without limitation) the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) but the Group also rigidly adopts a zero tolerance policy against any corruption or fraudulent behaviour within our business.

Our Code of Conduct and Staff Handbook have provided guidelines for our employees regarding acceptance of gifts, dealing with conflict of interest and reporting concerns and misconduct. We also provide our employees with anti-corruption guidelines to strengthen their knowledge in relation to prevention of bribery, helping them identify any possible immoral acts or violations. To ensure that our management is in compliance with our Code of Conduct at all times, all managers, irrespective of their functions, and other employees in sensitive positions are required to make annual declaration of their compliance with the requirements of our Code of Conduct while training, e-learning and awareness enhancement to senior management and staff on anti-corruption are provided as and when appropriate. During the reporting year, online anti-corruption learning materials were circulated to employees and Directors.

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

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

6.6 Community Investment

The Group understands that the development of the community where we operate is crucial to the sustainable growth of our business. We therefore strive to contribute to society. Our ESG Policy has outlined the specific commitment for community investment. During the reporting year, we donated to The Salvation Army for her charity activities and participated in her charity sale in the "Mid-Autumn Festival Appeal" to extend our support to The Salvation Army to purchase daily necessities and organise community care activities for the needy. As part of our community commitment, we actively encourage our employees to participate in volunteer and civic activities. As a recognition of our volunteering work and donations, we have been awarded the title of Caring Company since the year of 2015.

7 Promising Quality and Safe Products

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

7.1 Supply Chain Management

7.1.1 Supplier Selection Policy

Most of our customers are international premium apparel brands and they have high expectations on the supply chain of our business. As such, we work closely with our qualified suppliers to evaluate their performance not only in terms of capability, quality, compliance status, pricing and certifications, but also their ESG performance. Our ESG Policy has clearly outlined our commitment for supply chain management and inclusion of environmental and social considerations in our supplier's selection procedures. For instance, the Group pays attention to supplier's regulatory compliance on environment, employment and labour as well as occupational health and safety. To ensure our product quality and safety, only those suppliers who have complied with our requirements are eligible to continue the business relations with the Group.

We also encourage our suppliers to give due regard to environmental considerations in their production processes. We look up to our suppliers for fair and equal employment practices and have zero tolerance for unethical treatment and illegal labour practices including child or forced labour and any form of discrimination.

7.1.2 Responsible Sourcing

Tristate recognises the importance of continuously enhancing our responsible and ethical sourcing practices and the importance of sustainable manufacturing and environmental stewardship in its business operations and continues to modernise operation processes to improve efficiency and limit impact on the environment. Our production facilities have been certified by the Responsible Down Standard ("**RDS**"), Responsible Wool Standard ("**RWS**"), Sustainable Regenerated Cellulosics Content Standards ("**SRCCS**", formerly known as SVCoC), Global Recycled Standard ("**GRS**"), Organic Content Standards ("**OCS**") and Better Cotton Initiatives ("**BCI**").

RDS	The RDS is a leading standard for animal welfare in down and feather products to ensure the continuous improvement of best animal welfare practices in the down industry. The scope of the RDS includes the full own supply chain from the farms and slaughter facilities (animal welfare) to the down processors and garment factories (traceability).
RWS	The RWS is a voluntary global standard that addresses the welfare of sheep and of the land they graze on. The RWS provides verification of the practices that are happening at farm level, giving brands a clear solution that will allow them to make claims about their wool sourcing with confidence.
SRCCS (formerly known as SVCoC)	The SRCCS standard is a globally acknowledged, voluntary, and all-encompassing product standard. It sets forth the benchmarks for third-party authentication of Sustainable Regenerated Cellulosics Fiber Content, Chain of Custody, Social and Environmental practices, risk assessment and safe chemical management practices.
GRS	The GRS is an international, voluntary, full product standard that sets the requirements for third-party certification of recycled content, chain of custody, social and environmental practices, and chemical restrictions.
OCS	The OCS is an international, voluntary standard that provides chain of custody verification for materials originating on a farm certified to recognised national organic standard. The standard is used to verify organically grown raw materials from the farm to the final product.
BCI	The BCI is the world's leading sustainability initiative for cotton. Its mission is to help cotton communities survive and thrive, while protecting and restoring the environment.

7.1.3 Prohibiting Unethical Behaviours

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

7.2 Product Responsibility

7.2.1 Product Quality and Safety

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

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

As outlined in our ESG Policy, we are committed to providing quality products to our customers, and we strive for quality products to our customers through quality control system. Our quality control systems have been set up and implemented in our factories to ensure the products meet the Group's quality requirements and clients' expectations. Responding to the increasing stringent environmental requirements on garment manufacturing, our customers, mostly international apparel brands, conduct factory visits and audits regularly to monitor our compliance with ethical and technical standards. In addition, active dialogue is maintained through questionnaire surveys with our customers aiming to find out more about their service satisfaction and identify areas for improvement.

We place a strong emphasis on safeguarding the confidentiality and privacy of the Group's customers' information and it forms part of our Code of Conduct and Staff Handbook that employees must be committed to protecting information of customers from leaking and must be prohibited from unauthorised divulging or disclosing of customers' information or any trade secrets which they may possess to third parties.

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

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

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

7.2.2 Customer Feedback Channels

To ensure we stay connected with our customers, the Group provides multiple channels and platforms (such as telephone, email, questionnaire surveys and face-to-face meetings) to obtain customers' timely feedback and suggestions. We value customers' opinions and never underestimate the effect of such opinions in helping the Group further the sustainable development of our business. The Group will make incremental improvements based on customers' feedback or they may make the Group realise its weakness and hence let the Group start to formulate improvement or corrective measures.

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

8 Key Performance Data

Environmental KPIs *(Note 1)*		**Unit**	**2023**	2022
GHG emissions	**Direct GHG emissions (Scope 1)**			
	Head office	tCO_2e	**12.85**	11.70
	Production facility	tCO_2e	**3,167.24**	3,002.93*
	Brand office & stores	tCO_2e	**135.37**	131.43
	Annual total	tCO_2e	**3,315.46**	3,146.06*
	Indirect GHG emissions (Scope 2)			
	Head office	tCO_2e	**144.62**	179.82
	Production facility	tCO_2e	**8,542.34**	8,806.89
	Brand office & stores	tCO_2e	**111.18**	81.90
	Annual total	tCO_2e	**8,798.14**	9,068.61
	Total GHG emissions (Scope 1 and 2)			
	Head office	tCO_2e	**157.47**	191.52
	Production facility	tCO_2e	**11,709.58**	11,809.82*
	Brand office & stores	tCO_2e	**246.55**	213.33
	Annual total	tCO_2e	**12,113.60**	12,214.67*
	GHG intensity (Scope 1 and 2)			
	Head office	tCO_2e/number of employees	**0.95**	1.13
	Production facility	$kgCO_2e$/standard piece	**4.2388**	4.2310*
	Brand office & stores	tCO_2e/number of employees	**1.64**	1.69
Energy	**Electricity**			
	Head office	kWh	**370,823**	461,070
	Production facility	kWh	**11,959,827**	11,967,298
	Brand office & stores	kWh	**304,114**	221,139
	Annual total	kWh	**12,634,764**	12,649,507
	Petrol			
	Head office	kWh	**30,704**	29,817
	Production facility	kWh	**345,342**	311,177
	Brand office & stores	kWh	**67,721**	42,867
	Annual total	kWh	**443,767**	383,861
	Diesel			
	Head office	kWh	**16,481**	12,989
	Production facility	kWh	**4,252,706**	4,639,836
	Brand office & stores	kWh	**441,624**	405,031
	Annual total	kWh	**4,710,811**	5,057,856
	Steam *(Note 2)*			
	Production facility	kWh	**5,725,660**	5,376,516
	Natural gas			
	Production facility	kWh	**6,338,632**	4,980,198
	Brand office & stores	kWh	**10,703**	73,194
	LPG *(Note 3)*			
	Production facility	kWh	**2,708,215**	2,511,015

Environmental KPIs *(Note 1)* (Continued)		Unit	2023	2022
	Total energy consumption			
	Head office	kWh	**418,008**	503,876
	Production facility	kWh	**31,330,382**	29,786,040
	Brand office & stores	kWh	**824,162**	742,231
	Annual total	kWh	**32,572,552**	31,032,147
	Energy intensity			
	Head office	kWh/number of employees	**2518.12**	2,981.51
	Production facility	kWh/standard piece	**11.34**	10.67
	Brand office & stores	kWh/number of employees	**5,494.42**	5,890.72
Water	**Total water consumption**			
	Head office	m^3	**1,763**	1,569
	Production facility	m^3	**277,263**	264,734
	Brand office & stores	m^3	**670**	479
	Annual total	m^3	**279,696**	266,782
	Water intensity			
	Head office	m^3/number of employees	**10.62**	9.28
	Production facility	m^3/standard piece	**0.1004**	0.0948
	Brand office & stores	m^3/number of employees	**4.47**	3.80
Packaging materials	**Packaging materials** *(Note 4)*			
	Production facility	tonnes	**601.56**	758.25
	Brand stores & e-commerce	tonnes	**41.89**	34.08
Waste	**Hazardous waste** *(Note 5)*			
	Production facility	tonnes	**4.0193**	2.832

* The figures have been amended and restated. Please refer to Note 6 below for details.

Social KPIs	Unit	2023	2022
Number of employees			
Total number of employees	number	**5,838**	5,831
Number of employees by employment type			
Permanent	number	**5,276**	5,369
Temporary/fixed term	number	**562**	462
Number of employees by gender			
Male	number	**1,195**	1,198
Female	number	**4,643**	4,633
Number of employees by age group			
Below 30	number	**1,427**	1,617
30-40	number	**1,595**	1,528
41-50	number	**1,545**	1,550
Above 50	number	**1,271**	1,136
Number of employees by employment category			
Chief level executives	number	**10**	8
Senior management	number	**124**	112
Middle management	number	**426**	428
General staff	number	**5,278**	5,283
Number of employees by geographical region			
Hong Kong	number	**166**	169
Mainland China	number	**2,352**	2,330
Thailand	number	**1,273**	1,116
Vietnam	number	**1,054**	833
Myanmar	number	**843**	1,257
Europe	number	**150**	126
Turnover			
Total number of resigned employees	number	**3,519**	3,223
Number of employees turnover by gender			
Male	number	**537**	532
Female	number	**2,982**	2,691
Employee's turnover rate by gender			
Male	%	**45%**	47%
Female	%	**64%**	62%

Social KPIs (Continued)	**Unit**	**2023**	2022
Number of employees turnover by age group			
Below 30	number	**1,652**	1,745
30-40	number	**1,002**	827
41-50	number	**542**	414
Above 50	number	**323**	237
Employee's turnover rate by age group			
Below 30	%	**100%**	100%
30-40	%	**64%**	57%
41-50	%	**35%**	27%
Above 50	%	**27%**	21%
Number of employees turnover by geographical region			
Hong Kong	number	**33**	44
Mainland China	number	**923**	804
Thailand	number	**733**	596
Vietnam	number	**793**	543
Myanmar	number	**1,004**	1,218
Europe	number	**33**	18
Employee's turnover rate by geographical region			
Hong Kong	%	**20%**	26%
Mainland China	%	**39%**	35%
Thailand	%	**61%**	56%
Vietnam	%	**84%**	63%
Myanmar	%	**96%**	100%
Europe	%	**24%**	17%
Percentage of trained employees by gender			
Male	%	**82%**	97%
Female	%	**71%**	83%
Percentage of trained employees by employee category			
Chief level executives	%	**70%**	75%
Senior management	%	**87%**	94%
Middle management	%	**74%**	98%
General staff	%	**73%**	84%
Average training hours by gender			
Male	hours	**4.2**	4.5
Female	hours	**2.7**	2.5
Average training hours by employee category			
Chief level executives	hours	**6.6**	12.2
Senior management	hours	**10.7**	13.6
Middle management	hours	**4.2**	3.8
General staff	hours	**2.7**	2.6
Health and safety			
Number of work-related fatalities	number	**0**	0
Number of lost days due to work injury	days	**333**	350
Suppliers by geographical regions			
Hong Kong	number	**231**	218
Mainland China	number	**388**	419
Other Asian countries	number	**128**	112
Outside of Asia	number	**239**	216

Notes:

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

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

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

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

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

6. Certain figures for 2022 as disclosed in this Report have been amended and re-stated due to an inaccurate conversion of GHG emissions from the diesel consumption in our Vietnam facility occurred in the last year's ESG report.

Appendix: Stock Exchange ESG Reporting Guide Index

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

Appendix: Stock Exchange ESG Reporting Guide Index (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Paragraphs	Remarks
A. Environmental (Continued)			
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.2 Resources Efficiency	–
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5.2.1 Use of Energy	–
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.2.2 Use of Water	–
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.1 Our Commitment 5.2.1 Use of Energy	–
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	5.1 Our Commitment 5.2.2 Use of Water	–
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	5.2.3 Use of Packaging Materials	–
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	5.4 Climate Change 5.5 The Environmental and Natural Resources	–
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	5.4 Climate Change 5.5 The Environmental and Natural Resources	
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	5.4 Climate Change	–
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5.4 Climate Change	

Appendix: Stock Exchange ESG Reporting Guide Index (Continued)

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

Appendix: Stock Exchange ESG Reporting Guide Index (Continued)

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

Appendix: Stock Exchange ESG Reporting Guide Index (Continued)

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

Directors' and Senior Management's Profiles

Directors

Executive Director

Mr. WANG Kin Chung, Peter ("**Mr. Peter WANG**"), *BSc, MBA*, aged 70, became the Company's President and Chief Executive Officer in 1999 and was redesignated as the Chairman of the Board and the Chief Executive Officer of the Company since 2001. He is also the chairman of the Nomination Committee and the Share Option Committee of the Company and a director of certain subsidiaries of the Company. Mr. Peter WANG has about 40 years of experience in the garment industry and is responsible for the overall strategic planning and business development of the Company. Mr. Peter WANG obtained a BSc degree in Industrial Engineering from Purdue University in Indiana, USA and an MBA degree from Boston University, USA. He is a non-executive director and a member of the audit committee of Johnson Electric Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited) and the chairman and managing director of Hua Thai Manufacturing Public Company Limited (a company formerly listed on The Stock Exchange of Thailand).

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

Non-Executive Directors

Ms. WANG KOO Yik Chun ("**Ms. KOO**"), aged 106, became Co-chairlady and Honorary Co-chairlady of the Company in 1999 and 2001 respectively and was then redesignated as the Honorary Chairlady of the Company since 2002. She is the founder of Hwa Fuh Manufacturing Company (Hong Kong) Limited and its subsidiaries. She is also a non-executive director and the honorary chairman of Johnson Electric Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited), a former director of Hua Thai Manufacturing Public Company Limited (a company formerly listed on The Stock Exchange of Thailand), and a director of certain subsidiaries of the Company. Ms. KOO is the mother of Mr. WANG Kin Chung, Peter, an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company, Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick, Non-Executive Directors of the Company.

Ms. MAK WANG Wing Yee, Winnie ("**Ms. Winnie WANG**"), *BSc*, aged 77, obtained her BSc degree from Ohio University, USA and became a Non-Executive Director of the Company in April 1999. She is also a member of the Audit Committee, the Remuneration Committee and the Share Option Committee of the Company. Ms. Winnie WANG is a director of two subsidiaries of the Company. She is also the vice chairman of Johnson Electric Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited) and was re-designated from an executive director to a non-executive director of Johnson Electric Holdings Limited in January 2022. Ms. Winnie WANG is a daughter of Ms. WANG KOO Yik Chun, a Non-Executive Director and the Honorary Chairlady of the Company, and a sister of Mr. WANG Kin Chung, Peter, an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company, and Dr. WANG Shui Chung, Patrick, a Non-Executive Director of the Company.

Dr. WANG Shui Chung, Patrick ("**Dr. Patrick WANG**"), *JP, BSc, MSc*, aged 73, obtained his BSc and MSc degrees in Electrical Engineering and received an Honorary Doctorate of Engineering from Purdue University in Indiana, USA. He became a Non-Executive Director of the Company in 1999 and is a director of a subsidiary of the Company. Dr. Patrick WANG is an executive director and the chairman and chief executive of Johnson Electric Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited) and an independent non-executive director of VTech Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited). He is also a member of the Hong Kong Sanatorium & Hospital's Clinical Governance Committee. Dr. Patrick WANG previously served as a non-executive director of The Hongkong and Shanghai Banking Corporation Limited, and the chairman and a director of the Hong Kong Applied Science and Technology Research Institute Company Limited. Dr. Patrick WANG is a son of Ms. WANG KOO Yik Chun, a Non-Executive Director and the Honorary Chairlady of the Company, and a brother of Mr. WANG Kin Chung, Peter, an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company, and Ms. MAK WANG Wing Yee, Winnie, a Non-Executive Director of the Company.

Independent Non-Executive Directors

Mr. LO Kai Yiu, Anthony ("**Mr. Anthony LO**"), aged 75, joined the Company in June 1998 as an Independent Non-Executive Director. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Anthony LO is qualified as a chartered accountant with the Canadian Institute of Chartered Accountants and is a member of the Hong Kong Institute of Certified Public Accountants. He has over 40 years of experience in accounting, banking, finance and investments. Mr. Anthony LO was previously an independent non-executive director of The Taiwan Fund, Inc. (a company listed on the New York Stock Exchange) and Top Glove Corporation Bhd. (a company listed on Bursa Malaysia and the Singapore Exchange Limited). He is the chairman of Shanghai Century Capital Limited and serves as an independent non-executive director of a number of other listed public companies, including Convenience Retail Asia Limited, Lam Soon (Hong Kong) Limited and Playmates Holdings Limited (all being companies listed on The Stock Exchange of Hong Kong Limited).

Mr. James Christopher KRALIK ("**Mr. James KRALIK**"), aged 58, was appointed as an Independent Non-Executive Director of the Company in April 2002. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr. James KRALIK is the managing director of Linden Street Capital Limited and the chief executive officer of Milestone Capital Strategic Holdings Limited, both of which are privately held investment companies focused on Greater China-based investment opportunities. He previously served as the chief executive officer of VTech Telecommunications Limited, built and led a Hong Kong-based group of media and entertainment businesses, and was a management consultant with McKinsey & Company, Inc. Mr. James KRALIK is a graduate of Harvard College and the Harvard Business School.

Mr. Peter TAN ("**Mr. Peter TAN**"), aged 68, was appointed as an Independent Non-Executive Director of the Company in January 2011. He is also a member of the Remuneration Committee of the Company. Mr. Peter TAN is currently the chief executive officer of TLC Capital Management Pte. Ltd., an investment company, and a director of Titan Dining Holdings Pte. Ltd., a non-listed company. He was previously an independent non-executive director of The Sincere Company, Limited (a company listed on The Stock Exchange of Hong Kong Limited), the chief executive officer of an investment company namely Stone Canyon Pte. Ltd., and the chief executive officer of Knowledge Universe Pte. Ltd., a leading global private education organisation with a network of more than 3,000 locations worldwide. Before joining Knowledge Universe Pte. Ltd. in 2013, Mr. Peter TAN has more than 17 years of experience in the fast food industry. Mr. Peter TAN was the executive vice president and the chief executive officer of Asia Pacific division of Burger King Corporation up to 2012. Before joining Burger King Corporation in 2005, Mr. Peter TAN had served McDonald's Corporation for 10 years and was the senior vice president and the president of its Greater China division, being responsible for strategic growth of the business and management of all key functions in the region. Prior to that, Mr. Peter TAN was the vice president of Citibank Singapore, Private Banking Group. He holds a BA degree in Accounting and Finance from the Washington State University, an MBA degree from the Kellogg School of Management at Northwestern University and was the chairman of the Kellogg Alumni Council (Asia).

Professor Chen LIN ("**Professor LIN**"), aged 38, was appointed as an Independent Non-Executive Director of the Company in February 2023. Professor LIN is an Associate Professor of Marketing at Fudan University School of Management, and her research interests include empirical models in digital marketing for ESG-related problems, particularly in the apparel and fashion industry. Prior to joining Fudan University, she was on the faculty board at Eli Broad College of Business at Michigan State University and China Europe International Business School. She obtained her Ph.D. in Marketing from Goizueta Business School, Emory University, and Bachelor's degree in Electronic Commerce from School of Computing, National University of Singapore. Professor LIN has been focusing on consumer digital marketing and distribution for more than 10 years since she obtained her Ph.D., and she is a widely recognised expert in smart retailing among academics and in the industry.

Senior Management

Ms. SUN Lin, Sophie ("**Ms. Sophie SUN**"), aged 48, President of China Retail Business including Cissonne and C.P. Company, joined the Group in 2006. Ms. Sophie SUN was instrumental in the creation of Cissonne in 2014, the first ladies' premium brand of the Group. She is also the Director of Product Development and Central Sourcing of the Group and a director of certain subsidiaries of the Group. Ms. Sophie SUN holds a Master Degree in Business Administration from Fudan University, Shanghai. She is the spouse of Mr. WANG Kin Chung, Peter, an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company.

Mr. Lorenzo OSTI ("**Mr. Lorenzo OSTI**"), aged 50, joined the Group in 2015. He has been the President of Tristate International SA (a subsidiary of the Group) since November 2019, in charge of C.P. Company and Massimo Osti Studio brands. He is also a director of certain subsidiaries of the Group. Mr. Lorenzo OSTI is the son of the founder of the brands, the late Massimo OSTI. He has 30 years of experience in marketing and brand management. Mr. Lorenzo OSTI graduated with honors at Bologna Alma Mater Studiorum, with a thesis in Mass Communication.

Ms. MA Jingyan, Jane ("**Ms. Jane MA"**), aged 51, Managing Director of the Contract Manufacturing Business Unit, joined the Group in 2001. She is also a director of certain subsidiaries of the Group. Ms. Jane MA has over 22 years of experience in the garment industry primarily on the marketing, sales and product development side for both UK and USA markets. She holds a Master Degree in Business Administration from Fordham University, New York.

Ms. ZHANG Xiaofang, Phyllis ("**Ms. Phyllis ZHANG**"), aged 50, Managing Director of the third party fulfillment business, joined the Group in 2002. She is also a director of certain subsidiaries of the Group. She is also responsible for factory operation and management and the supply chain management of all internal brands. Ms. Phyllis ZHANG has over 22 years of management experience in the garment industry. She holds a Master Degree in Business Administration from Peking University.

Ms. CHAN Man Ying, Vivian ("**Ms. Vivian CHAN**"), aged 48, joined the Group as the Chief Financial Officer in February 2019 and was appointed as the Company Secretary of the Company in February 2023. She is also a director of certain subsidiaries of the Group. Ms. Vivian CHAN has more than 25 years of experience in finance and accounting. Prior to joining the Group, she was the chief financial officer of a company listed in Hong Kong. In addition, she possesses professional accounting and auditing experience with Deloitte Touche Tohmatsu. Ms. Vivian CHAN holds a Bachelor Degree of Business Administration in Accounting from Hong Kong University of Science and Technology. She is a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

The board of directors (the "**Board**") of Tristate Holdings Limited (the "**Company**") presents its report together with the audited financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023.

Principal Activities and Analysis of Operations

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

An analysis of the Group's revenue and results for the year ended 31 December 2023 by segment is set out in Note 4 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss on page 64 of this annual report.

The Board has resolved to recommend the payment of a final dividend of HK$0.19 (2022: Nil) per share for the year ended 31 December 2023 to those shareholders of the Company whose names appear on the register of members of the Company on Friday, 5 July 2024.

Subject to approval by the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on Tuesday, 16 July 2024.

Together with the interim dividend of HK$0.06 (2022: Nil) per share paid on Friday, 29 September 2023, total dividends for the year will amount to HK$0.25 (2022: Nil) per share.

Business Review

The business review of the Group for the year ended 31 December 2023 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 5 and pages 6 to 12 of this annual report respectively. These statement and discussions and analysis form part of the business review in this Report of the Directors.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2023 is set out on page 3 of this annual report.

Property, Plant and Equipment

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

Subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2023 are set out in Note 41 to the consolidated financial statements.

Associate

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

Share Capital

There was no issue of new shares in the year. Details of movements in the share capital of the Company during the year are set out in Note 30 to the consolidated financial statements.

Reserves

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

Distributable Reserves

At 31 December 2023, the reserves of the Company amounted to HK$448,741,000 (2022: HK$448,649,000) and retained earnings amounted to HK$657,433,000 (2022: HK$554,819,000), of which HK$1,088,453,000 (2022: HK$985,839,000) were available for distribution to equity shareholders of the Company as calculated in accordance with the Bermuda Companies Act 1981.

Share Options

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

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

Purpose	:	To provide participants with the opportunity to acquire proprietary interests in the Company, to encourage participants to work towards achieving the relevant performance targets in order to enhance the value of the Company and its shares for the benefit of the Company and the shareholders as a whole, and to retain participants who achieve such performance targets. To provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefit to participants.
Participants	:	The directors, officers and/or employees of any member of the Group as determined by the Board from time to time.
Total number of shares available for issue and the percentage of the issued share capital that it represents at the date of this report	:	The maximum number of shares which may be issued upon exercise of all options to be granted under the 2016 Share Option Scheme shall not in aggregate exceed 10% of the total number of shares in issue at the date of its adoption (i.e. 27,160,725 shares). At the date of this report, the total number of shares available for issue under the 2016 Share Option Scheme is 17,324,725 shares, representing approximately 6.38% of the issued share capital of the Company.
Maximum entitlement of each participant	:	The total number of shares issued and to be issued upon exercise of options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue.
Period within which the shares must be taken up under an option	:	Such period as specified by the Board at the time of grant which, however, shall not expire later than ten years from the relevant date of grant.
Minimum period for which an option must be held before it can be exercised	:	Any minimum period(s) as specified by the Board at the time of grant whereas the 2016 Share Option Scheme does not contain any such minimum period.
Amount payable on acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	:	HK$1.00 (or an equivalent amount) to be paid as consideration within ten business days from the date of offer.
Basis of determining the subscription price	:	The subscription price for the shares shall be such price determined by the Board at its absolute discretion which shall be no less than the higher of (i) the closing price of the shares as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.
Remaining life of the 2016 Share Option Scheme	:	The 2016 Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption (i.e. to expire on 6 June 2026).

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

Date of grant (Note 1)	Participant	Number of options: At 1 January 2023	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year (Note 2)	At 31 December 2023	Subscription price per share	Exercisable period
25 June 2018	Employees (in aggregate)	264,000	–	–	(264,000)	**–**	HK$1.75	25 June 2018 - 24 June 2023
		264,000	–	–	(264,000)	**–**	HK$1.75	25 June 2019 - 24 June 2023
		264,000	–	–	(264,000)	**–**	HK$1.75	25 June 2020 - 24 June 2023
		264,000	–	–	(264,000)	**–**	HK$1.75	25 June 2021 - 24 June 2023
3 June 2019	Employees (in aggregate)	359,000	–	–	–	**359,000**	HK$1.58	3 June 2019 - 2 June 2024
		359,000	–	–	–	**359,000**	HK$1.58	3 June 2020 - 2 June 2024
		359,000	–	–	–	**359,000**	HK$1.58	3 June 2021 - 2 June 2024
		359,000	–	–	–	**359,000**	HK$1.58	3 June 2022 - 2 June 2024
8 June 2020	Employees (in aggregate)	367,000	–	–	–	**367,000**	HK$1.40	8 June 2020 - 7 June 2025
		367,000	–	–	–	**367,000**	HK$1.40	8 June 2021 - 7 June 2025
		367,000	–	–	–	**367,000**	HK$1.40	8 June 2022 - 7 June 2025
		367,000	–	–	–	**367,000**	HK$1.40	8 June 2023 - 7 June 2025
7 June 2021	Employees (in aggregate)	450,000	–	–	–	**450,000**	HK$1.00	7 June 2021 - 6 June 2026
		450,000	–	–	–	**450,000**	HK$1.00	7 June 2022 - 6 June 2026
		450,000	–	–	–	**450,000**	HK$1.00	7 June 2023 - 6 June 2026
		450,000	–	–	–	**450,000**	HK$1.00	7 June 2024 - 6 June 2026
6 June 2022	Employees (in aggregate)	533,000	–	–	–	**533,000**	HK$0.91	6 June 2022 - 5 June 2027
		533,000	–	–	–	**533,000**	HK$0.91	6 June 2023 - 5 June 2027
		533,000	–	–	–	**533,000**	HK$0.91	6 June 2024 - 5 June 2027
		533,000	–	–	–	**533,000**	HK$0.91	6 June 2025 - 5 June 2027
19 June 2023 *(Notes 3 & 4)*	Employees (in aggregate)	–	750,000	–	–	**750,000**	HK$0.72	19 June 2023 - 18 June 2028
		–	750,000	–	–	**750,000**	HK$0.72	19 June 2024 - 18 June 2028
		–	750,000	–	–	**750,000**	HK$0.72	19 June 2025 - 18 June 2028
		–	750,000	–	–	**750,000**	HK$0.72	19 June 2026 - 18 June 2028
	Total	7,892,000	3,000,000	–	(1,056,000)	**9,836,000**		

Notes:

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

2. None of the options were cancelled during the year.

3. The closing price of the shares immediately before the date on which the options were granted in the year was HK$0.72.

4. With regards to the 3,000,000 options granted on 19 June 2023, the Remuneration Committee had deliberated on the vesting arrangements with respect to the requirements under Rule 17.03F and Rules 17.06B(7) and (8) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Details are set out in the paragraph headed "Remuneration Committee" in the "Corporate Governance Report" on page 18 of this annual report.

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

6. The Group's accounting policy on measurement of fair value of the options was set out in Note 2(q)(iii) to the consolidated financial statements. The fair value of the options granted during the year as measured at the date of grant using the Hull White Trinomial model ("**HWT Model**") in accordance with HKFRS 2, *Share-based Payment* was approximately HK$0.252 per option. The significant inputs used in the HWT Model are as follows:

Closing price of shares at the date of grant:	HK$0.72
Subscription price:	HK$0.72
Expected dividend yield:	4.97%
Expected volatility:	51.95%
Annual risk-free interest rate:	3.506%

   The expected volatility at the date of grant, which measured the standard deviation of expected share price returns, was based on statistics of 1260 days historical volatility of comparable companies within the industry.

   The aggregate fair value of the options granted during the year amounted to approximately HK$756,000, which would be recognised as employee benefit expenses over the vesting periods together with a corresponding increase in equity. Such fair value was subject to a number of assumptions and the limitations of the HWT Model.

7. The number of options available for grant under the 2016 Share Option Scheme at the beginning and the end of the year were 19,268,725 and 17,324,725 respectively.

8. The number of shares that may be issued in respect of the options granted under the 2016 Share Option Scheme during the year divided by the weighted average number of shares of the Company in issue for the year is 0.011.

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

Bank Borrowings

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

Donations

Charitable and other donations made by the Group during the year amounted to HK$178,000 (2022: HK$565,000).

Directors

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

Executive Director:

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

Non-Executive Directors:

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

Independent Non-Executive Directors:

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

In accordance with bye-laws 85 and 86 of the bye-laws of the Company, Mr. WANG Kin Chung, Peter will voluntarily retire and Dr. WANG Shui Chung, Patrick and Mr. LO Kai Yiu, Anthony will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, all of them will offer themselves for re-election as Directors.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and the senior management are set out in the "Directors' and Senior Management's Profiles" on pages 49 to 50 of this annual report.

Changes in Director's Information

Subject to the authority granted to it by the shareholders of the Company, the Board has made adjustments to directors' fees for the year ending 31 December 2024, details of which are set out in the "Corporate Governance Report" on pages 19 to 20 of this annual report.

Ms. SUN Lin, Sophie, a senior management of the Group, has become the spouse of Mr. WANG Kin Chung, Peter, an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company.

Save as disclosed above, there was no change in Director's information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication date of the Company's interim report for the six months ended 30 June 2023 and up to the date of this annual report.

Directors' Service Contracts

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

Emolument Policy

The Group provides competitive compensation and benefits for its employees, including group personal accident insurance and retirement and medical benefit schemes. Remuneration packages are generally structured by reference to market and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Those employees with outstanding performance may also be awarded discretionary bonuses and share options.

Details of the Group's remuneration policy are set out in the "Corporate Governance Report" on page 19 of this annual report. Details of the emoluments of the Directors for the year ended 31 December 2023 are set out in Note 12 to the consolidated financial statements.

Directors' Rights to Acquire Shares or Debentures

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

Directors' Interests in Competing Businesses

During the year ended 31 December 2023, pursuant to Rule 8.10(2) of the Listing Rules, none of the Directors (other than Independent Non-Executive Directors) had any interest in business apart from the Group's businesses which competed, or was likely to compete, either directly or indirectly, with the Group's businesses.

Directors' Interests in Securities

At 31 December 2023, the Directors and the chief executive of the Company and their respective associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("**SFO**") as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") under Appendix C3 to the Listing Rules, were as follows:

Interests in shares of the Company

		Number of shares held		
Name of Director	**Long/short position**	**Through controlled corporation**	**Total**	**Approximate percentage of issued share capital**
Mr. WANG Kin Chung, Peter	Long position	182,577,000 *(Note 1)*	182,577,000	67.22% *(Note 2)*

Notes:

1. 182,577,000 shares of the Company were beneficially owned by Silver Tree Holdings Inc., a company 100% controlled by New Perfect Global Limited, which in turn was a company wholly owned by Mr. WANG Kin Chung, Peter. Please refer to Note 1 to the paragraph headed "Substantial Shareholders" below for further details.

2. The approximate percentage was calculated based on 271,607,253 shares of the Company in issue at 31 December 2023.

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

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

Notes:

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

2. The approximate percentage was calculated based on 10,000,000 ordinary shares of Hua Thai in issue at 31 December 2023.

Save as disclosed above, at 31 December 2023, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

At 31 December 2023, the following persons (other than the Directors and the chief executive of the Company) had the following interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Long/short position	Number of shares held Directly owned	 Through spouse or minor child	 Through controlled corporation	 Total	Approximate percentage of issued share capital
New Perfect Global Limited	Long position	–	–	182,577,000 *(Note 1)*	182,577,000	67.22% *(Note 3)*
Silver Tree Holdings Inc.	Long position	182,577,000 *(Note 1)*	–	–	182,577,000	67.22% *(Note 3)*
SUN Lin	Long position	–	182,577,000 *(Note 2)*	–	182,577,000	67.22% *(Note 3)*

Notes:

1. 182,577,000 shares of the Company were directly and beneficially owned by Silver Tree Holdings Inc., a company 100% controlled by New Perfect Global Limited, which in turn was a company wholly owned by Mr. WANG Kin Chung, Peter. Therefore, Silver Tree Holdings Inc., New Perfect Global Limited and Mr. WANG Kin Chung, Peter were interested or deemed to be interested in the same block of 182,577,000 shares.
2. Ms. SUN Lin, the spouse of Mr. WANG Kin Chung, Peter, was deemed to be interested in the same block of 182,577,000 shares in which Mr. WANG Kin Chung, Peter was interested through his controlled corporations.
3. The approximate percentage was calculated based on 271,607,253 shares of the Company in issue at 31 December 2023.

Save as disclosed above, at 31 December 2023, no person (other than a Director or the chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

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

Equity-Linked Agreements

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

Permitted Indemnity Provision

Pursuant to bye-law 145 of the bye-laws of the Company, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty, unless such indemnification provision is avoided by any provisions of the applicable laws of Bermuda provided that such indemnity shall not extend to any matter in respect of own wilful neglect or default, fraud or dishonestly.

Retirement Benefit Schemes

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

Management Contract

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

Major Customers and Suppliers

The aggregate revenue from sales of goods or rendering of services attributable to the Group's largest customer and the five largest customers combined were 14% and 36%, respectively, of the Group's total revenue for the year.

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

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

Connected Transactions

The following connected transactions were conducted in the year:

(1) 2021 Tenancy Agreement

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

Principal terms of the 2021 Tenancy Agreement were as follows:

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

In accordance with Hong Kong Financial Reporting Standard 16, *Leases*, the total value of the right-of-use asset recognised by the Group in connection with the 2021 Tenancy Agreement was HK$13,069,000.

At the date of the entering into of the 2021 Tenancy Agreement, the entire issued share capital of TDB was held by a discretionary trust of which Ms. WANG KOO Yik Chun, a Director and Mr. WANG Kin Chung, Peter, also a Director, were eligible beneficiaries. TDB was therefore a connected person of the Company for the purpose of the Listing Rules so far as the 2021 Tenancy Agreement was concerned. Accordingly, the entering into of the 2021 Tenancy Agreement and the transactions contemplated thereby constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

The terms of the 2021 Tenancy Agreement were arrived at after arm's length negotiations between Gold Flower and TDB and on the basis of a valuation made by an independent property valuer. Further details of the 2021 Tenancy Agreement were set out in the announcement dated 1 February 2021 of the Company and in Note 35(a) to the consolidated financial statements.

(2) 2023 Tenancy Agreement

On 13 February 2023, Gold Flower, as tenant, and TDB, as landlord, entered into a new tenancy agreement (the "**2023 Tenancy Agreement**") for the lease of the premises at Ground Floor, 4th, 5th and 9th Floors, and a portion of flat roofs on 3rd Floor of Tak Tai Industrial Building.

Principal terms of the 2023 Tenancy Agreement were as follows:

Term	:	Two years from 1 April 2023 to 31 March 2025 (both days inclusive)
Monthly rent	:	HK$320,000 (excluding management fees, government rates and government rent)
Use of the Premises	:	For factory, storage and ancillary office uses by the Company and certain of its subsidiaries

In accordance with Hong Kong Financial Reporting Standard 16, *Leases*, the total value of the right-of-use asset recognised by the Group in connection with the 2023 Tenancy Agreement was HK$7,336,000.

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

The terms of the 2023 Tenancy Agreement were arrived at after arm's length negotiations between Gold Flower and TDB and on the basis of a valuation made by an independent property valuer. Further details of the 2023 Tenancy Agreement were set out in the announcement dated 13 February 2023 of the Company and in Note 35(a) to the consolidated financial statements.

Related Party Transactions

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

The cash advance to an employee disclosed under Note 35(b)(ii) to the consolidated financial statements constituted a connected transaction but was exempt from the disclosure requirements under Chapter 14A of the Listing Rules.

Pre-emptive Rights

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

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Public Float

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

Auditor

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

Event after the Reporting Period

Discloseable and Connected Transactions

On 15 January 2024, Eltshore Enterprises Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, entered into an option agreement (the "**Option Agreement**") with Mr. Lorenzo OSTI, Ms. Agata OSTI, Mr. Stefano POLATO and MO IP Srl (the "**Target Company**"), pursuant to which Mr. Lorenzo OSTI and Ms. Agata OSTI (collectively, the "**Vendors**"), in consideration of the grant price of EUR687,000 (the "**Grant Price**"), granted to the Purchaser an option (the "**Option**") which may be exercised by the Purchaser at its absolute discretion during the option period commencing from 1 January 2027 to purchase in aggregate 45% of the issued capital of the Target Company (the "**Option Quotas**") at the purchase consideration of EUR3,435,000 (the "**Purchase Consideration**").

Mr. Lorenzo OSTI is a director and the president of Tristate International SA, an indirect 95% owned subsidiary of the Company, and thus a connected person of the Company at subsidiary level. Ms. Agata OSTI is the sister of Mr. Lorenzo OSTI and accordingly an associate (as defined under the Listing Rules) of Mr. Lorenzo OSTI. Further, at the date of the Option Agreement, Mr. Lorenzo OSTI held a 45% interest in the Target Company and hence the Target Company was also an associate (as defined under the Listing Rules) of Mr. Lorenzo OSTI. Therefore, at the date of the Option Agreement, Mr. Lorenzo OSTI, Ms. Agata OSTI and the Target Company were all connected persons of the Company at subsidiary level.

The Target Company owns the MASSIMO OSTI brand (which is the main asset of the Target Company). By entering into the Option Agreement, the Company has obtained the opportunity to invest in the MASSIMO OSTI brand. The late Massimo OSTI was an Italian designer known as the founder of the well-known apparel brands C.P. Company and Stone Island. C.P. Company was acquired by the Group in 2015 and has already contributed to the Group with its promising revenue and profitability. The MASSIMO OSTI brand, which uses the name of the late Massimo OSTI, is itself a rich legacy. The Group believes in the potential of the MASSIMO OSTI brand.

At the same time of the entering into the Option Agreement, the Target Company also entered into a licence agreement dated 15 January 2024 (the "**Licence Agreement**") with Tristate International SA, pursuant to which Tristate International SA was granted an exclusive right to use certain trademarks and domain names related to the MASSIMO OSTI brand in the manufacturing, sale, advertising, promotion and/or distribution of related branded products. Under such licensing arrangement, the Group is able to design and produce apparel products bearing the MASSIMO OSTI brand name for its customers during the term of the Licence Agreement. Leveraging on the Group's capabilities in product development and international distribution, the Group expects that the MASSIMO OSTI brand business will contribute to the overall revenue and performance of the Group.

The Grant Price had been paid by the Purchaser to the Vendors on 15 January 2024 (being the date of the Option Agreement) in equal share. If the Purchaser exercises the Option to purchase the Option Quotas during the option period commencing from 1 January 2027, the Purchase Consideration shall be paid by the Purchaser in the following manner: (a) 20%, being EUR687,000, shall be treated as paid by applying the Grant Price towards payment; and (b) a residual balance of 80%, being EUR2,748,000, shall be paid by the Purchaser to the Vendors in equal share upon completion of the exercise of the Option. The purchase price of the Option Quotas has been locked at the Purchase Consideration. Should the value of the MASSIMO OSTI brand enhance significantly when the Option is exercised, the Group will still be able to purchase the Option Quotas at the Purchase Consideration.

The Purchase Consideration was determined after arm's length negotiation and with reference to, among others:

(i) the appraised value of the Target Company (which corresponded to the appraised value of the MASSIMO OSTI brand, being the main asset of the Target Company) (the "**Appraised Value**") at 31 December 2022 and 31 December 2023, respectively, which represented the average of the valuation results in respect of the Target Company at the relevant dates calculated based on the discounted cash flow method under the income approach and the venture capital method by the market approach as adopted by an independent third party valuer (being Celio Cavadini & Partners, whose founding partner has extensive experience in business valuation and valuation of various assets such as brands and intellectual property). The discounted cash flow method under the income approach would determine the current value of a start-up company by discounting the future free cash flow generated by the business by a discount rate that reflects the risk of the activity and the time value of money, and the venture capital method by the market approach is often used in valuation of pre-revenue companies and would reflect the potential exit value for an investor; and

(ii) the prospects of the business of the MASSIMO OSTI brand.

After arm's length negotiation by the Purchaser with the Vendors, the Purchase Consideration was determined based on the lower of the Appraised Value at 31 December 2022 and 31 December 2023 respectively, and proportionated by 45%, being the shareholding to be acquired by the Group in the Target Company should the Option be exercised. It was considered that the determination of the Purchase Consideration was fair and reasonable as the valuation methods were adopted by the independent third party valuer on the background that the MASSIMO OSTI brand would be re-launched as if it were a new brand, and the valuation had taken into account of the prospects of the MASSIMO OSTI brand by considering the brand's financial plan for the re-launch. An extensive pre-transaction due diligence exercise on the Target Company and the MASSIMO OSTI brand were also performed to provide sufficient safeguards over the Company's assets and interests.

The Grant Price was determined at 20% of the Purchase Consideration after arm's length negotiation between the parties. As the MASSIMO OSTI brand was re-launched on the market after inactive use for some time and would require time to re-build its customer base, the Option would enable the Group to evaluate the performance and prospects of the brand after a reasonable period of operation and thereby decide on whether to invest directly in the Target Company or to exit from further investment commitment at a later stage. In addition, as the Group has secured a direct and exclusive right in the development and operation of the MASSIMO OSTI brand through the Licence Agreement, and if the Group sees further potential in the development of the brand over its operation, it can make a deferred decision to invest in the Target Company pursuant to the Option Agreement in 2027 when the option period commences. As such, the Company considers that the obtaining of the Option and the payment of the Grant Price for the Option at this initial stage is in essence a deferred payment arrangement which would mitigate the inherent investment risks, and such arrangement is in the best interest of the Company and its shareholders as a whole.

In light of the above-mentioned and details as disclosed in the Company's announcement dated 15 January 2024 in relation to, among others, the Option Agreement (the "**MO Announcement**"), the Board (including all the Independent Non-Executive Directors) had formed the view that the transactions contemplated under the Option Agreement were on normal commercial terms or better, and the terms of the Option Agreement were fair and reasonable and in the interest of the Company and its shareholders as a whole.

If and upon the exercise of the Option, the Group will only become interested in 45% of the issued corporate capital of the Target Company, and the Target Company will not be consolidated into the financial statements of the Company as a subsidiary of the Company.

In addition, if and after the Option is duly exercised and if the actual aggregate performance of the MASSIMO OSTI brand business segment as reflected in the management accounts of Tristate International SA for the six financial years ending 31 December 2029 can meet pre-determined key performance indicators in respect of net sales, gross profit, EBITDA (earnings before interest, taxes, depreciation and amortisation) and EBIT (earnings before interest and taxes), the Purchaser will make an additional payment (the "**Additional Payment**") of no more than EUR2,250,000 to the Vendors. Such Additional Payment will be made within two months of the issue of the management accounts of Tristate International SA as reviewed by Tristate International SA's auditor for the year ending 31 December 2029. The exact amount of the Additional Payment to be paid will be determined with reference to the extent of fulfilment of the key performance indicators.

The Company will make further announcement(s) as and when appropriate upon exercise of the Option and also after the exact amount of the Additional Payment is determined.

Further details of the Option Agreement and transactions contemplated thereunder were set out in the MO Announcement and in Note 40 to the consolidated financial statements.

On behalf of the Board

WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 25 March 2024

KPMG

Independent Auditor's Report to the Shareholders of Tristate Holdings Limited
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Tristate Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 64 to 106, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of material accounting policies.

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 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

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

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

The Key Audit Matter

The carrying amounts of the Group's PP&E and licence rights as at 31 December 2023 were HK$587,387,000 and HK$461,519,000 respectively, represented 34% in total of the Group's total assets.

In view of the loss sustained by certain units in brands business segment of the Group for the year ended 31 December 2023, management considered that indicators of impairment of the related PP&E and licence rights existed as at 31 December 2023.

In assessing whether impairment existed at the reporting date, management determined the recoverable amounts of the smallest cash-generating units ("**CGUs**") to which the PP&E and licence rights of these loss-making units were allocated. The recoverable amount of a CGU is the greater of its value in use and the fair value less cost of disposal of the related assets. An impairment loss of HK$52,231,000 was recognised for the year as a result.

In order to determine the recoverable amounts, management prepared discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves significant management judgement, in particular in relation to the forecasts of future revenue, future margins, future cost growth rates and the discount rates applied.

How the matter was addressed in our audit

Our audit procedures to assess the impairment of PP&E and licence rights relating to the loss-making units in brands business included the following:

- assessing and challenging the Group's impairment assessment models, which included evaluating the indicators of impairment and the allocation of assets to CGUs by management with reference to the requirements of the prevailing accounting standards;
- comparing the key assumptions included in the discounted cash flow forecasts of selected CGUs for the prior year with the current year's performance to assess the reliability of management's forecasting process and making enquiries of management as to the reasons for any significant variations identified;
- challenging the key assumptions adopted by management in their preparation of the discounted cash flow forecasts and comparing the significant inputs, such as future revenue, future margins and future cost growth rates by referring to industry information, the recent financial performance of the retail markets and management's plans for the operations in 2024 and beyond;

Key Audit Matters (Continued)

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

The Key Audit Matter (Continued)

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

How the matter was addressed in our audit (Continued)

- involving our internal valuation specialists to assist us in assessing the methodology applied by management in its discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards and whether the discount rates adopted in the discounted cash flow forecasts were comparable with those companies in the same industry and external market data;
- performing a sensitivity analysis of the key assumptions adopted in the discounted cash flow forecasts prepared by management and whether there were any indicators of management bias; and
- assessing the reasonableness of disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Valuation of inventory in brands business

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

The Key Audit Matter

At 31 December 2023, the Group's gross inventories in brands business segment totalled HK$668,302,000, with a provision for excessive and obsolete inventories of HK$164,470,000 recorded against these inventories.

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

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

How the matter was addressed in our audit

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

- performing a retrospective review to assess the historical accuracy of management's estimation of inventory provisions and to assess whether there were any indicators of management bias by examining (1) the utilisation or release of previously recorded inventory provisions during the current year and (2) the write-offs of inventories during the current year which were not provided for at the end of the preceding financial year;
- evaluating the Group's inventory provision policy by comparing management's prediction of the amounts of inventory which will be sold with historical sales of inventories for the current and prior years;
- enquiring of management about any expected changes in forecast sales trends and comparing their representations with actual sales and inventory movements subsequent to the reporting date;

Key Audit Matters (Continued)

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

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

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

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Revenue	4	**4,215,667**	3,731,194
Cost of sales	18	**(2,432,652)**	(2,282,219)
Gross profit		**1,783,015**	1,448,975
Other net loss	5	**(48,931)**	(18,613)
Selling and distribution expenses		**(862,206)**	(715,491)
General and administrative expenses		**(563,676)**	(532,818)
Profit from operations	6	**308,202**	182,053
Finance income	7	**3,516**	999
Finance costs	7	**(64,301)**	(61,875)
Profit before taxation		**247,417**	121,177
Income tax charge	8	**(67,244)**	(81,353)
Profit for the year		**180,173**	39,824
Attributable to:			
Equity shareholders of the Company		**171,232**	30,772
Non-controlling interests		**8,941**	9,052
Profit for the year		**180,173**	39,824
Earnings per share attributable to equity shareholders of the Company:			
Basic	10	**HK$0.63**	HK$0.11
Diluted	10	**HK$0.63**	HK$0.11

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Profit for the year	**180,173**	39,824
Other comprehensive income, net of nil tax unless specified:		
Items that may be reclassified subsequently to profit or loss		
Fair value changes on cash flow hedges:		
Losses arising during the year	**(10,216)**	(5,575)
Transferred to and included in the following line items in the consolidated statement of profit or loss:		
Cost of sales	**5,076**	1,572
General and administrative expenses	**2,894**	1,831
Realisation of exchange reserve upon liquidation and disposal of subsidiaries	**(766)**	592
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	**11,357**	(41,153)
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans and long service payment liabilities	**(4,106)**	5,606
Income tax effect	**138**	(162)
Other comprehensive income for the year	**4,377**	(37,289)
Total comprehensive income for the year	**184,550**	2,535
Attributable to:		
Equity shareholders of the Company	**175,609**	(6,517)
Non-controlling interests	**8,941**	9,052
Total comprehensive income for the year	**184,550**	2,535

The notes on pages 68 to 106 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2023

	Note	At 31 December 2023 HK$'000	At 31 December 2022 HK$'000
Non-current assets			
Property, plant and equipment	14	**587,387**	552,245
Intangible assets	15	**630,925**	719,705
Other long–term assets	16	**27,083**	18,425
Deferred tax assets	29(b)	**16,998**	17,570
Defined benefit plan assets	26	**10,561**	10,447
Forward foreign exchange contracts	20	**–**	2,992
Interest in an associate	17	**–**	–
		1,272,954	1,321,384
Current assets			
Inventories	18	**741,108**	854,170
Accounts receivable and bills receivable	19	**568,955**	492,049
Forward foreign exchange contracts	20	**266**	2,974
Prepayments and other receivables	21	**69,326**	104,108
Current tax recoverable		**1,414**	162
Cash and bank balances	22	**462,655**	301,362
		1,843,724	1,754,825
Current liabilities			
Accounts payable and bills payable	23	**444,483**	437,321
Accruals and other payables and contract liabilities	24	**483,790**	487,099
Lease liabilities	28	**101,603**	96,668
Forward foreign exchange contracts	20	**432**	3,886
Current tax liabilities		**44,063**	93,141
Bank borrowings	25	**32,752**	107,008
		1,107,123	1,225,123
Net current assets		**736,601**	529,702
Total assets less current liabilities		**2,009,555**	1,851,086

	Note	At 31 December 2023 HK$'000	At 31 December 2022 HK$'000
Non-current liabilities			
Retirement benefits and other post retirement obligations	26	**25,910**	21,034
Licence fees payable	27	**592,408**	624,780
Lease liabilities	28	**145,196**	126,620
Deferred tax liabilities	29(b)	**40,983**	39,174
		804,497	811,608
Net assets		**1,205,058**	1,039,478
Capital and reserves			
Share capital	30	**27,161**	27,161
Reserves	31	**1,153,040**	992,990
Total equity attributable to equity shareholders of the Company		**1,180,201**	1,020,151
Non-controlling interests		**24,857**	19,327
Total Equity		**1,205,058**	1,039,478

Approved and authorised for issue by the Board of Directors on 25 March 2024.

WANG Kin Chung, Peter
Director

MAK WANG Wing Yee, Winnie
Director

The notes on pages 68 to 106 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to equity shareholders of the Company				
	Share capital *HK$'000*	**Reserves** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 January 2023	**27,161**	**992,990**	**1,020,151**	**19,327**	**1,039,478**
Profit for the year	**–**	**171,232**	**171,232**	**8,941**	**180,173**
Other comprehensive income, net of tax	**–**	**4,377**	**4,377**	**–**	**4,377**
Total comprehensive income	**–**	**175,609**	**175,609**	**8,941**	**184,550**
Share option scheme – value of employee services	**–**	**737**	**737**	**–**	**737**
Dividends declared and paid to equity shareholders in respect of the current year *(Note 9)*	**–**	**(16,296)**	**(16,296)**	**–**	**(16,296)**
Dividends to non-controlling interests in respect of the current year	**–**	**–**	**–**	**(3,411)**	**(3,411)**
Balance at 31 December 2023	**27,161**	**1,153,040**	**1,180,201**	**24,857**	**1,205,058**

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

The notes on pages 68 to 106 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Operating activities			
Cash generated from operations	36(a)	**589,604**	106,650
Income tax paid		**(118,115)**	(45,935)
Net cash generated from operating activities		**471,489**	60,715
Investing activities			
Interest received		**3,125**	523
Payment for the purchase of property, plant and equipment		**(98,046)**	(89,948)
Proceeds from disposals of property, plant and equipment		**655**	1,068
Net proceeds from disposal of a subsidiary		**–**	4,974
Decrease in pledged bank deposits		**1,276**	–
Net cash used in investing activities		**(92,990)**	(83,383)
Financing activities			
Capital element of lease rentals paid	36(b)	**(109,738)**	(89,617)
Interest element of lease rentals paid	36(b)	**(9,886)**	(7,281)
Interest paid	36(b)	**(3,834)**	(7,958)
Dividend paid to equity shareholders of the Company	9	**(16,296)**	–
Dividend paid to non-controlling interests		**(3,411)**	–
Proceeds from new bank borrowings	36(b)	**291,252**	555,538
Repayment of bank borrowings	36(b)	**(365,508)**	(490,557)
Net cash used in financing activities		**(217,421)**	(39,875)

	Note	2023 HK$'000	2022 HK$'000
Net increase/(decrease) in cash and cash equivalents		**161,078**	(62,543)
Cash and cash equivalents at beginning of the year	22	**290,241**	367,593
Effect on foreign exchange rate changes		**1,563**	(14,809)
Cash and cash equivalents at end of the year	22	**452,882**	290,241

The notes on pages 68 to 106 form part of these financial statements.

1. General Information

Tristate Holdings Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The address of its head office and principal place of business in Hong Kong is 5th Floor, 66-72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

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

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

These consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company (the "**Board**") on 25 March 2024.

2. Material Accounting Policies

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

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Group and the Group's interest in an associate.

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

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

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

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

(c) Changes in accounting policies

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

- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

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

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

2. Material Accounting Policies (Continued)

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

Prior to the amendments, the Group determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in Note 29(a) but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

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

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the comparative carrying amount of the LSP liability. This change in accounting policy did not have a material impact on the Group's financial statements for the years ended 31 December 2022 and 31 December 2023.

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

2. Material Accounting Policies (Continued)

(e) Associate

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

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

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

(f) Foreign currency translation

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

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

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

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

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

(g) Property, plant and equipment

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

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

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

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

– Freehold land is not depreciated.

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

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

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

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

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

2. Material Accounting Policies (Continued)

(h) Leased assets

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

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

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

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

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

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

(i) Intangible assets

(i) Goodwill

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

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

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

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

(ii) Licence rights/Licence fees payable

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

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

2. Material Accounting Policies (Continued)

(iii) Trademarks

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

(j) Inventories

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

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

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

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

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

(k) Accounts and other receivables

(i) Accounts and other receivables at amortised cost

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

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

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

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

(l) Contract assets and contract liabilities

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

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

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

(m) Cash and cash equivalents

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

2. Material Accounting Policies (Continued)

(n) Derivative financial instruments and hedging activities

(i) Derivative financial instruments

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

(ii) Hedging activities

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

a. Cash flow hedges

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

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

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

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

b. Hedge of net investments in foreign operations

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

(o) Accounts and other payables

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

(p) Provisions and contingent liabilities

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

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

(q) Employee benefits

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

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

(ii) Defined benefit retirement plan obligations

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

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

2. Material Accounting Policies (Continued)

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

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

(iii) Share-based payments

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

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

(iv) Termination benefits

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

(r) Income tax

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

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

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

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

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

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

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

2. Material Accounting Policies (Continued)

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

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

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

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

  - the same taxable entity; or

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

(s) Interest-bearing borrowings and borrowing costs

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

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

(t) Revenue and other income

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

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

(i) Sale of goods

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

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

(ii) Interest income

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

(iii) Government grants

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

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

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

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

- investment in an associate;

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

- intangible assets; and

- goodwill.

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

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU).

2. Material Accounting Policies (Continued)

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(v) Credit losses from financial instruments

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

Measurement of ECLs

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

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

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2. Material Accounting Policies (Continued)

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

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

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(t)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

Write-off policy

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

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

(w) Financial guarantees

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

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

(x) Related parties

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

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

 (ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

3. Critical Accounting Estimates and Judgements

Key sources of estimation uncertainty are as follows:

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

The Group assesses whether non-financial assets have suffered any impairment in accordance with the accounting policy stated in Note 2(u). In view of the loss sustained by certain units in the brands business segment of the Group, management considered that indicators of impairment of the related property, plant and equipment and licence rights existed at 31 December 2023.

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

3. Critical Accounting Estimates and Judgements (Continued)

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

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

4. Revenue and Segment Reporting

(a) Revenue

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

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

Revenue from sales of goods was recognised at point in time for the years ended 31 December 2023 and 2022.

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

At 31 December 2023, none of the remaining performance obligations under the Group's existing contracts had an original expected duration of more than one year.

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

(b) Segment reporting

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

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

	Garment manufacturing		Brands business		Unallocated *(Note (ii))*		Total	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Reportable segment revenue	**2,036,739**	2,041,740	**2,283,328**	1,792,708	**–**	–	**4,320,067**	3,834,448
Less: Inter-segment revenue	**(103,883)**	(102,663)	**(517)**	(591)	**–**	–	**(104,400)**	(103,254)
Revenue	**1,932,856**	1,939,077	**2,282,811**	1,792,117	**–**	–	**4,215,667**	3,731,194
Reportable segment EBITDA *(Note (i))*	**279,595**	273,060	**303,904**	129,314	**18,042**	21,461	**601,541**	423,835
Finance income	**–**	–	**360**	4	**3,156**	995	**3,516**	999
Finance costs								
– Interest on bank borrowings	**–**	–	**(130)**	(102)	**(3,578)**	(5,144)	**(3,708)**	(5,246)
– Interest on licence fees payable	**–**	–	**(50,581)**	(46,636)	**–**	–	**(50,581)**	(46,636)
– Interest on lease liabilities	**(1,731)**	(1,607)	**(7,802)**	(5,520)	**(353)**	(154)	**(9,886)**	(7,281)
– Other bank charges on accounts receivable factoring	**–**	–	**–**	–	**(126)**	(2,712)	**(126)**	(2,712)
Depreciation charge								
– Owned property, plant and equipment	**(18,092)**	(19,155)	**(51,048)**	(36,949)	**(7,250)**	(9,302)	**(76,390)**	(65,406)
– Right-of-use assets	**(9,820)**	(8,162)	**(90,663)**	(69,707)	**(7,839)**	(10,382)	**(108,322)**	(88,251)
Amortisation of intangible assets	**–**	–	**(56,396)**	(52,145)	**–**	–	**(56,396)**	(52,145)
Impairment losses of property, plant and equipment	**–**	–	**(6,176)**	(19,808)	**–**	–	**(6,176)**	(19,808)
Impairment losses of intangible assets	**–**	–	**(46,055)**	(16,172)	**–**	–	**(46,055)**	(16,172)
Reportable segment profit/(loss) before taxation	**249,952**	244,136	**(4,587)**	(117,721)	**2,052**	(5,238)	**247,417**	121,177
Income tax charge							**(67,244)**	(81,353)
Profit for the year							**180,173**	39,824

4. Revenue and Segment Reporting (Continued)

Note:

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

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

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

	Garment manufacturing		Brands business		Unallocated *(Note (i))*		Total	
	At 31 December 2023 HK$'000	At 31 December 2022 HK$'000	**At 31 December 2023 HK$'000**	At 31 December 2022 HK$'000	**At 31 December 2023 HK$'000**	At 31 December 2022 HK$'000	**At 31 December 2023 HK$'000**	At 31 December 2022 HK$'000
Reportable segment assets	**777,700**	783,072	**1,761,780**	1,869,783	**577,198**	423,354	**3,116,678**	3,076,209
Reportable segment liabilities	**407,109**	475,605	**1,408,736**	1,451,279	**95,775**	109,847	**1,911,620**	2,036,731

	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
(Provision for)/reversal of impairment of receivables, net	**(439)**	28	**(484)**	(949)	**–**	–	**(923)**	(921)
Write-down of inventories to net realisable value, net	**(11,450)**	(8,186)	**(31,174)**	(77,238)	**–**	–	**(42,624)**	(85,424)
Additions to property, plant and equipment (including right-of-use assets)	**23,721**	17,808	**178,282**	192,877	**636**	719	**202,639**	211,404

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

	PRC		UK		Canada		Italy		Singapore		Other countries		Total	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Revenue	**1,358,669**	1,010,185	**920,525**	750,774	**387,112**	464,159	**558,625**	402,037	**206,052**	260,281	**784,684**	843,758	**4,215,667**	3,731,194

Included in revenue derived from the PRC was HK$117,675,000 (2022: HK$194,067,000) which was generated in Hong Kong.

For the year ended 31 December 2023, revenue from one customer (2022: two customers) in the garment manufacturing segment accounted for more than 10% of the Group's total revenue and which represented approximately 14% (2022: 13% and 12%) of the total revenue. Details of concentrations of credit risk arising from customers are set out in Note 33.1(b).

	PRC *(Note (iii))*		Switzerland		Thailand		Other countries		Total	
	At 31 December 2023 HK$'000	At 31 December 2022 HK$'000	**At 31 December 2023 HK$'000**	At 31 December 2022 HK$'000	**At 31 December 2023 HK$'000**	At 31 December 2022 HK$'000	**At 31 December 2023 HK$'000**	At 31 December 2022 HK$'000	**At 31 December 2023 HK$'000**	At 31 December 2022 HK$'000
Non-current assets *(Note (ii))*	**830,891**	938,889	**215,712**	175,362	**63,617**	63,181	**135,175**	112,943	**1,245,395**	1,290,375

Note:

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

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

(iii) Included in non-current assets located in the PRC was HK$19,771,000 (2022: HK$569,334,000) which was related to assets located in Hong Kong. The reduction in non-current assets located in Hong Kong was mainly due to the change of location of the Group's licence rights from Hong Kong to Mainland China during 2023 following a subsidiary in Mainland China agreed to take up and perform the payment obligation of minimum licence fees to respective brand business licensors.

5. Other Net Loss

	2023 HK$'000	2022 HK$'000
Government subsidies *(Note (i))*	**867**	5,952
Impairment losses of property, plant and equipment *(Note 14)*	**(6,176)**	(19,808)
Impairment losses of intangible assets *(Note 15)*	**(46,055)**	(16,172)
Net loss on disposals of property, plant and equipment	**(3,983)**	(1,624)
Net gain on liquidation and disposal of subsidiaries	**790**	4,554
Net gain on derecognition of right-of-use assets and lease liabilities	**2,383**	4,424
Sundry income	**3,243**	4,061
	(48,931)	(18,613)

Note:

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

6. Profit from Operations

Profit from operations is stated after charging:

	2023 HK$'000	2022 HK$'000
Amortisation of intangible assets	**56,396**	52,145
Depreciation charge		
– Owned property, plant and equipment	**76,390**	65,406
– Right-of-use assets	**108,322**	88,251
Variable lease payments not included in the measurement of lease liabilities	**14,802**	13,631
Expenses relating to short-term leases	**23,719**	19,283
Provision for impairment of receivables, net	**923**	921
Cost of inventories *(Note 18)*	**2,432,652**	2,282,219
Employee benefit expenses *(Note 11)*	**732,940**	665,341
Auditor's remuneration		
– External auditor of the Company		
Audit services	**3,632**	3,554
Non-audit services	**385**	433
– Other local auditors of subsidiaries	**554**	488

7. Finance Income and Finance Costs

	2023 HK$'000	2022 HK$'000
Finance income		
Interest income from bank deposits	**3,125**	523
Imputed interest on long-term rental deposits	**391**	476
	3,516	999
Finance costs		
Interest on licence fees payable	**50,581**	46,636
Interest on lease liabilities	**9,886**	7,281
Interest on bank borrowings	**3,708**	5,246
Other bank charges on accounts receivable factoring	**126**	2,712
	64,301	61,875

8. Income Tax Charge

	2023 HK$'000	2022 HK$'000
Current income tax		
Hong Kong Profits Tax	**24,057**	24,987
Non-Hong Kong tax	**46,080**	51,632
(Over)/under-provisions of prior years	**(5,744)**	201
	64,393	76,820
Deferred tax	**2,851**	4,533
	67,244	81,353

The provision for Hong Kong Profits Tax for 2023 and 2022 is calculated at 16.5% of the estimated assessable profit for the year, except for one subsidiary of the Group which is a qualifying corporation under two-tiered Profits Tax rate regime.

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

8. Income Tax Charge (Continued)

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

	2023 HK$'000	2022 HK$'000
Profit before tax	**247,417**	121,177
Notional tax on profit before taxation calculated at the rates applicable to profits in the jurisdictions concerned	**36,938**	12,064
Withholding tax	**2,739**	4,474
Tax effect of non-taxable income	**(3,979)**	(20,895)
Tax effect of non-deductible expenses	**20,417**	42,248
Adjustment to deferred tax asset previously not recognised	**–**	435
Tax effect of utilisation of tax losses previously unrecognised	**(341)**	(1,792)
Tax effect of utilisation of tax credit previously unrecognised	**–**	(973)
Reversal of previously recognised temporary difference	**(41)**	415
Reduction of tax rate arising from tax concession	**–**	(165)
Tax effect of tax losses not recognised	**21,690**	47,643
Tax relief on migration step-up for intangible asset	**(4,435)**	(2,302)
(Over)/under-provisions of prior years	**(5,744)**	201
Income tax charge	**67,244**	81,353

9. Dividends

Dividends paid and payable to equity shareholders of the Company:

	2023 HK$'000	2022 HK$'000
Interim dividend of HK$0.06 (2022: Nil) per share paid	**16,296**	–
Final dividend of HK$0.19 (2022: Nil) per share proposed after the end of the year	**51,605**	–
	67,901	–

On 25 March 2024, the Board has proposed a final dividend of HK$0.19 per share which is subject to approval by the shareholders at the forthcoming annual general meeting of the Company. The amount will be reflected as an appropriation of retained profits for the year ending 31 December 2024.

10. Earnings Per Share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company for the year ended 31 December 2023 of HK$171,232,000 (2022: HK$30,772,000) by the weighted average number of 271,607,253 (2022: 271,607,253) ordinary shares in issue during the year.

(b) Diluted earnings per share

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

During the years ended 31 December 2023 and 2022, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the earnings per share. Hence, there was no dilutive effect on calculation of the diluted earnings per share for the years ended 31 December 2023 and 2022.

11. Employee Benefit Expenses

	2023 HK$'000	2022 HK$'000
Directors' emoluments *(Note 12)*	**11,344**	8,254
Salaries, wages and other benefits	**665,647**	610,153
Retirement benefits		
– Defined contribution plans	**52,151**	44,051
– Defined benefit plans *(Note 26(b))*	**1,536**	1,128
– Long service payment liabilities *(Note 26(c))*	**1,525**	1,029
Share-based compensation expense		
– Share options granted *(Note 32)*	**737**	726
Total employment expenses	**732,940**	665,341

12. Directors' Emoluments

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

Name	Directors' fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Employer's contribution to retirement schemes HK$'000	2023 Total HK$'000	2022 Total HK$'000
Executive Director:						
Mr. WANG Kin Chung, Peter	–	5,478	3,603	253	9,334	6,470
Non-Executive Directors:						
Ms. WANG KOO Yik Chun	50	765	–	–	815	814
Ms. MAK WANG Wing Yee, Winnie	231	–	–	–	231	206
Dr. WANG Shui Chung, Patrick	132	–	–	–	132	111
Independent Non-Executive Directors:						
Mr. LO Kai Yiu, Anthony	326	–	–	–	326	285
Mr. James Christopher KRALIK	264	–	–	–	264	223
Mr. Peter TAN	136	–	–	–	136	145
Professor Chen LIN*	106	–	–	–	106	–
	1,245	6,243	3,603	253	11,344	8,254

* appointed on 13 February 2023

13. Five Highest Paid Individuals

Of the five individuals with the highest emoluments, one (2022: one) is a director whose emoluments are disclosed in Note 12. The aggregate of the emoluments in respect of the other four (2022: four) individuals are as follows:

	2023 HK$'000	2022 HK$'000
Salaries and other emoluments	10,792	10,415
Discretionary bonuses	4,408	4,023
Employer's contribution to retirement benefit schemes	249	259
Other retirement benefit	126	–
	15,575	14,697

The emoluments of the four (2022: four) individuals with highest emoluments are within the following bands:

	2023	2022
HK$2,500,001 – HK$3,000,000	1	–
HK$3,000,001 – HK$3,500,000	1	2
HK$3,500,001 – HK$4,000,000	–	1
HK$4,000,001 – HK$4,500,000	–	1
HK$4,500,001 – HK$5,000,000	1	–
HK$5,000,001 – HK$5,500,000	1	–

14. Property, Plant and Equipment

	Freehold land+ HK$'000	Buildings+ HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Right-of-use assets HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost:								
At 1 January 2022	56,009	424,159	243,573	438,588	20,942	469,809	6,611	1,659,691
Exchange difference	(1,825)	(33,448)	(10,709)	(32,594)	(493)	(31,904)	(328)	(111,301)
Additions	–	605	6,847	78,495	157	121,456	3,844	211,404
Disposals/Derecognition	–	(3,955)	(10,864)	(21,199)	(92)	(52,641)	–	(88,751)
Reclassification	–	–	648	9,110	–	–	(9,758)	–
Modification	–	–	–	–	–	24,041	–	24,041
At 31 December 2022	54,184	387,361	229,495	472,400	20,514	530,761	369	1,695,084
At 1 January 2023	**54,184**	**387,361**	**229,495**	**472,400**	**20,514**	**530,761**	**369**	**1,695,084**
Exchange difference	**632**	**(4,119)**	**(2,164)**	**(2,905)**	**(60)**	**79**	**122**	**(8,415)**
Additions	**–**	**837**	**9,115**	**81,804**	**–**	**104,593**	**6,290**	**202,639**
Disposals/Derecognition	**–**	**–**	**(1,949)**	**(34,471)**	**(542)**	**(74,116)**	**–**	**(111,078)**
Reclassification	**–**	**–**	**–**	**136**	**–**	**–**	**(136)**	**–**
Modification	**–**	**–**	**–**	**–**	**–**	**40,030**	**–**	**40,030**
At 31 December 2023	**54,816**	**384,079**	**234,497**	**516,964**	**19,912**	**601,347**	**6,645**	**1,818,260**
Accumulated depreciation and impairment losses:								
At 1 January 2022	–	318,317	225,357	372,079	18,526	187,188	–	1,121,467
Exchange difference	–	(25,008)	(10,175)	(24,331)	(327)	(12,769)	–	(72,610)
Charge for the year	–	12,592	6,710	45,468	636	88,251	–	153,657
Written back on disposals/derecognition	–	(3,955)	(10,835)	(18,535)	(92)	(46,066)	–	(79,483)
Impairment losses	–	–	–	8,880	–	10,928	–	19,808
At 31 December 2022	–	301,946	211,057	383,561	18,743	227,532	–	1,142,839
At 1 January 2023	**–**	**301,946**	**211,057**	**383,561**	**18,743**	**227,532**	**–**	**1,142,839**
Exchange difference	**–**	**(2,271)**	**(2,164)**	**(1,704)**	**(38)**	**(1,311)**	**–**	**(7,488)**
Charge for the year	**–**	**12,050**	**6,700**	**57,167**	**473**	**108,322**	**–**	**184,712**
Written back on disposals/derecognition	**–**	**–**	**(1,949)**	**(29,833)**	**(542)**	**(63,042)**	**–**	**(95,366)**
Impairment losses	**–**	**–**	**–**	**5,146**	**–**	**1,030**	**–**	**6,176**
At 31 December 2023	**–**	**311,725**	**213,644**	**414,337**	**18,636**	**272,531**	**–**	**1,230,873**
Net book value:								
At 31 December 2023	**54,816**	**72,354**	**20,853**	**102,627**	**1,276**	**328,816**	**6,645**	**587,387**
At 31 December 2022	54,184	85,415	18,438	88,839	1,771	303,229	369	552,245

+ At 31 December 2023, freehold land is located in Thailand. The buildings are located in the PRC and Thailand.

Depreciation expense of HK$19,094,000 (2022: HK$18,160,000) is included in cost of sales, HK$125,528,000 (2022: HK$95,631,000) is included in selling and distribution expenses and HK$40,090,000 (2022: HK$39,866,000) is included in general and administrative expenses.

Impairment loss

In 2023 and 2022, certain cash generating units ("**CGUs**") of the brands business underperformed. The Group performed impairment assessments of these CGUs. As a result, an impairment loss of HK$6,176,000 (2022: HK$19,808,000) is charged to other net loss to reduce the CGUs' carrying values to recoverable amounts. The aggregate recoverable amounts of these CGUs are HK$7,108,000 (2022: HK$Nil) based on the greater of the fair value less cost of disposal of the right-of-use assets and value in use. Such fair value using market comparison approach by reference to the recent rent of similar leased properties, discounted by the implicit interest rate, is categorised at level 3 measurement.

(a) Right-of-use Assets

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

	Notes	**31 December 2023 *HK$'000***	31 December 2022 *HK$'000*
Prepaid leasehold land and land use rights, with remaining lease term between 10 and 50 years	(i)	**105,514**	110,445
Properties leased for own use	(ii)	**222,830**	192,076
Plant, machinery and equipment	(iii)	**472**	708
		328,816	303,229

14. Property, Plant and Equipment (Continued)

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

	2023 HK$'000	2022 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Prepaid leasehold land and land use rights	3,383	3,561
Properties leased for own use	104,703	84,454
Plant, machinery and equipment	236	236
	108,322	88,251
Interest on lease liabilities *(Note 7)*	9,886	7,281
Expenses relating to short-term leases	23,719	19,283
Variable lease payments not included in the measurement of lease liabilities	14,802	13,631
COVID-19 related rent concessions received	–	(4,448)

During the year, additions to right-of-use assets were HK$104,593,000 (2022: HK$121,456,000). This amount is primarily related to the capitalised lease payments payable under new lease agreements.

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

The Group applied the practical expedient in paragraph 46A of HKFRS 16 to all eligible rent concessions received by the Group in 2022. Further details are disclosed in (ii) below.

(i) Prepaid leasehold land and land use rights

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

(ii) Properties leased for own use

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

During the year ended 31 December 2023, the Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. The variable payments are charged varying from 9% to 30% (2022: 9% to 30%) of the monthly gross income at the stores in excess of the base rents as determined in the respective lease agreements. These payment terms are common in retail stores in Hong Kong, the PRC and Japan where the Group operates.

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

	2023			
	Fixed payments HK$'000	Variable payments HK$'000	COVID-19 related rent concessions HK$'000	Total payments HK$'000
Retail stores – Hong Kong	4,062	74	–	4,136
Retail stores – PRC	82,658	14,396	–	97,054
Retail stores – Europe	9,351	–	–	9,351
Retail stores – Japan	–	332	–	332

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

At 31 December 2023, it is estimated that an increase in sales generated from these retail stores by 5% would have increased the lease payments by HK$1,606,000 (2022: HK$896,000).

(iii) Other leases

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

15. Intangible Assets

	Goodwill HK$'000	Licence rights *(Note (i))* HK$'000	Trademark *(Note (ii))* HK$'000	Total HK$'000
Cost:				
At 1 January 2022	20,893	368,987	174,154	564,034
Exchange difference	–	–	(10,081)	(10,081)
Additions	–	397,349	–	397,349
At 31 December 2022	20,893	766,336	164,073	951,302
At 1 January 2023	20,893	766,336	164,073	951,302
Exchange difference	–	–	5,333	5,333
Additions	–	8,338	–	8,338
At 31 December 2023	20,893	774,674	169,406	964,973
Accumulated amortisation and impairment losses:				
At 1 January 2022	20,893	142,387	–	163,280
Amortisation	–	52,145	–	52,145
Impairment losses	–	16,172	–	16,172
At 31 December 2022	20,893	210,704	–	231,597
At 1 January 2023	20,893	210,704	–	231,597
Amortisation	–	56,396	–	56,396
Impairment losses	–	46,055	–	46,055
At 31 December 2023	20,893	313,155	–	334,048
Net book value:				
At 31 December 2023	–	461,519	169,406	630,925
At 31 December 2022	–	555,632	164,073	719,705

15. Intangible Assets (Continued)

Amortisation of HK$56,396,000 (2022: HK$52,145,000) is included in the selling and distribution expenses.

Notes:

(i) Licence rights

Licence rights of brands represent capitalisation of the minimum contractual obligation payable to brand licensors at the time of inception.

During the year ended 31 December 2018, the Group re-entered into a 10 years (with conditional renewal options for additional 20 years) licence agreement for the sourcing and distribution of Nautica branded products in Mainland China and Hong Kong. In addition, during the year ended 31 December 2018, the Group entered into 10 years (with conditional renewal options for additional 20 years) licence agreement to distribute "Spyder", an American sports brand products mainly in Mainland China and Hong Kong. The relating minimum contractual obligation payable to the licensors was recognised in licence fees payable.

In December 2021, the Group entered into an amendment to the licence agreements for Nautica and Spyder. Pursuant to the amendment, the minimum contractual obligations payable to the licensors in future years have been adjusted and the length of the Nautica licence was extended to December 2032.

During the year ended 31 December 2022, the Group entered into a licence agreement to become the core licensee and operator for the distribution of Reebok branded products in Mainland China, Hong Kong, Macau and Taiwan. The additions of licence rights during the year ended 31 December 2022 of HK$397,349,000 represented the capitalisation of the minimum contractual obligation payable to the licensor at the inception of the Reebok licence agreement. Licence fees payable also recorded a corresponding increase during the year ended 31 December 2022.

During the year ended 31 December 2023, an impairment loss on intangible asset of HK$46,055,000 (2022: HK$16,172,000) for a loss-making brand business is charged to other net loss to reduce its carrying amount to the recoverable amount. The recoverable amount was HK$284,051,000 (2022: HK$Nil for another loss-making brand business) based on their value in use net of relevant liabilities. The pre-tax discount rate adopted is 16.5% (2022: 15%).

(ii) Trademark

It represents "C.P. Company" trademark which is regarded as having an indefinite useful life and there is no foreseeable limit to the period over which it is expected to generate cash flows for the Group as it is expected that the value will not be reduced through usage.

Impairment test for CGU containing trademark

The trademark is allocated to a CGU under brands business segment. The recoverable amount of the CGU was based on value in use calculations.

During the years ended 31 December 2023 and 31 December 2022, management carried forward the value in use calculation from the year ended 31 December 2020 as the impairment assessment for the year as this CGU met specified criteria in paragraph 24 of HKAS 36. Management concluded that the recoverable amount of this CGU was higher than its carrying amount and no impairment loss is recognised.

The value in use calculations for the year ended December 2020 used cash flow projections based on the latest forecasts covering a 5-year period at underlying growth rates that exceeded historical rates to reflect the nature of the business. Cash flows beyond the 5-year period were extrapolated using the estimated rate of 2%.

The cash flows were discounted using a risk-adjusted pre-tax discount rate of 18.9% which was derived from the post-tax discount rate of 15.7%.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount measurement is based would not cause the carrying amount to exceed its recoverable amount.

16. Other Long-Term Assets

	2023 HK$'000	2022 HK$'000
Advance to an employee *(Note 35(b)(ii))*	**345**	1,053
Long-term rental, utilities and other deposits	**17,164**	7,805
Club debentures	**7,490**	7,490
Other long-term assets	**2,084**	2,077
	27,083	18,425

17. Interest in an Associate

Particulars of the associate, which is an unlisted corporate entity, at 31 December 2023 and 2022 are as follows:

Name of associate	Place of incorporation/ establishment	% interest held by a subsidiary	Nature of the relationship	Measurement method
MAC International Sarl	Morocco	50%	*(Note)*	Equity

Note:

MAC International Sarl is a private company which is inactive and under liquidation during the years ended 31 December 2023 and 2022. There is no quoted market price available for the shares of MAC International Sarl. There are no contingent liabilities relating to the Group's interest in an associate. The associate does not have a significant impact on the Group's results of operations and financial position in 2023 and 2022.

18. Inventories

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

	2023 HK$'000	2022 HK$'000
Raw materials	**79,305**	101,700
Work-in-progress	**132,690**	140,016
Finished goods	**496,008**	587,302
Goods in transit	**33,105**	25,152
	741,108	854,170

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

	2023 HK$'000	2022 HK$'000
Carrying amount of inventories sold	**2,390,028**	2,196,795
Write down of inventories *(Note 4)*	**82,445**	93,348
Reversal of write-down of inventories *(Note 4)*	**(39,821)**	(7,924)
	2,432,652	2,282,219

The reversal of write-down of inventories made in prior years was the result of use of written-down raw materials in the production process and sales of written-down finished goods.

19. Accounts Receivable and Bills Receivable

	2023 HK$'000	2022 HK$'000
Account receivables at amortised cost, net of loss allowance	**421,889**	380,970
Account receivables to be sold at fair value through other comprehensive income (recycling)	**147,066**	111,079
	568,955	492,049

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

	2023 HK$'000	2022 HK$'000
Less than 3 months	**523,316**	417,768
3 months to 6 months	**46,129**	72,266
Over 6 months	**4,109**	5,929
	573,554	495,963
Less: Loss allowance	**(4,599)**	(3,914)
	568,955	492,049

The majority of accounts receivable are with customers having an appropriate credit history and are on open account. The Group grants its customers credit terms mainly ranging from 45 to 90 days (2022: 45 to 90 days). All of the accounts receivable and bills receivable are expected to be recovered within one year.

The carrying amounts of the accounts receivable and bills receivable approximate their fair values. The maximum exposure to credit risk is the fair value of the above receivables. The Group does not hold any collateral as security. Further details on the Group's credit policy and credit risk arising from accounts receivable and bills receivable are set out in Note 33.1(b).

As part of the Group's cash flow management, the Group has the practice of selling some of the account receivables to financial institutions under customers' vendor financing program before the account receivables are due for payment. The Group derecognises the account receivables sold on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties.

At 31 December 2023, the effective interest rates of the account receivables at fair value through other comprehensive income (recycling) ranged from 5.62% to 7.75% per annum (2022: 5.82% to 6.80%). Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in Note 33.3. At 31 December 2023, the fair value changes on account receivables at FVOCI are insignificant and accordingly, no fair value changes are recognised in equity as fair value through other comprehensive income reserve.

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

	2023 HK$'000	2022 HK$'000
United States dollars	**278,740**	263,463
Renminbi	**153,655**	100,640
Euro	**130,570**	119,147
Others	**5,990**	8,799
	568,955	492,049

20. Forward Foreign Exchange Contracts

	2023 HK$'000	2022 HK$'000
Cash flow hedges *(Note 33.1(a)(i)(A))*		
Included in:		
– Non-current assets	**–**	2,992
– Current assets	**266**	2,974
	266	5,966
Included in:		
– Current liabilities	**432**	3,886
	432	3,886

The maximum exposure to credit risk is the fair value as stated above of the forward foreign exchange contracts under current and non-current assets in the consolidated statement of financial position. The outstanding forward foreign exchange contracts with maturity dates within one year are classified as current assets and liabilities, while those with maturity dates more than one year are classified as non-current assets and liabilities. The financial risk management on fair value estimation is set out in Note 33.3.

21. Prepayments and Other Receivables

	2023 HK$'000	2022 HK$'000
Advance payments for purchases of inventories	**9,302**	18,128
Rental deposits	**21,047**	30,896
Value added tax and custom duties recoverable	**9,817**	30,779
Prepayments and other receivables	**29,160**	24,305
	69,326	104,108

The carrying amounts of other receivables approximate their fair values. The maximum exposure to credit risk is the fair value of the above items. The Group does not hold any collateral as security on prepayments and other receivables. All of the receivables are expected to be recovered or recognised as expense within one year.

22. Cash and Bank Balances

	2023 HK$'000	2022 HK$'000
Short-term bank deposits	**161,248**	336
Cash at bank and on hand	**291,634**	289,905
Cash and cash equivalents in the consolidated cash flow statement	**452,882**	290,241
Pledged bank deposits *(Note (i))*	**9,773**	11,121
Cash and bank balances in the consolidated statement of financial position	**462,655**	301,362

Note:

(i) Bank deposits of HK$9,773,000 (2022: HK$11,121,000) were pledged to secure bank facilities granted to the Group.

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

	2023 HK$'000	2022 HK$'000
United States dollars	**216,593**	95,999
Renminbi	**129,256**	79,421
Hong Kong dollars	**13,029**	8,126
Euro	**59,225**	74,277
Pound Sterling	**24,232**	23,341
Others	**20,320**	20,198
Total	**462,655**	301,362

The Group's cash and bank balances denominated in Renminbi were deposited with banks in the PRC and Hong Kong. The conversion of the Renminbi denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

23. Accounts Payable and Bills Payable

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

	2023 HK$'000	2022 HK$'000
Less than 3 months	**399,126**	377,136
3 months to 6 months	**26,133**	44,129
Over 6 months	**19,224**	16,056
	444,483	437,321

The majority of payment terms with suppliers are within 60 days. All of the accounts payable and bills payable are expected to be settled within one year or are on demand.

The carrying amounts of accounts payable and bills payable approximate their fair values.

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

	2023 HK$'000	2022 HK$'000
United States dollars	**176,902**	168,889
Euro	**92,476**	81,711
Hong Kong dollars	**15,074**	26,515
Renminbi	**155,194**	157,572
Others	**4,837**	2,634
	444,483	437,321

24. Accruals and Other Payables and Contract Liabilities

(a) Contract liabilities

When the Group receives advances before the delivery of goods, this will give rise to contract liabilities upon advances receipt, until the revenue recognised on the sale of goods. The payment arrangement is negotiated on a case by case basis with customers.

All of the contract liabilities of HK$27,367,000 at 31 December 2023 (2022: HK$27,648,000) are expected to be settled within one year.

(b) Accruals and other payables

Accruals and other payables mainly consist of accrued employee benefit expenses, current portion of licence fees payable, deposits received and payable for other operating expenses. All of the accruals and other payables are expected to be settled within one year.

25. Bank Borrowings

At 31 December 2023 and 2022, the Group's bank borrowings were unsecured and covered by corporate guarantees given by the Company. All bank borrowings were due for repayment within three months at the end of the reporting period.

Bank borrowings are denominated in Renminbi at 31 December 2023 (2022: denominated in United States dollars, Euro and Renminbi) and bore interest at fixed rates. The interest rate of the bank borrowings was 4.65% per annum at 31 December 2023 (2022: 2.4% to 6.5% per annum). The carrying amounts of bank borrowings are denominated in the following currencies:

	2023 ***HK$'000***	2022 *HK$'000*
United States dollars	**–**	62,414
Euro	**–**	33,406
Renminbi	**32,752**	11,188
Total	**32,752**	107,008

The fair value of the Group's bank borrowings equal their carrying amount, as the impact of discounting is not significant due to their short-term maturity.

26. Retirement Benefits and Other Post Retirement Obligations

	2023 ***HK$'000***	2022 *HK$'000*
Defined benefit plans *(Note (b))*	**(4,160)**	(7,127)
Long service payment liabilities *(Note (c))*	**19,509**	17,714
	15,349	10,587
Included in non-current assets	**(10,561)**	(10,447)
Included in non-current liabilities	**25,910**	21,034
	15,349	10,587

Notes:

(a) Defined contribution plans

The Group operates/participates in the following defined contribution plans:

(i) A defined contribution scheme for employees in Hong Kong, under which the Group and its employee each contribute 5% of the employee's salaries. The forfeited contributions made by the Group and the related accrued interest are used to reduce the Group's future employer contribution.

(ii) The Mandatory Provident Fund Scheme for employees in Hong Kong, under which the Group and its employee each makes monthly contribution to the scheme at 5% of the qualifying earnings of the employee, subject to a cap of monthly relevant income of HK$30,000.

(iii) The Group's subsidiaries in the Mainland China contribute 10% to 22% of the basic salaries of their employees to retirement schemes operated by municipal governments. Under the schemes, the employees also contribute 8% of their basic salaries.

(iv) The Group's subsidiaries in Thailand operate defined contribution plans, under which the Group generally contributes 5% of participating employees' salaries and the employees contribute 5% of their salaries.

(v) From 1 July 2005, the Group's subsidiaries in Taiwan operate defined contribution plans pursuant to the Labour Pension Act as a choice available to their employees. Under the plans, the Group generally contributes 6% of the participating employees' salaries to their personal accounts kept by the Labour Insurance Bureau on a monthly basis. Contributions from employees are on a discretionary basis.

(vi) Contributions to the defined contribution schemes of other countries are at various funding rates that are in accordance with the local practice and regulations. Contributions relating to the defined contribution schemes are charged to profit or loss as incurred.

Contribution to the above defined contribution plans other than (i) vest immediately. Other than the mandatory contributions made by the Group under the respective defined contribution plans, the Group has no further obligations for the actual pension payments or any post retirement benefits.

(b) Defined benefit plans

The Group operates/participates in the following defined benefit plans:

(i) A defined benefit retirement scheme is operated by the Group's subsidiaries in Taiwan. The Group bears the full cost of all benefits and the assets for the benefits are invested through the Bank of Taiwan in a balanced portfolio of cash, fixed income and equity investments. The benefits are based on the average monthly salary for the six months immediately preceding the date of cessation of service with the Group.

(ii) Our subsidiary in Switzerland participates in a defined benefit plan for providing post-employment benefits to its staff which covers old-age pension, death-in-service and disability benefits as required by law. The Swiss subsidiary is affiliated to the Swiss Life Collective BVG Foundation, based in Zurich for the provision of such benefits. The assets of the plan are held separately within the foundation. Plan beneficiaries are insured against the financial consequences of old age, death and disability. The pension upon retirement is based on the balance of retirement savings capital and applicable conversion rates. The retirement savings capital results from the contributions by both employer and employees and carries interest thereon. The contributions are determined as a percentage of current insured salary and at least 50% of the contributions shall be paid by the employer.

The latest actuarial valuations of the above plans were performed by BMI Appraisals Limited and Swiss Life Pension Services AG, independent professional valuation firms, at 31 December 2023, using the projected unit credit method. Based on the actuarial reports, the aggregate market value of the plan assets at 31 December 2023 was HK$34,721,000 (2022: HK$28,979,000), representing approximately 114% (2022: 133%) of the actuarial accrued liabilities at that date.

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

	2023 ***HK$'000***	2022 *HK$'000*
Present value of funded obligations	**30,561**	21,852
Fair value of plan assets	**(34,721)**	(28,979)
Net defined benefit plan assets	**(4,160)**	(7,127)

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amount recoverable in the next twelve months, as future contributions will also relate to future services rendered and future change in actuarial assumptions and market conditions.

26. Retirement Benefits and Other Post Retirement Obligations (Continued)

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

	2023 HK$'000	2022 HK$'000
Current service cost	**1,334**	1,120
Net interest expenses/(income) on defined benefit plan	**9**	(40)
Net past service benefit	**–**	(70)
Administration cost	**193**	118
Total, included in employee benefit expenses	**1,536**	1,128

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

	2023 HK$'000	2022 HK$'000
At 1 January	**21,852**	25,094
Current service cost	**1,334**	1,120
Employee contribution	**2,646**	1,385
Past service benefit	**–**	(70)
Interest expense	**406**	95
Remeasurement – actuarial loss arising from changes in demographic assumptions	**2,015**	1,062
Remeasurement – actuarial loss/(gain) arising from changes in financial assumptions	**1,575**	(4,151)
Exchange differences	**1,776**	(903)
Benefits paid by the plans	**(1,236)**	(1,898)
Administration cost	**193**	118
At 31 December	**30,561**	21,852

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

	2023 HK$'000	2022 HK$'000
At 1 January	**28,979**	28,399
Interest income	**397**	135
Employer contribution	**2,389**	1,515
Employee contribution	**2,646**	1,385
Remeasurement – return on plan assets, excluding amounts included in interest income	**29**	1,260
Exchange differences	**1,517**	(1,817)
Benefits paid by the plan	**(1,236)**	(1,898)
At 31 December	**34,721**	28,979

The principal actuarial assumptions used are as follows:

	2023	2022
Discount rate	**1% to 2%**	1% to 2%
Expected rate of future salary increase	**1% to 3%**	1% to 3%

At 31 December 2023, the Group expects to contribute HK$2,831,000 to its defined benefit plans in 2024 (At 31 December 2022: HK$1,300,000). The weighted average duration of the defined benefit obligations is 9 years (2022: 11 years).

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

	2023	2022
Deposits with financial institutions	**7.8%**	9.2%
Bonds	**6.3%**	6.3%
Stocks	**17.8%**	21.5%
Other assets	**68.1%**	63.0%
Represented by:		
– Assets have a quoted market price	**23%**	27%
– Assets do not have a quoted market price	**77%**	73%

The most significant risk facing the defined benefit plans of the Group is market risk including price risk, interest rate risk and foreign exchange risk. Market risk is managed principally through diversification of investments by third party trustees. The long-term strategic asset allocations would also be monitored by third party trustees periodically taking into account of the liability profile of the plans.

The sensitivity of the defined benefit obligations to changes as a result of the changes in the significant actuarial assumptions is:

	Impact on defined benefit obligations		
Principal assumption	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	Decrease by 5.9% (2022: Decrease by 5.2%)	Increase by 6.8% (2022: Increase by 5.8%)
Salary growth rate	0.50%	Increase by 1.1% (2022: Increase by 1.0%)	Decrease by 1.4% (2022: Decrease by 1.2%)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

26. Retirement Benefits and Other Post Retirement Obligations (Continued)

(c) Long service payment liabilities

(i) Under the Hong Kong Employment Ordinance, the Group is obliged in certain circumstances to make long service payments on cessation of employment to certain employees in Hong Kong who have completed at least five years of service with the Group. In June 2022, the Hong Kong SAR Government gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1 May 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund scheme to reduce the long service payment in respect of an employee's service from the Transition Date – the abolition of the offsetting mechanism. Note 2(c) above provides more details of the abolition of the offset mechanism.

(ii) Under the Labor Protection Act of Thailand, the Group is obliged to make severance pay on cessation of employment to the employees who have been regularly employed by the Group for more than 120 days. The amount payable is dependent on the employee's final salary and years of service. The Group does not set aside any asset for the obligation arising from severance pay.

On 13 December 2018, the National Legislative Assembly of Thailand has passed a bill amending the Labor Protection Act to include a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate.

(iii) Under the labour law of Vietnam, the Group is obliged to make severance pay on cessation of employment to the employees who have been employed by the Group for more than 12 months. The amount payable is dependent on the employee's average salary for the six months prior to the termination and years of service up to 31 December 2008. The Group does not set aside any asset for the obligation arising from severance pay.

The latest actuarial valuations of the Group's major obligations of long service payment liabilities at 31 December 2023 were carried out by BMI Appraisals Limited, an independent professional valuation firm, using the projected unit credit method.

	2023 HK$'000	2022 HK$'000
Liability in the statement of financial position:		
– Present value of unfunded obligations	**19,509**	17,714

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

	2023 HK$'000	2022 HK$'000
Current services cost	**622**	591
Past service cost	**348**	–
Interest cost	**555**	438
Total, included in employee benefit expenses	**1,525**	1,029

Movement in the present value of unfunded obligations:

	2023 HK$'000	2022 HK$'000
At 1 January	**17,714**	20,129
Current service cost	**622**	591
Past service cost	**348**	–
Interest expense	**555**	438
Benefit directly paid by the Group	**(430)**	(1,472)
Remeasurement – actuarial loss/(gain) arising from changes in demographic assumptions	**456**	(71)
Remeasurement – actuarial loss/(gain) arising from changes in financial assumptions	**89**	(1,186)
Exchange difference	**155**	(715)
At 31 December	**19,509**	17,714

The principal actuarial assumptions used are as follows:

	2023	2022
Discount rate	**2% to 4%**	3% to 4%
Expected rate of future salary increase	**2% to 4%**	3% to 5%

The weighted average duration of the long service payment liabilities is 9 years (2022: 9 years).

The sensitivity of the present value of unfunded obligations to changes as a result of the changes in the significant assumptions is:

	Impact on defined benefit obligations		
Principal assumption	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	Decrease by 3.8% (2022: Decrease by 4.5%)	Increase by 4.1% (2022: Increase by 4.0%)
Salary growth rate	0.50%	Increase by 1.8% (2022: Increase by 1.7%)	Decrease by 1.7% (2022: Decrease by 2.5%)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

27. Licence Fees Payable

	2023 HK$'000	2022 HK$'000
Within 1 year	**103,823**	83,057
After 1 year but within 2 years	**99,686**	89,539
After 2 years but within 5 years	**348,523**	328,475
After 5 years	**391,851**	501,156
	943,883	1,002,227
Less: Imputed interest on licence fees payable	**(247,652)**	(294,390)
Present value	**696,231**	707,837
Less: Current portion included in accruals and other payables	**(103,823)**	(83,057)
Non-current portion	**592,408**	624,780

Note:

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

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

The estimated fair value of the licence fees payable at 31 December 2023 and 2022 was approximate to the carrying value.

28. Lease Liabilities

At 31 December 2023, the lease liabilities were repayable as follows:

	2023 HK$'000	2022 HK$'000
Within 1 year	**101,603**	96,668
After 1 year but within 2 years	**64,845**	51,172
After 2 years but within 5 years	**50,496**	42,930
After 5 years	**29,855**	32,518
	145,196	126,620
	246,799	223,288

29. Deferred Tax Assets/Liabilities

(a) The movements in deferred tax assets and liabilities, without taking into consideration the offsetting of balance with the same tax jurisdiction, are as follows:

Deferred tax assets

	Provisions		Depreciation allowances less than the related depreciation		Lease liabilities		Tax losses		Tax relief on migration step-up for intangible asset		Total	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
At 1 January	**4,155**	5,946	**1,742**	2,027	**48,387**	39,261	**–**	467	**12,177**	10,676	**66,461**	58,377
Exchange differences	**45**	(195)	**–**	2	**3**	6	**–**	15	**395**	(801)	**443**	(973)
(Charged)/credited to profit or loss (restated)	**(978)**	(1,546)	**(224)**	(287)	**5,912**	9,120	**–**	(482)	**–**	2,302	**4,710**	9,107
Credited/(charged) to other comprehensive income	**101**	(50)	**–**	–	**–**	–	**–**	–	**–**	–	**101**	(50)
At 31 December	**3,323**	4,155	**1,518**	1,742	**54,302**	48,387	**–**	–	**12,572**	12,177	**71,715**	66,461

Deferred tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2023, the Group did not recognise deferred tax assets of HK$203,043,000 (2022: HK$204,358,000) for tax losses that can be carried forward against future taxable income. Cumulative tax losses of HK$96,586,000 (2022: HK$108,120,000) can be carried forward indefinitely; cumulative tax losses of HK$658,629,000 (2022: HK$656,867,000) will expire within the next five years; and cumulative tax losses of HK$80,578,000 (2022: HK$82,374,000) will expire after more than 5 years.

29. Deferred Tax Assets/Liabilities (Continued)

Deferred tax liabilities

	Depreciation allowances in excess of the related depreciation		Withholding tax for distribution of retained earnings of the PRC and overseas subsidiaries		Right-of-use assets		Fair value adjustments on business combination		Total	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
At 1 January	**143**	133	**32,080**	27,571	**46,382**	37,219	**9,460**	9,707	**88,065**	74,630
Exchange differences	**–**	–	**–**	–	**–**	–	**110**	(316)	**110**	(316)
Charged to profit or loss (restated)	**18**	10	**1,504**	4,397	**5,966**	9,163	**74**	69	**7,562**	13,639
(Credited)/charged to other comprehensive income	**–**	–	**(37)**	112	**–**	–	**–**	–	**(37)**	112
At 31 December	**161**	143	**33,547**	32,080	**52,348**	46,382	**9,644**	9,460	**95,700**	88,065

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

	2023 HK$'000	2022 HK$'000
Net deferred tax asset recognised in the consolidated statement of financial position	**16,998**	17,570
Net deferred tax liability recognised in the consolidated statement of financial position	**(40,983)**	(39,174)
	(23,985)	(21,604)

30. Share Capital

	2023 HK$'000	2022 HK$'000
Authorised: 500,000,000 (2022: 500,000,000) shares of HK$0.10 each	**50,000**	50,000

Issued and fully paid ordinary share capital:

	2023		2022	
	Number of shares	**HK$'000**	Number of shares	HK$'000
At 1 January and 31 December	**271,607,253**	**27,161**	271,607,253	27,161

31. Reserves

The reconciliation between the opening and closing balances of each components of the Group's consolidated equity is set out below:

	Share premium *HK$'000*	Capital reserve *HK$'000*	Statutory reserves *HK$'000*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Remeasure-ments reserve *HK$'000*	Hedging reserve *HK$'000*	Contributed surplus *HK$'000*	General reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
Balance at 1 January 2023	14,449	113,373	104,513	37,657	3,180	–	2,080	265,630	115,486	336,622	992,990
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	–	–	171,232	171,232
Other comprehensive income											
Net fair value gains on cash flow hedges	–	–	–	–	–	–	(2,246)	–	–	–	(2,246)
Remeasurements of defined benefit plans and long service payment liabilities	–	–	–	–	–	(4,106)	–	–	–	–	(4,106)
Deferred tax charged to other comprehensive income *(Note 29)*	–	–	–	–	–	138	–	–	–	–	138
Realisation of exchange reserve upon liquidation and disposal of subsidiaries	–	–	–	(766)	–	–	–	–	–	–	(766)
Currency translation differences	–	–	–	11,357	–	–	–	–	–	–	11,357
Total comprehensive income	–	–	–	10,591	–	(3,968)	(2,246)	–	–	171,232	175,609
Transactions with owners											
Transfer	–	–	644	–	–	3,968	–	–	–	(4,612)	–
Share option scheme – value of employee services	–	–	–	–	737	–	–	–	–	–	737
Share options granted to employee lapsed	–	–	–	–	(645)	–	–	–	–	645	–
Dividend paid to equity shareholders of the Company *(Note 9)*	–	–	–	–	–	–	–	–	–	(16,296)	(16,296)
Total transactions with owners	–	–	644	–	92	3,968	–	–	–	(20,263)	(15,559)
Balance at 31 December 2023	14,449	113,373	105,157	48,248	3,272	–	(166)	265,630	115,486	487,591	1,153,040

	Share premium *HK$'000*	Capital reserve *HK$'000*	Statutory reserves *HK$'000*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Remeasure-ments reserve *HK$'000*	Hedging reserve *HK$'000*	Contributed surplus *HK$'000*	General reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
Balance at 1 January 2022	14,449	116,092	102,551	78,218	2,988	–	4,252	265,630	114,978	299,623	998,781
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	–	–	30,772	30,772
Other comprehensive income											
Net fair value gains on cash flow hedges	–	–	–	–	–	–	(2,172)	–	–	–	(2,172)
Remeasurements of defined benefit plans and long service payment liabilities	–	–	–	–	–	5,606	–	–	–	–	5,606
Deferred tax charged to other comprehensive income *(Note 29)*	–	–	–	–	–	(162)	–	–	–	–	(162)
Realisation upon disposal of a subsidiary	–	–	–	592	–	–	–	–	–	–	592
Currency translation differences	–	–	–	(41,153)	–	–	–	–	–	–	(41,153)
Total comprehensive income	–	–	–	(40,561)	–	5,444	(2,172)	–	–	30,772	(6,517)
Transactions with owners											
Transfer	–	(2,719)	1,962	–	–	(5,444)	–	–	508	5,693	–
Share option scheme – value of employee services	–	–	–	–	726	–	–	–	–	–	726
Share options granted to employee lapsed	–	–	–	–	(534)	–	–	–	–	534	–
Total transactions with owners	–	(2,719)	1,962	–	192	(5,444)	–	–	508	6,227	726
Balance at 31 December 2022	14,449	113,373	104,513	37,657	3,180	–	2,080	265,630	115,486	336,622	992,990

31. Reserves (Continued)

(a) Share premium

The application of share premium account is governed by the Company's Bye-Laws and the Bermuda Companies Act 1981.

(b) Capital reserve

Capital reserve mainly relates to the amount transferred from retained earnings in connection with a declaration of stock dividend by a subsidiary during the years ended 31 December 2000 and 2015.

(c) Statutory reserve and general reserve

Subsidiaries incorporated in Taiwan are required to set aside 10% of their net profit each year to reserve, according to Company Law in Taiwan. This appropriation is made in the following year until the accumulated reserve equals the paid-in capital. Such reserve can be used to offset a deficit or, when it has reached 50% of the paid-in capital, up to 50% thereof may be transferred to capital. The amount set aside is included under statutory reserve. During the year ended 31 December 2023, subsidiaries in Taiwan have transferred HK$644,000 (2022: HK$Nil) to statutory reserves.

The laws and regulations in the Mainland China require wholly foreign owned enterprises established in the Mainland China to provide for statutory reserves which are appropriated from net profit, based on profit reported in the statutory accounts. Certain subsidiaries in the Mainland China are required to allocate at least 10% of their after-tax profit to statutory reserves until the reserves have reached 50% of their registered capital. Statutory reserves can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. During the year ended 31 December 2023, subsidiaries in the Mainland China have transferred HK$Nil (2022: HK$Nil) to statutory reserves.

During the year ended 31 December 2023, subsidiaries incorporated in Switzerland have transferred post tax profit of the prior year of HK$Nil (2022: HK$1,962,000) to legal reserve until it reaches 50% of their registered capital.

General reserve mainly relates to the profit set aside by the Company according to the Company's Bye-Laws.

(d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Notes 2(f) and 2(n)(ii).

(e) Share option reserve

Share option reserve comprises the fair value at the grant date of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based compensation in Note 2(q)(iii).

(f) Remeasurements reserve

Remeasurements reserve is dealt with in accordance with the accounting policy adopted for the remeasurements of the net defined benefit liability as set out in Note 2(q)(ii).

(g) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in Note 2(n)(ii).

(h) Contributed surplus

Contributed surplus represents the excess in value of shares acquired in consideration for the issue of the Company's shares over the nominal value of those shares issued. Under the Bermuda Companies Act 1981, contributed surplus is distributable.

32. Share Option Scheme

The share option scheme of the Company (the "**2016 Share Option Scheme**") was approved and adopted by the shareholders of the Company at the annual general meeting of the Company held on 6 June 2016 pursuant to which share options may be granted to eligible participants to subscribe for shares of the Company.

Under the 2016 Share Option Scheme, share options may be granted from time to time as determined by the Board, to directors and employees of the Group. The grantee is required to pay HK$1.00 upon acceptance of the options. The subscription price for the shares of the Company, which are the subject of the options, shall not be less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price and timing for the exercise of the option will be determined by the Board at the time the option is offered. The options may only be exercised if the grantee remains a director or an employee of the Group. The Group has no legal or constructive obligations to repurchase or settle these options in cash.

32. Share Option Scheme (Continued)

The share options outstanding under the 2016 Share Option Scheme at the end of the year have the following vesting and expiry dates:

Date of grant	Participant	Number of share options At 31 December 2023	At 31 December 2022	Subscription price per share	Exercisable period
25 June 2018	Employees (in aggregate)	**–**	264,000	HK$1.75	25 June 2018 - 24 June 2023
		–	264,000	HK$1.75	25 June 2019 - 24 June 2023
		–	264,000	HK$1.75	25 June 2020 - 24 June 2023
		–	264,000	HK$1.75	25 June 2021 - 24 June 2023
3 June 2019	Employees (in aggregate)	**359,000**	359,000	HK$1.58	3 June 2019 - 2 June 2024
		359,000	359,000	HK$1.58	3 June 2020 - 2 June 2024
		359,000	359,000	HK$1.58	3 June 2021 - 2 June 2024
		359,000	359,000	HK$1.58	3 June 2022 - 2 June 2024
8 June 2020	Employees (in aggregate)	**367,000**	367,000	HK$1.40	8 June 2020 - 7 June 2025
		367,000	367,000	HK$1.40	8 June 2021 - 7 June 2025
		367,000	367,000	HK$1.40	8 June 2022 - 7 June 2025
		367,000	367,000	HK$1.40	8 June 2023 - 7 June 2025
7 June 2021	Employees (in aggregate)	**450,000**	450,000	HK$1.00	7 June 2021 - 6 June 2026
		450,000	450,000	HK$1.00	7 June 2022 - 6 June 2026
		450,000	450,000	HK$1.00	7 June 2023 - 6 June 2026
		450,000	450,000	HK$1.00	7 June 2024 - 6 June 2026
6 June 2022	Employees (in aggregate)	**533,000**	533,000	HK$0.91	6 June 2022 - 5 June 2027
		533,000	533,000	HK$0.91	6 June 2023 - 5 June 2027
		533,000	533,000	HK$0.91	6 June 2024 - 5 June 2027
		533,000	533,000	HK$0.91	6 June 2025 - 5 June 2027
19 June 2023	Employees (in aggregate)	**750,000**	–	HK$0.72	19 June 2023 - 18 June 2028
		750,000	–	HK$0.72	19 June 2024 - 18 June 2028
		750,000	–	HK$0.72	19 June 2025 - 18 June 2028
		750,000	–	HK$0.72	19 June 2026 - 18 June 2028
	Total	**9,836,000**	7,892,000		

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

Detailed movements of the share options granted pursuant to the 2016 Share Option Scheme during the year ended 31 December 2023 are as follows:

	2023 Average subscription price per share HK$	2023 Number of options	2022 Average subscription price per share HK$	2022 Number of options
At 1 January	**1.26**	**7,892,000**	1.43	6,716,000
Granted	**0.72**	**3,000,000**	0.91	2,132,000
Exercised	**–**	**–**	–	–
Lapsed	**1.75**	**(1,056,000)**	1.68	(956,000)
At 31 December	**1.04**	**9,836,000**	1.26	7,892,000
Exercisable at 31 December	**1.18**	**6,070,000**	1.40	5,026,000

The options outstanding at 31 December 2023 had a weighted average remaining contractual life of 2.83 years (2022: 2.76 years).

The fair value of options granted during the year of 2023 determined using the Hull White Trinomial valuation model was HK$0.25 per option (2022: HK$0.36 per option). The significant inputs into the model are as follows:

	Year in which share options granted 2023	2022
Share price at the grant date	**HK$0.72**	HK$0.90
Subscription price	**HK$0.72**	HK$0.91
Dividend yield	**4.97%**	0%
Volatility	**51.95%**	45.57%
Annual risk-free interest rate	**3.506%**	2.643%

The volatility at the grant date, which measured the standard deviation of expected share price returns, is based on statistics of 1,260 days historical volatility of comparable companies within the industry. The aggregate fair value of the above options granted during the year amounted to HK$756,000 (2022: HK$760,000) is to be recognised as employee benefit expenses over the vesting periods together with a corresponding increase in equity. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

The amount of employee benefit expenses recognised in the consolidated statement of profit or loss for the year ended 31 December 2023 in relation to the 2016 Share Option Scheme amounted to HK$737,000 (2022: HK$726,000).

33. Financial Risk Management

33.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, liquidity risk and credit risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions, recognised assets, liabilities and net investment in foreign operations are denominated in a currency that is not the entity's functional currency. The Group operates internationally and is thus exposed to foreign exchange risk arising from various currency exposures. The Group manages significant foreign exchange risk against the respective subsidiaries' functional currencies arising from future commercial transactions, recognised assets, liabilities and net investment in foreign operations principally by means of forward foreign exchange contracts.

For the years ended 31 December 2023 and 2022, sales of goods were mainly denominated in United States dollars, Euro, Pound Sterling and Renminbi. The major currencies for purchases were United States dollars, Renminbi and Euro. In addition, entities within the Group (whose functional currencies include Renminbi, Thai Bahts and Vietnam Dongs) have monetary assets and liabilities denominated in Hong Kong dollars and United States dollars.

A. Hedges of foreign currency risk in forecast transactions

The Group has entered into forward foreign exchange contracts to hedge against foreign exchange exposures arising from Renminbi manufacturing costs and Pound Sterling sales receipts of a European subsidiary. The Group designates the forward foreign exchange contracts as hedging instruments in cash flow hedges and does not separate the forward and spot element of a forward foreign exchange contract but instead designates the foreign forward exchange contract in its entirety in a hedging relationship. Correspondingly, the hedged item is measured based on the forward exchange rate.

The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the forward foreign exchange contracts and the highly probable forecast transactions based on their currency amounts and the timing of their respective cash flows. The main sources of ineffectiveness in these hedging relationships are:

(i) the effect of the counterparty's and the Group's own credit risk on the fair value of the forward foreign exchange contracts which is not reflected in the change in the value of the hedged cash flows attributable to the forward rate; and

(ii) changes in the timing of the hedged transactions.

The following table details the forward foreign exchange contracts that have been designated as cash flow hedges of the Group's highly probable forecast transactions at the end of the reporting period:

	2023 ***HK$'000***	2022 *HK$'000*
Notional amount		
– United States dollars	**93,738**	276,957
– Pound Sterling	**29,834**	42,420

The forward foreign exchange contracts have a maturity of 1 year (2022: 1 to 2 years) from the reporting date and have an average forward exchange rate as follows:

	2023	2022
– United States dollars to Renminbi	**7.0000**	6.8659
– Euro to Pound Sterling	**0.8666**	0.8633

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

	2023 ***HK$'000***	2022 *HK$'000*
Balance at 1 January	**2,080**	4,252
Effective portion of the cash flow hedge recognised in other comprehensive income *(Note (i))*	**(10,216)**	(5,575)
Amounts reclassified to profit or loss	**7,970**	3,403
Balance at 31 December *(Note (ii))*	**(166)**	2,080

Notes:

(i) The amount represented the change in fair value of the forward foreign exchange contracts during the year.

(ii) The entire balance in the hedging reserve relates to continuing hedges.

33. Financial Risk Management (Continued)

B. Recognised assets and liabilities

In respect of other trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

C. Exposure to currency risk

At 31 December 2023, if Renminbi against Hong Kong dollars had strengthened/weakened by 5% with all other variables held constant, the post-tax profit for the year would be decreased/increased by HK$4,528,000 (2022: post-tax profit for the year would be decreased/increased by HK$5,259,000) mainly as a result of foreign exchange difference on translation of Hong Kong dollar denominated net monetary assets of certain PRC subsidiaries; while the other comprehensive income would be increased/decreased by HK$3,725,000 (2022: increased/decreased by HK$13,242,000), representing the impact of the change in fair value of forward foreign exchange contracts at the end of the reporting period.

At 31 December 2023, if Euro against Hong Kong dollars had strengthened/weakened by 5% with all other variables held constant, the post-tax profit for the year would be increased/decreased by HK$60,000 (2022: post-tax profit for the year would be decreased/increased by HK$707,000) as a result of foreign exchange difference on translation of Euro denominated monetary assets of a Hong Kong subsidiary; while the other comprehensive income would be increased/decreased by HK$1,214,000 (2022: increased/decreased by HK$2,172,000), representing the impact of the change in fair value of forward foreign exchange contracts at the end of the reporting period.

If Pound Sterling, Thai Bahts and Vietnam Dongs had strengthened/weakened against Hong Kong dollars by 5% at the year end date with all other variables held constant, the impact on post-tax loss for the year would not be significant.

(ii) Liquidity risk

The Group has been prudent in liquidity risk management by maintaining sufficient cash and the availability of sufficient funding through an adequate amount of committed credit facilities from the Group's bankers.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The cash flow requirements for derivative financial instrument arising from forward foreign exchange contracts are separately provided as the contractual maturities are essential for the understanding of the timing of the cash flows.

	Within 1 year or on demand *HK$'000*	After 1 year but within 2 years *HK$'000*	After 2 years but within 5 years *HK$'000*	After 5 years *HK$'000*	Total *HK$'000*
At 31 December 2023					
Accounts payable and bills payable	**444,483**	**–**	**–**	**–**	**444,483**
Accruals and other payables	**341,786**	**–**	**–**	**–**	**341,786**
Bank borrowings and interest payments	**33,684**	**–**	**–**	**–**	**33,684**
Licence fees payable	**103,823**	**99,686**	**348,523**	**391,851**	**943,883**
Lease liabilities	**109,372**	**68,855**	**55,068**	**35,697**	**268,992**
	1,033,148	**168,541**	**403,591**	**427,548**	**2,032,828**
At 31 December 2022					
Accounts payable and bills payable	437,321	–	–	–	437,321
Accruals and other payables	369,956	–	–	–	369,956
Bank borrowings and interest payments	107,280	–	–	–	107,280
Licence fees payable	83,057	89,539	328,475	501,156	1,002,227
Lease liabilities	103,219	54,702	47,287	39,066	244,274
	1,100,833	144,241	375,762	540,222	2,161,058

All the Group's forward foreign exchange contracts outstanding at 31 December 2023 are net settlement contracts in hedge relationships. Contracts due to settle within 12 months is expected to have undiscounted contractual cash outflows of HK$166,000 (2022: cash inflows of HK$912,000). Contracts due to settle between 1 and 5 years is expected to have undiscounted contractual cash inflows of HK$Nil (2022: cash inflows of HK$2,992,000). There is no gross settlement contract at 31 December 2023 and 2022.

(iii) Interest rate risk

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

The effective interest rate of the Group's bank loan at 31 December 2023 is 4.65% (2022: 3.9%).

At 31 December 2023, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variable held constant, would have increased the Group's profit after taxation and retained earnings by approximately HK$577,000 (2022: decreased by HK$479,000).

33. Financial Risk Management (Continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to accounts receivable. The Group's exposure to credit risk arising from cash and bank balances, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions with sound credit ratings and the Group does not expect any significant credit risk. The Group does not provide any other guarantees which would expose the Group to credit risk.

Accounts receivable

The Group's sales are mainly on open account. Each open account customer is granted an approved credit limit and the Group closely and regularly monitors the credit default risk of receivables from customers. During the years ended 31 December 2023 and 2022, receivables from customers of garment manufacturing segment are substantially covered by credit insurance. At the end of the reporting period, 9% (2022: 14%) and 37% (2022: 44%) of the accounts receivable and bills receivable was due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for accounts receivable:

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

	2022		
	Expected loss rate *%*	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*
Less than 3 months	–	417,768	–
3 months to 6 months	–	72,266	–
Over 6 months	66	5,929	3,914
		495,963	3,914

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

	2023 ***HK$'000***	2022 *HK$'000*
At 1 January	**3,914**	4,255
Receivables written off during the year as uncollectible	**(238)**	(1,262)
Provision for impairment losses during the year	**923**	921
At 31 December	**4,599**	3,914

33.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Total capital comprises "capital and reserves" as shown in the consolidated statement of financial position plus net borrowing, if any. During the years ended 31 December 2023 and 2022, the Group had no net borrowings, which is calculated as total borrowings less cash and bank balances.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity shareholders, return capital to equity shareholders, issue new shares or reduce debt.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

33.3 Fair value estimation

The fair value of derivative financial instruments (forward foreign exchange contracts) is determined using forward exchange market rates at the end of each reporting period. The fair value of financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Financial instruments are measured in the statement of financial position at fair value. HKFRS 13, *Fair value measurement*, requires disclosure of fair value measurements according to the following fair value measurement hierarchy:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in the active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs or which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

33. Financial Risk Management (Continued)

Forward foreign exchange contracts are measured at fair value and classified as level 2 valuations at 31 December 2023 and 2022. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant. There was no change in valuation techniques during the year.

Accounts receivables at FVOCI (recycling) are measured at fair value and classified at level 2 valuations at 31 December 2023.

Information about Level 2 fair value measurements:

	Fair value at 31 December		Valuation technique and significant inputs
	2023 ***HK$'000***	2022 *HK$'000*	
Account receivables at fair value through other comprehensive income (recycling)	**147,066**	111,079	Risk-adjusted discount rates ranged from 5.62% to 7.75% per annum (2022: 5.82% to 6.80% per annum) quoted by the banks

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

There was no transfer of financial assets between fair value hierarchy classifications for the years ended 31 December 2023 and 2022. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2023 and 2022.

33.4 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements during the year.

34. Capital Commitments

	2023 ***HK$'000***	2022 *HK$'000*
Contracted but not provided for in respect of leasehold improvement	**1,131**	–

At 31 December 2022, the Group was also committed to enter into a new lease of 3 years that was not yet commenced, the lease payments under which amounted to HK$793,000 per annum. At 31 December 2023, the Group did not have lease entered but not yet commenced.

35. Related Party Transactions

(a) Lease arrangements with a related company

In 2023, the following significant related party transactions were carried out in the normal course of the Group's business:

	Amounts owed by the Group to a related company		Related interest expense	
	At 31 December		Year ended 31 December	
	2023 ***HK$'000***	2022 *HK$'000*	**2023** ***HK$'000***	2022 *HK$'000*
Lease liabilities due to a related company	**4,644**	1,587	**(322)**	(103)

	2023 ***HK$'000***	2022 *HK$'000*
Rental payment to TDB under new tenancy agreement	**2,880**	–
Rental payment to TDB under former tenancy agreement	**1,590**	6,360

In February 2023, the Group entered into a two-year lease ("**new tenancy agreement**") with TDB Company Limited ("**TDB**") in respect of certain properties from TDB for factory, storage and ancillary office. The amount of rent payable by the Group under the lease is HK$320,000 per month commencing from 1 April 2023 after the previous lease ("**former tenancy agreement**") ended on 31 March 2023. The subject lease was determined with reference to comparable rental transactions and offerings as available in the relevant market with similar age, size, use and attributes. At the date of the new tenancy agreement, the Group recognised right-of-use asset and lease liability in relation to this lease.

35. Related Party Transactions (Continued)

The entire issued share capital of TDB, a related company, is held by a discretionary trust of which a director of the Company is an eligible beneficiary at 31 December 2023.

The related party transactions in respect of lease arrangements with TDB constitute connected transactions under Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraph headed "Connected Transactions" in "the Report of the Directors" of this annual report.

(b) Transactions with key management

(i) Key management personnel remuneration

Remuneration of key management personnel of the Group including amounts paid to the Company's directors as disclosed in Note 12 and certain of the highest paid employees as disclosed in Note 13, is as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries, allowances and bonuses	**26,936**	24,837
Defined contribution plans	**601**	535
Share-based compensation expense – share options granted	**511**	530
	28,048	25,902

Total remuneration is included in "employee benefit expenses" (see Note 11).

(ii) Advance to an employee

In June 2012, a subsidiary of the Group made a cash advance of HK$12,000,000 to a key management employee of the Group. Pursuant to the agreement and the amendment agreements dated in June 2013 and 2014, the cash advance is unsecured and bears interest at the Group's cost of borrowing. Cash advance of HK$3,500,000 plus related interest has been fully repaid in 2016. The remaining cash advance of HK$8,500,000 ("**long-term portion**") was to be waived by the subsidiary in equal amount semi-annually over a period of ten years commencing from the third year while the individual remains as an employee of the Group. Any unwaived principal plus related accrued interest will be repayable upon cessation of employment of the employee. The long-term portion regarded as prepaid staff benefit is included in other long-term assets (Note 16) and is amortised over twelve years from the date of the advance.

36. Notes to the Consolidated Cash Flow Statement

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

	2023 **HK$'000**	2022 HK$'000
Profit before tax	**247,417**	121,177
Adjustments for:		
Depreciation on property, plant and equipment	**76,390**	65,406
Depreciation of right-of-use assets	**108,321**	88,251
Amortisation of intangible assets	**56,396**	52,145
Net loss on disposals of property, plant and equipment	**3,983**	1,624
Net gain on liquidation and disposal of subsidiaries	**(790)**	(4,554)
Net gain on derecognition of right-of-use assets and lease liabilities	**(2,383)**	(4,424)
Write-down of inventories to net realisable value, net	**42,624**	85,424
Share-based compensation expense	**737**	726
Provision for impairment of receivables, net	**923**	921
Finance income	**(3,516)**	(999)
Finance costs	**64,301**	61,875
COVID-19-related rent concessions received	**–**	(4,448)
Effect of foreign exchange rate changes	**14,898**	10,554
Impairment losses of property, plant and equipment	**6,176**	19,808
Impairment losses of intangible assets	**46,055**	16,172
Changes in working capital:		
Decrease/(increase) in inventories	**70,438**	(408,405)
Increase in accounts receivable and bills receivables	**(77,828)**	(57,056)
Decrease/(increase) in prepayment and other receivables	**25,472**	(25,414)
Increase in accounts payable and bills payable	**7,162**	93,204
Decrease in accruals and other payables and contract liabilities	**(97,415)**	(4,507)
Increase/(decrease) in retirement benefits and other post retirement obligations	**243**	(830)
Cash generated from operations	**589,604**	106,650

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

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

	HK$'000
At 1 January 2022	237,878
Changes from financing cash flows:	
Proceeds from new bank borrowings	555,538
Repayment of bank borrowings	(490,557)
Capital element of lease rentals paid	(89,617)
Interest element of lease rentals paid	(7,281)
Interest paid	(7,958)
Other changes:	
Rent concessions received	(4,448)
Increase in lease liabilities from new leases entered and lease modification during the period, net	121,502
Finance costs *(Note 7)*	15,239
At 31 December 2022	330,296

	HK$'000
At 1 January 2023	**330,296**
Changes from financing cash flows:	
Proceeds from new bank borrowings	**291,252**
Repayment of bank borrowings	**(365,508)**
Capital element of lease rentals paid	**(109,738)**
Interest element of lease rentals paid	**(9,886)**
Interest paid	**(3,834)**
Other changes:	
Increase in lease liabilities from new leases entered and lease modification during the period, net	**133,249**
Finance costs *(Note 7)*	**13,720**
At 31 December 2023	**279,551**

(c) Total cash outflow for leases

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

	2023 ***HK$'000***	2022 *HK$'000*
Within operating cash flows	**38,521**	32,914
Within financing cash flows	**119,624**	96,898
	158,145	129,812

37. Company-Level Financial Information

(a) Company-level statement of financial position

	Note	**31 December 2023** ***HK$'000***	31 December 2022 *HK$'000*
Non-current assets			
Property, plant and equipment		**–**	–
Interests in subsidiaries		**822,684**	820,614
Deferred tax assets		**29**	52
		822,713	820,666
Current assets			
Amounts due from subsidiaries		**350,206**	232,855
Prepayments and other receivables		**610**	691
Cash and bank balances		**9,042**	8,515
		359,858	242,061
Current liabilities			
Accruals and other payables		**11,561**	5,427
Amounts due to subsidiaries		**37,595**	26,639
Current tax payable		**80**	32
		49,236	32,098
Net current assets		**310,622**	209,963
Net assets		**1,133,335**	1,030,629
Capital and reserves			
Share capital	30	**27,161**	27,161
Reserves	37(b)	**1,106,174**	1,003,468
Total equity		**1,133,335**	1,030,629

Approved and authorised for issue by the Board of Directors on 25 March 2024.

WANG Kin Chung, Peter	**MAK WANG Wing Yee, Winnie**
Director	*Director*

37. Company-Level Financial Information (Continued)

(b) Movements in components of equity

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

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

	Share premium *HK$'000*	Share option reserve *HK$'000*	Contributed surplus *HK$'000*	General reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2022	14,449	2,988	321,020	110,000	513,845	962,302
Comprehensive income						
Profit for the year	–	–	–	–	40,440	40,440
Total comprehensive income	–	–	–	–	40,440	40,440
Transactions with owners						
Share option scheme						
– value of employee services	–	726	–	–	–	726
Share options granted to employee lapsed	–	(534)	–	–	534	–
Total transactions with owners	–	192	–	–	534	726
At 31 December 2022	14,449	3,180	321,020	110,000	554,819	1,003,468

38. Immediate and Ultimate Holding Companies

At 31 December 2023, the directors considered that the immediate and ultimate holding companies of the Group to be Silver Tree Holdings Inc. and New Perfect Global Limited respectively, both of which were incorporated in the British Virgin Islands. These entities did not produce financial statements available for public use.

39. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("*2020 amendments*")*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("*2022 amendments*")*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

40. Event after the Reporting Period

On 15 January 2024, Eltshore Enterprises Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, entered into the option agreement (the "**Option Agreement**"), pursuant to which, the vendors, in consideration of the grant price of EUR687,000, granted to the Purchaser an option (the "**Option**") which may be exercised by the Purchaser at its absolute discretion during the option period commencing from 1 January 2027 to purchase in aggregate 45% of the issued capital of MO IP Srl (the "**Target Company**") at the purchase consideration of EUR3,435,000. The Target Company owns the MASSIMO OSTI brand.

At the same time of entering into the Option Agreement, the Target Company also entered into a licence agreement dated 15 January 2024 (the "**Licence Agreement**") with Tristate International SA (an indirect 95% owned subsidiary of the Company), pursuant to which Tristate International SA was granted an exclusive right to use certain trademarks and domain names related to the MASSIMO OSTI brand in the manufacturing, sale, advertising, promotion and/or distribution of related branded products. Under the licensing arrangement, the Group is able to design and produce apparel products bearing the MASSIMO OSTI brand name for its customers during the term of the Licence Agreement.

In addition, if and after the Option is duly exercised and if the actual aggregate performance of the MASSIMO OSTI brand business segment for the six financial years ending 31 December 2029 can meet certain pre-determined key performance indicators, the Purchaser will make an additional payment (the "**Additional Payment**") of no more than EUR2,250,000 to the vendors. The exact amount of the Additional Payment to be paid will be determined with reference to the extent of fulfilment of the key performance indicators.

41. Particulars of Principal Subsidiaries, all of which are Unlisted, at 31 December 2023

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding		
					by Company	by subsidiary	by Group
338 Apparel Limited	Hong Kong	Hong Kong	Branded product trading	HK$1,000,000	–	100%	100%
338 Fashion Co. Limited	Hong Kong	Hong Kong	Branded product distribution and retail	HK$3,000,000	–	100%	100%
Action Ease Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
All Asia Industries Co., Ltd. (廣州環亞製衣有限公司) *(Note (i))*	PRC	PRC	Garment manufacturing	HK$53,500,000	–	100%	100%
Brilliant Idea International Limited	Hong Kong	Hong Kong	Investment holding	HK$100	–	100%	100%
昇韻管理諮詢(深圳)有限公司 *(Note (i))*	PRC	PRC	General administrative and supporting services	RMB500,000	–	100%	100%
Broad Ease Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%

41. Particulars of Principal Subsidiaries, all of which are Unlisted, at 31 December 2023

(Continued)

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding by Company	Effective shareholding by subsidiary	Effective shareholding by Group
Cissonne (Shanghai) Enterprises Co., Ltd. (賽頌(上海)商業有限公司) *(Note (i))*	PRC	PRC	Branded product distribution and retail	RMB1,000,000	–	100%	100%
Cissonne Hong Kong Limited	Hong Kong	Hong Kong	Investment holding	HK$1	–	100%	100%
Dress Line Holdings, Inc.	Republic of the Philippines	Republic of the Philippines	Investment holding	P59,562,500 (common)	–	100%	100%
				P192,930,189 (preferred) *(Note (ii))*	–	100%	100%
Excellent Jade Limited	Hong Kong	Hong Kong	Garment trading and manufacturing	HK$10,000	–	100%	100%
Gold Flower Limited	Hong Kong	Hong Kong	General administrative and supporting services	HK$10,000	–	100%	100%
Guangzhou Excellent Fashion Design Company Limited (廣州賢法服裝設計有限公司) *(Note (i))*	PRC	PRC	Garment design and provision of technical services	RMB1,500,000	–	100%	100%
Guangzhou Tristate Industrial Co., Ltd. (廣州聯亞製衣有限公司) *(Note (i))*	PRC	PRC	Garment manufacturing	HK$18,500,000	–	100%	100%
Hefei Tristate Garment Manufacturing Company Limited (合肥聯亞製衣有限公司) *(Note (i))*	PRC	PRC	Garment manufacturing	RMB105,000,000	–	100%	100%
合肥聯亞智能科技有限公司 (formerly known as "合肥賢法服裝有限公司") *(Note (i))*	PRC	PRC	General trading and development of intelligence system	RMB1,000,000	–	100%	100%
HFT Corp. Limited	Hong Kong	Hong Kong	Investment holding	HK$10,000,000	–	100%	100%
Honest Point Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Hua Thai Manufacturing Public Company Limited	Thailand	Thailand	Garment manufacturing and exporting	THB100,000,000	–	99.87%	99.87%
Hwa Fuh Manufacturing Company (Hong Kong) Limited	Hong Kong	Hong Kong	Investment holding	HK$55,180,219	–	100%	100%
Joint Holdings & Trading Company Limited	Hong Kong	Hong Kong	Investment holding	HK$925 (ordinary)	–	100%	100%
				HK$7,200,075 (deferred) *(Note (iii))*	–	100%	100%
Keybird Limited	Hong Kong	Hong Kong	Investment holding	HK$3,000,000	100%	–	100%
Keyear Company Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	100%	–	100%
Maxride Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%

41. Particulars of Principal Subsidiaries, all of which are Unlisted, at 31 December 2023

(Continued)

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding by Company	Effective shareholding by subsidiary	Effective shareholding by Group
Prime-Time Company Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Prosperous Year International Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Quality Time Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	100%	–	100%
Shanghai Tristate Enterprises Co., Ltd. （上海聯亞商業有限公司）*(Note (i))*	PRC	PRC	Branded product distribution and retail	RMB180,000,000	–	100%	100%
Sharp Hero International Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Shiny Ease Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	95%	95%
Sigsbee Investment Limited	Republic of Liberia	Hong Kong	Investment holding	US$1	100%	–	100%
Sparkling Ocean Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	100%	–	100%
Strong Pine Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	100%	–	100%
Tenmo Limited	Hong Kong	Hong Kong	Investment holding	HK$2,000,000	100%	–	100%
Timely Corporate Limited	Hong Kong	Hong Kong	Nominee and secretarial services	HK$1	100%	–	100%
Tristate Cissonne Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate Cissonne International Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate Cissonne IP Limited	British Virgin Islands	Hong Kong	Trademark holding	US$1	–	100%	100%
Tristate Digital SA	Switzerland	Switzerland	E-commerce trading	CHF100,000	–	95%	95%
Tristate EFM Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate EFM International Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$100	–	100%	100%
Tristate EFM IP Limited	British Virgin Islands	Hong Kong	Trademark holding	US$1	–	100%	100%
Tristate France SAS	France	France	Retail store operation	EUR100,000	–	95%	95%
Tristate Industrial Co., Ltd.	Taiwan	Taiwan	Sales liaison services	NT$20,000,000	–	100%	100%
Tristate International SA *(Note (iv))*	Switzerland	Switzerland	General trading and marketing	CHF1,600,000	–	95%	95%
Tristate Japan, Inc.	Japan	Japan	Garment trading and distribution	JPY5,000,000	–	95%	95%
Tristate Myanmar Company Limited	The Republic of the Union of Myanmar	The Republic of the Union of Myanmar	Garment manufacturing	US$1,126,322	–	100%	100%
Tristate Netherlands B.V.	The Netherlands	The Netherlands	Retail store operation	EUR200,000	–	95%	95%
Tristate Trading (Hong Kong) Limited	Hong Kong	Hong Kong	Garment trading and manufacturing	HK$1	–	100%	100%

41. Particulars of Principal Subsidiaries, all of which are Unlisted, at 31 December 2023

(Continued)

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Principal activities	Issued and fully paid share capital/ registered capital	Effective shareholding by Company	Effective shareholding by subsidiary	Effective shareholding by Group
Tristate Tri-novation Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%
Tristate Tri-novation Hong Kong Limited	Hong Kong	Hong Kong	Investment holding	HK$1	–	95%	95%
Tristate UK Ltd	England	England	Retail store operation	GBP1,000	–	95%	95%
Tristate US Inc.	State of New York, United States of America	United States of America	Branded product distribution and retail	US$1	–	100%	100%
TT&Co Asia Limited	Hong Kong	Hong Kong	General trading	HK$10,000	–	100%	100%
Upgain (Vietnam) Manufacturing Company Limited	Vietnam	Vietnam	Garment manufacturing	US$4,000,000	–	100%	100%
Velmore Holdings Limited	England	England	Investment holding	GBP558,335.60	–	100%	100%
Velmore Limited	England	England	Design and customer support services	GBP30,000	–	100%	100%
Winner Wealth Limited	British Virgin Islands	Hong Kong	Investment holding	US$1	–	100%	100%

Notes:

(i) A wholly foreign owned enterprise established in the PRC.

(ii) The holders of the preferred shares are entitled to receive the same dividends as the common shares but have no right to vote at any general meeting of the company. The preferred shares are redeemable subject to the terms and conditions determined by the board of directors of the company and have preference over common shares in the distribution of assets of the company in the event of liquidation.

(iii) The holders of the deferred shares are not entitled to receive any dividends or other distributions and have no right to vote at any general meeting of the company. They are not entitled to participate in any profits or assets of the company unless upon a winding up, in that case, the holders of the deferred shares have the right to receive the amount paid up on such deferred shares to be paid out of the surplus assets of the company in accordance with its articles of association.

(iv) During the year, Tristate Trinovation IP SA, Tristate Italy S.r.l. and Trinovation Italy S.r.l., all being previous subsidiaries of the Group, were merged into Tristate International SA.

The above list of principal subsidiaries contains only the particulars of those subsidiaries which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length. None of the subsidiaries had any loan capital in issue at any time during the years ended 31 December 2023 and 2022.