ANNUAL REPORT
2023

HINGTEX HOLDING LIMITED
興紡控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1968

Contents

Chairlady's Statement

For much of the year ended 31 December 2023 (the "Year"), the business development of Hingtex Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") remained lacklustre. This can principally be attributed to the lockdown measures implemented in Shanghai, the People's Republic of China (the "PRC"), in the second quarter of 2022 arising from the 2019 Novel Coronavirus ("COVID-19") outbreak. The subsequent absence of orders during the spring and summer seasons led to reduced overall sales volume. On the other hand, the management restarted to travel to the United States (the "U.S.") to meet with brand owner customers. During these frequent trips, the Group was able to increase business exposure, strengthen ties with existing customers and develop a new customer base. In particular, the Group has secured orders from its long-term customer that its products were sold in the largest U.S. retail chain at the end of the Year. The order represents an excellent opportunity for the Group to further bolster its presence in the U.S. market, as well as increase its overall margin. While seizing business opportunities, the Group has also sought to control expenses, hence the implementation of stringent cost control measures, and on the operations front, the introduction of various cost-saving practices.

Despite having lower sales turnover in 2023, operating losses were kept to a minimum. During the Year, revenue of the Group amounted to HK$162.9 million (2022: HK$245.2 million) and gross profit increased by 15% to reach HK$21.7 million (2022: HK$18.9 million). Gross profit margin was 13.3% (2022: 7.7%), with loss attributable to owners of the Company narrowed to approximately HK$37.8 million (2022: Loss of HK$50.0 million).

As at 31 December 2023, the Group's debt-to-equity ratio has decreased from 12.88% in 2022 to 11.76% in 2023. This was primarily due to the further reduction in bank borrowings by the Group in view of the general increase in interest rates. The Group remains in a healthy financial position with bank balances and cash level of approximately HK$60.7 million for the Year.

BUSINESS REVIEW

The lockdown in Shanghai in the second quarter of 2022 will require some time for the Group to recover such business. In light of the inevitable decrease in business back then, the Group has been consolidating production orders to reduce operating costs. Machines were operated only when necessary, and only in bulk. The concentration of orders and careful scheduling ensured lot sizes were sufficiently large to justify the production scale. As adhering to shipment schedules is paramount, this approach facilitated a more effective control of water, electricity and coal consumption by the Group.

On the materials front, the Group has continued to prioritise stretchable blended denim fabrics as its main products. This is due to its ability to integrate sustainable materials such as certified recycled materials and synthetic fibres as well as provide various functionalities. Stretchable blended denim fabrics consequently accounted for 85.9% of revenue in 2023 (2022: 86.0%). Though certified recycled materials usually command higher prices, they nonetheless are in line with the expectations of brand owner customers and end users, and align with global market trends. It is worth noting that over the years, there have been increasing requests by brand owner customers to raise the percentage of sustainable materials used in the Group's fabrics. In response, and to counter the hefty tariffs imposed on Chinese goods by the U.S. Government, the Group has reached a sub-contractor agreement with a Vietnamese manufacturer for certain denim fabrics to be manufactured in the Southeast Asian country.

Chairlady's Statement

Despite the challenges associated with the U.S. market, the management remains committed to tapping this important location. They managed to capitalise on various sales initiatives, culminating in the steady rise in orders during the Year. Moreover, the Group has not only secured a major customer, but also attracted other smaller brands, which has bolstered its income and profit margins.

PROSPECTS

Though these was a decline in sales at the start of 2023, the Group was pleased that the Year took a positive turn with the securing of a long-run order sold in the largest retail chain in the U.S. In addition, the Group reached a co-operative agreement with a denim fabric manufacturer in Vietnam to support its production needs. The management is therefore confident that the Group's business performance will gradually improve. Such confidence is further boosted by encouraging growth projections for the denim market in the coming years. According to a market survey, the global denim jeans market is anticipated to be valued at US$111.4 billion by 2032, with a CAGR of 4.7% from 2024 to 2032.

While remaining bullish, the management will strive to enhance the Group's performance, including reinforcing ties with various brand customers, some of which stretches back more than a decade. With the Group's provision of quality products and services, the brand equity of Hingtex has only strengthened over the years — a value that has allowed the Group to enjoy relative stability amid the turbulence of the recent past, including sales volatility of the past year. The management will nevertheless continue travelling to the U.S. to seek more orders from existing customers, while at the same time solicit new business.

To further lay groundwork for future growth, the Group accelerated the installation and operation of two large pieces of equipment for finishing and dyeing, imported from Germany and Italy, respectively, in 2023. Once the machines commence operation in late 2024, the Group will be able to capitalise not only on additional capacity, but also produce higher quality products. The additional capacity will better fulfil orders for sophisticated denim fabrics, and achieve greater production efficiency, owing to their state-of-the-art technologies. The Group is confident that the two machines will improve business performance appreciably in the coming years.

On the research and development ("R&D") front, the Group will direct effort towards developing new types of denim fabrics to meet evolving customers' needs. Focusing primarily on stretchable blended denim fabrics, the results of such R&D effort will be evident in new product samples for presentation to potential brand owner customers and existing customers alike.

While the Group's principal business interest is denim fabric manufacturing, it made an investment in a property project in Tsuen Wan, as announced in January 2022, to generate passive income through dividend and capital gain. The investment also serves as a means for the Group to diversify its portfolio and mitigate risk. As of December 2023, over 70% of the shop area of the Tsuen Wan property has been leased out by the management, which is a better-than-average performance.

Chairlady's Statement

Looking ahead, the Group will leverage the momentum gained over the past year to ensure that an upturn does materialise. By also capitalising on the management's experience and resolve, the Group's various business advantages and longstanding relations with brand customers, it is confident that satisfactory shareholder returns and long-term business growth will be realised.

LAU Chung Chau
Chairlady and Non-executive Director

Hong Kong, 28 March 2024

Management Discussion and Analysis

FINANCIAL REVIEW

As at 31 December 2023, cash and cash equivalents decreased by HK$24.0 million to HK$60.7 million (2022: HK$84.7 million), primarily due to the unfavourable operating results during the year. Inventories decreased by HK$12.0 million to HK$85.3 million (2022: HK$97.3 million) mainly as a result of the effort to further minimise long-aged yarns and fabrics by the management. Trade and bills receivables decreased by HK$4.9 million to HK$13.4 million (2022: HK$18.3 million), mainly due to less denim fabrics sold and delivered in the fourth quarter of 2023 against the comparable period in 2022. Current liabilities decreased by HK$9.8 million to HK$58.6 million (2022: HK$68.4 million) due to the general decrease in various payables, including the net repayment of HK$2.4 million in bank borrowings and HK$2.2 million in lease liabilities.

CAPITAL COMMITMENT

As at 31 December 2023, the Group had no capital commitment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations primarily with internally generated funds from operating activities and banking facilities currently available. It is anticipated that the Group has sufficient working capital to meet its present funding requirements.

As at 31 December 2023, net current assets were approximately HK$132.0 million (2022: HK$162.5 million). Cash and cash equivalents as at 31 December 2023 were approximately HK$60.7 million (2022: HK$84.7 million).

As at 31 December 2023, there were bank borrowings of approximately HK$29.0 million (2022: HK$31.4 million), and the Group has HK$72.3 million in available banking facilities as at 31 December 2023 (2022: HK$163.4 million).

GEARING RATIO

As at 31 December 2023, the gearing ratio of the Group, based on total borrowings (including bank borrowings and lease liabilities) to total equity (including all capital and reserves) of the Group, was 11.8% (2022: 12.9%).

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 317 employees (2022: 353 employees). The Group recognises the importance of maintaining good relationship with its employees and retaining competent staff to ensure operational efficiency and effectiveness. Remuneration packages offered to the Group's employees are consistent with prevailing levels and are reviewed on a regular basis. Discretionary bonuses may be provided to selected employees taking into consideration the Group's performance and that of the individual employee. The Group provides training to employees. In the year ended 31 December 2023, the Group had not encountered any significant problems with its employees, nor had there been any dispute between the Group and its employees that might have caused any disruption to the Group's business or operation. The Group has had no difficulty in recruiting and retaining experienced staff.

A share option scheme was adopted on 19 June 2018 by the Company. As at 31 December 2023 and up to the date of this announcement, no share options were granted.

CAPITAL EXPENDITURE

The Group's capital expenditure was HK$3.5 million during the Year (2022: HK$25.4 million), which was mainly due to the capital investments in the Group's property, plant and equipment.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases, cash and cash equivalents and bank borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Renminbi. The Group has not experienced any material difficulty or liquidity problems resulting from foreign exchange fluctuations.

As at 31 December 2023, the Group's bank borrowings carried variable rates from 6.7% to 6.9% per annum (2022: 5.4% to 5.9%).

The Group is not engaged in the use of any financial instruments for hedging purposes. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liability.

PLEDGE OF ASSETS

As at 31 December 2023, the Group had no pledged assets (2022: nil).

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tung Wai Ting Stephen (董韋霆先生) (formerly known as Mr. Tung Hak Ming Stephen (董克明先生)) ("**Mr. Stephen Tung**"), aged 54, the chief executive officer, an executive director of the Company ("Director") and one of the controlling shareholders. Mr. Stephen Tung joined the Group on 6 October 1995. Mr. Stephen Tung obtained a Bachelor of Commerce degree at the University of Toronto in Canada in June 1993, and has approximately 28 years of experience in the textile and apparel industry. He is primarily responsible for administration, finance and production of the Group. Mr. Stephen Tung is the son of Ms. Lau, and brother of Mr. Stanley Tung, both being executive Directors.

Mr. Tung Cheuk Ming Stanley (董卓明先生) ("Mr. Stanley Tung"), aged 50, the sales director, an executive Director and one of the controlling shareholders. Mr. Stanley Tung joined the Group on 1 April 1997. Mr. Stanley Tung obtained a Bachelor of Arts degree from University of Toronto in Canada in November 1996, and has approximately 27 years of experience in the textile and apparel industry. He is primarily responsible for the sales and marketing of the Group. Furthermore, he has been assisting our product development by participating in international fabric exhibitions and fashion shows in various countries including the PRC and the United States. He is the son of Ms. Lau, and brother of Mr. Stephen Tung, both being executive Directors.

NON-EXECUTIVE DIRECTOR

Ms. Lau Chung Chau (劉中秋女士) ("Ms. Lau"), aged 75, the chairlady of the Board, a non-executive Director and one of the controlling shareholders. Ms. Lau has approximately 30 years of experience in the textile and apparel industry. Ms. Lau joined the Group in December 1992 by serving as a director of H.W. Textiles Co., Limited, being one of the subsidiaries of the Company. She has become an honorary consultant of the Group since January 2018. Ms. Lau is the mother of Mr. Stephen Tung and Mr. Stanley Tung, both being executive Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Ling Biu Gilbert (曾令鏢先生), aged 53, an independent non-executive Director. Mr. Tsang joined the Group on 19 June 2018. He is primarily responsible for supervising and providing independent advice to the Board. He is also the chairman of our audit committee. Mr. Tsang has over 26 years of experience in finance and accounting. Mr. Tsang obtained a Master of Commerce in Accounting and Finance from the University of New South Wales in Australia in 1995, and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia in 1996. Mr. Tsang is also a fellow member of the CPA Australia (Certified Practising Accountants).

Mr. Cheung Che Kit Richard (張之傑先生), aged 52, an independent non-executive Director. Mr. Cheung joined the Group on 19 June 2018. He is primarily responsible for supervising and providing independent advice to our Board. He is also a member of our audit committee, remuneration committee and nomination committee. Mr. Cheung obtained a Bachelor of Commerce degree with first class honour from Queen's University in Canada in May 1995. Subsequently he obtained his Master's degree in Business Administration with high distinction from Harvard Business School in the United States in June 2001. From 2010 to 2022, Mr. Cheung worked as an executive director and board of management member for the Hong Kong Jockey Club, responsible for leading the local wagering business, as well as Mainland China and overseas business development. Mr. Cheung is currently working as a senior director (Commercial) for New World Development Company Limited (stock code: 0017), primarily responsible for the group's business in retail, property sales and other B2C businesses.

Directors and Senior Management

Mr. Wong Ming Bun David (黃銘斌先生), aged 51, an independent non-executive Director. Mr. Wong joined the Group on 9 August 2022. He is primarily responsible for supervising and providing independent advice to our Board. He is also the chairman of our remuneration committee and nomination committee, and a member of our audit committee. He obtained a Bachelor of Commerce degree in Accounting and Finance from the University of Toronto in June 1995. Mr. Wong has over 22 years of senior management, professional capital market, financial investment and asset management experience.

Mr. Wong is currently a non-executive director of China Rongzhong Financial Holdings Company Limited ("China Rongzhong", stock code: 3963), which is principally engaged in the business of provision of financial leasing services in the PRC. He is also the chief executive officer and an executive director of Goldbond Group Holdings Limited, a controlling shareholder of China Rongzhong, responsible for designing, planning and implementing the overall strategic direction of the company's financial services businesses in the PRC.

SENIOR MANAGEMENT

Ms. Poon Yuet Ling (潘月玲女士), aged 64, joined the Group on 5 August 1986 and is currently the senior accounting manager. Ms. Poon is primarily responsible for overseeing daily accounting operation, financial management, administration and human resource management of the Group. Ms. Poon completed her secondary education in Hong Kong in July 1977 and obtained an intermediate group certificate in business studies at the Hong Kong School of Commerce in February 1978. She has over 35 years of experience in accounting practice.

Mr. Tung Ming Po (董鳴寶先生), aged 77, is currently our assistant general manager. Mr. MP Tung is primarily responsible for administering and coordinating the manufacturing process of the Group. Prior to joining the Group, Mr. MP Tung worked in the same shipping agency for over 22 years, with his last position being the manager of the licenced crew department. As the manager, he was in charge of the manning of crew and officers such as recruitment, deployment and relief planning. Mr. Tung moved to Australia in December 1989 and returned to Hong Kong in September 1992, and joined the Group in October 1992.

Mr. Li Chi Hiu Lawrence (李之曉先生), aged 49, joined the Group on 1 July 2004 and is currently our sales manager. Mr. Li is primarily responsible for overseeing the sales management of the Group. Mr. Li graduated from the Seneca College of Applied Arts & Technology in Toronto, Canada in April 1997, and has more than 23 years of experience in the textile industry. Prior to joining our Group in 2005, Mr. Li was the project manager in Tiong Liong Industrial Company, a company based in Taiwan which manufactures and supplies functional textiles.

Mr. Cheung Ka Chun (張家俊先生), aged 41, was appointed as the chief financial officer and the company secretary of our Company on 16 January 2018 and is primarily responsible for (i) overseeing the financial and accounting functions of our Group and (ii) handling corporate secretarial and compliance work of our Group. Mr. Cheung has over 13 years of experience in audit and assurance and multi-national certified public accounting firms. Mr. Cheung was awarded the bachelor's degree of Business Administration (majoring in accounting and finance) by the University of Hong Kong in December 2004. He is a member of the Hong Kong Institute of Certified Public Accountants.

Report of the Directors

The Board is pleased to submit this annual report together with the consolidated financial statements for the year ended 31 December 2023, which have been audited by the Company's auditors Deloitte Touche Tohmatsu, Certified Public Accountants and reviewed by the audit committee of the Company (the "Audit Committee").

PRINCIPAL PLACE OF BUSINESS

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to this annual report.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the manufacturing and sales of denim fabric.

BUSINESS REVIEW

For the business review of the Group for the year, please refer to the paragraph headed "Business Review" in the Chairman's Statement and the paragraph headed "Financial Review" in the Management Discussion and Analysis.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 40.

The state of the Group's affair as at 31 December 2023 is set out in the consolidated statement of financial position on pages 41 to 42.

The Board does not recommend the payment of a final dividend for the year.

No arrangement under which a shareholder has waived or agreed to waive any dividends was made by the Company for the year.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$158,000.

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 43.

Report of the Directors

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2023, calculated in accordance with the Companies Law (Cap. 22) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$118,304,000.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to and including the date of this annual report were:

Executive Directors

Mr. Tung Wai Ting Stephen
Mr. Tung Cheuk Ming Stanley

Non-executive Director

Ms. Lau Chung Chau *(Chairlady)*

Independent Non-executive Directors

Mr. Tsang Ling Bin Gilbert
Mr. Cheung Che Kit Richard
Mr. Wong Ming Bun David

The Directors will retire by rotation in accordance with the requirement of the articles of association of the Company and the Listing Rules. The non-executive Director and the independent non-executive Directors are appointed for periods of three years.

The Company has received from the independent non-executive Directors a confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

PERMITTED INDEMNITY PROVISIONS

During the year, appropriate insurance covering for the Directors' and senior management's liabilities arising out of activities of the Group has been arranged by the Company. As of the date of this annual report, such insurance covering remained effective.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the model code for securities transactions by Directors of listed issuers (the "Model Code"), are as follows:

(a) Interests and/or short positions in our Company

Director	Nature of interest	Number of Shares held[1]	Percentage of Interest in the Company
Mr. Tung Tsun Hong ("Mr. TH Tung")	Interest in controlled corporation[2]	480,000,000 (L)	75%
Ms. Lau	Interest in controlled corporation[2]	480,000,000 (L)	75%
Mr. Stephen Tung	Interest in controlled corporation[2]	480,000,000 (L)	75%
Mr. Stanley Tung	Interest in controlled corporation[2]	480,000,000 (L)	75%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. Ms. Lau, Mr. Stephen Tung, Mr. Stanley Tung, Ms. Tung Wei Ling Barbara ("Ms. Barbara Tung"), Ms. Tung Wai Lai Mabel ("Ms. Mabel Tung") and the late Mr. TH Tung entered into the Deed of Concert Parties (as defined in the Company's prospectus dated 28 June 2018), pursuant to which, the parties confirmed that they have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries and that it is their intention to continue to act in the above manner upon the Listing. Accordingly, Manford Investment Holdings Limited ("Manford Investment") is deemed to be accustomed and/or obliged to act in accordance with their directions and/or instructions and that, among others, each of Ms. Lau, Mr. Stephen Tung, Mr. Stanley Tung and the late Mr. TH Tung is deemed to be interested in all the Shares held by Manford Investment under the SFO.

(b) Interests and/or short positions in associated corporation(s)

Director	Company concerned	Nature of interests	Number of shares held in the company concerned[1]	Percentage of interest in the company concerned
Mr. TH Tung	Manford Investment[2]	Beneficial owner; a concert party to an agreement to buy shares described in s. 317(1)(a) of the SFO[3]	100 (L)	100%
Ms. Lau	Manford Investment[2]	Beneficial owner; a concert party to an agreement to buy shares described in s. 317(1)(a) of the SFO[3]	100 (L)	100%
Mr. Stephen Tung	Manford Investment[2]	Beneficial owner; a concert party to an agreement to buy shares described in s. 317(1)(a) of the SFO[3]	100 (L)	100%
Mr. Stanley Tung	Manford Investment[2]	Beneficial owner; a concert party to an agreement to buy shares described in s. 317(1)(a) of the SFO[3]	100 (L)	100%

Notes:

1. The letter "L" denotes long position in the shares held.

2. Manford Investment is interested in 75% of the issued Shares immediately following completion of the Capitalisation Issue and the Share Offer (as defined in the Company's prospectus dated 28 June 2018) (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option (as defined in the Company's prospectus dated 28 June 2018) and any option which may be granted under the Share Option Scheme) and, accordingly, is the holding company of our Company within the meaning of the SFO.

3. Manford Investment is owned as to 30% by the late Mr. TH Tung, 20% each by Mr. Stephen Tung and Mr. Stanley Tung and 10% each by Ms. Lau, Ms. Barbara Tung and Ms. Mabel Tung, all of whom have entered into the Deed of Concert Parties, pursuant to which, the parties confirmed that they have been acting in concert with each other in exercising and implementing the management and operations of the subsidiaries and that it is their intention to continue to act in the above manner upon the Listing. Accordingly, each of Mr. Stephen Tung, Mr. Stanley Tung and the late Mr. TH Tung is deemed to be interested in the shares of Manford Investment held by the other parties to the Deed of Concert Parties under the SFO.

Save as disclosed above, as at 31 December 2023, none of the Directors nor the chief executive of our Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, so far as the Directors were aware, the following persons had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity/nature of interest	Number of Shares[(1)]	Percentage shareholding
Manford Investment[(2)]	Beneficial owner	480,000,000 (L)	75%
Mr. TH Tung	Interest of controlled corporation[(3)]	480,000,000 (L)	75%
Mr. Stephen Tung	Interest of controlled corporation[(3)]	480,000,000 (L)	75%
Mr. Stanley Tung	Interest of controlled corporation[(3)]	480,000,000 (L)	75%
Ms. Li Ka Mei	Interest of spouse[(4)]	480,000,000 (L)	75%
Ms. Lau	Interest of controlled corporation[(3)]	480,000,000 (L)	75%
Ms. Barbara Tung	Interest of controlled corporation[(3)]	480,000,000 (L)	75%
Mr. Li Chi Hiu Lawrence	Interest of spouse[(5)]	480,000,000 (L)	75%
Ms. Mabel Tung	Interest of controlled corporation[(3)]	480,000,000 (L)	75%
Mr. Fung Cheong Chi	Interest of spouse[(6)]	480,000,000 (L)	75%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. As at the date of this report, Manford Investment was owned as to 30% by the late Mr. TH Tung, 20% by Mr. Stephen Tung, 20% by Mr. Stanley Tung, 10% by Ms. Lau, 10% by Ms. Barbara Tung and 10% by Ms. Mabel Tung.

3. Mr. Stephen Tung, Mr. Stanley Tung, Ms. Lau, Ms. Barbara Tung, Ms. Mabel Tung and the late Mr. TH Tung entered into the Deed of Concert Parties, pursuant to which, among others, the parties confirmed that they have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries and that it is their intention to continue to act in the above manner upon the Listing. Accordingly, Manford Investment is deemed to be accustomed and/or obliged to act in accordance with their directions and/or instructions and that each of Mr. Stephen Tung, Mr. Stanley Tung, Ms. Lau, Ms. Barbara Tung, Ms. Mabel Tung and the late Mr. TH Tung is deemed to be interested in all the Shares held by Manford Investment under the SFO.

4. Ms. Li Ka Mei is the spouse of Mr. Stanley Tung and is deemed, under the SFO, to be interested in all the Shares that Mr. Stanley Tung is interested.

5. Mr. Li Chi Hiu Lawrence is the spouse of Ms. Barbara Tung and is deemed, under the SFO, to be interested in all the Shares that Ms. Barbara Tung is interested.

6. Mr. Fung Cheong Chi is the spouse of Ms. Mabel Tung and is deemed, under the SFO, to be interested in all the Shares that Ms. Mabel Tung is interested.

Save as disclosed above, as at the date of this report, the Directors are not aware of any person who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and the Senior Management are set out on pages 7 to 8.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted by the written resolutions of the Company's then sole shareholder passed on 19 June 2018. As of the date of this report, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme.

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants (the "Eligible Participants") as incentives or rewards for their contribution to the Group.

Participants of the Share Option Scheme

The Board may, at its discretion, offer to grant an option to the following Eligible Participants:

(i) any employee (whether full time or part time) of our Company, any subsidiary or any entity in which any member of our Group holds any equity interest (the "Invested Entity");

(ii) any Directors (including independent non-executive Directors) of the Company, any subsidiary or any Invested Entity;

(iii) any suppliers of goods and services to any member of the Group or any Invested Entity;

(iv) any customer of any member of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group

and, for the purposes of the Share Option Scheme, the offer may be made to any company wholly-owned by one or more Eligible Participants.

Shares available for issuance

The maximum number of the Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at Listing Date, being 64,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may renew this limit at any time to 10% of the number of Shares in issue as at the date of the approval by the Shareholders in general meeting and/or grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The above is subject to the condition that the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the number of Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded.

As at 28 March 2024, being the date of this report, the outstanding number of share options available for grant under the Share Option Scheme is 64,000,000 share options to subscribe for the Shares, representing 10% of the issued share capital of the Company.

Maximum entitlement of each eligible participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular, the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules.

Time for exercising option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Unless otherwise determined by the Board and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption on 19 June 2018.

The remaining life of the Share Option Scheme is approximately four years and two months (expiring on 19 June 2028).

Payment on acceptance of the option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance or payment in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Basis of determining exercise price of the option

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price shall not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under the sub-section headed "Connected Transactions" below and "Related Party Transactions" in note 32 to the consolidated financial statements, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director had a material interest in, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed under the heading "Connected Transactions" below and "Related Party Transactions" in note 32 to the consolidated financial statements, no controlling shareholder or any of their respective subsidiaries had a material interest, either directly or indirectly, in any contract of significance to the business of the Group, to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, during the year.

During the year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries was made.

DIRECTORS' SERVICE CONTRACTS

The Shares were listed on the Main Board of the Stock Exchange on 16 July 2018 (the "Listing Date").

Each of the executive Directors has entered into a service agreement with the Company under which they have agreed to act as the executive Directors for three years. Either party has the right to give not less than three months' written notice to terminate the service agreement.

The non-executive Director has entered into an appointment letter with the Company under which she has agreed to act as non-executive Director for an initial term of three years. Either party has the right to give not less than three months' written notice to terminate the appointment letter.

Each of the independent non-executive Directors has entered into an appointment letter with the Company under which each of them has agreed to act as independent non-executive Director for three years. Either party has the right to give not less than one month's written notice to terminate the appointment letter.

Save as disclosed above, none of the Directors has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

The emoluments of the Directors and senior management of the Group are determined by the Remuneration Committee with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments during the year ended 31 December 2023.

Details of the Directors' remuneration of the Group as at the date of this annual report are set out in note 11 to the consolidated financial statements.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023 and up to the date of this report.

Report of the Directors

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the shareholders of the Company.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix C1 of the Listing Rules since the Listing Date. The Company confirms it has met the required standards as set out in the CG Code for the year ended 31 December 2023 and up to the date of this report.

AUDIT COMMITTEE

The Company has established the Audit Committee. For details, please refer to the paragraph headed "Audit Committee" of the Corporate Governance Report set out on page 27 of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

The Group emphasises the importance of personal development of individual employees. The Group has in place remuneration policies to ensure providing adequate rewards to employees with recognised experience for the assigned roles and duties. The Group also provides other benefits including bonuses and shares as incentives.

The Group places high priority on maintaining good relationship with its customers. The Group always strives to maximise customers satisfaction and to add value for its customers. The Group identifies areas for improvement. Customer's complaints once acknowledged and reported will be dealt with timely, fairly and diligently.

The Group also values relationships with, and have been maintaining good relationships with its raw material suppliers and sub-contractors of the Group. During the year, there was no material dispute between the Group and its suppliers and sub-contractors.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the year is as follows:

The largest customer/supplier	8.3%/20.1%
Five largest customers/suppliers in aggregate	32.0%/70.8%

At no time during the year had the Directors, their associates or any shareholder of the Company which to the best knowledge of the Directors owning more than 5% of the Company's share capital had any interest in these major customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's denim fabric production may generate air pollutants, waste water and other industrial waste at different stages of the production process. To ensure compliance with the applicable PRC environmental protection laws and regulations, the Group will continue to explore methods to, while maintaining its production capability, improve the environment by reducing the production of waste water and air pollutants, consumption of fossil fuels and emission of carbon dioxide.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the PRC. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong and the PRC. During the year and up to the date of this annual report, the Group has complied with all the relevant laws and regulations in Hong Kong and the PRC in all material aspects.

Details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group will be provided in our environmental, social and governance report to be published on the websites of the Stock Exchange and the Company (www.hwtextiles.com.hk) no later than five months after the end of the year.

CONNECTED TRANSACTIONS

Details of the Group's related party transactions for the year are set out in note 32 to the consolidated financial statements, some of which also constituted connected transactions under Chapter 14A of the Listing Rules and are exempted from annual reporting requirements. The Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules in respect of the above-mentioned transactions.

Tenancy agreements with Star Alliance Holdings Limited ("Star Alliance")

Pursuant to tenancy agreements dated 1 August 2022, Star Alliance leased to H.W. Textiles Co., Limited, one of the subsidiaries of the Group properties located at unit A6 on the 30th floor, units A6 and B6 on the 31st floor, car parking space no. 09 on the 2nd floor and car parking spaces no. 45, 54, 55 and 56 on the 3rd floor of TML Tower in Tsuen Wan, Hong Kong (the "Properties"). The term of the tenancy agreements commenced from 1 August 2022, and will expire on 31 July 2024 at an aggregate monthly rent of HK$286,490 exclusive of rates, air-conditioning, management charges and other outgoings.

Report of the Directors

As at 31 December 2023, Star Alliance is owned as to 25% each by Ms. Lau (chairlady and non-executive Director), Mr. Stephen Tung (chief executive officer and executive Director), Mr. Stanley Tung (executive Director) and the late Mr. TH Tung (spouse of Ms. Lau and father of Mr. Stephen Tung and Mr. Stanley Tung). Ms. Lau, Mr. Stephen Tung, Mr. Stanley Tung and the late TH Tung are also controlling shareholders of the Company. Therefore, Star Alliance is a connected person of the Company.

Reasons for the transactions

The Group has been using the Properties under the above tenancy agreements (the "Tenancy Agreements") as its workshop, warehouse, ancillary office and car parking space since October 2013. Having considered that the rent is comparable to or below the prevailing market rent of comparable properties in the locality, and additional renovation and associated costs which the Group may incur if it moves out of the properties under the Tenancy Agreements and relocates to another premises, the Directors consider that it is desirable and in the interests of the Company and its shareholders as a whole to continue using the properties under the Tenancy Agreements as its workshop, warehouse, ancillary office and car parking space.

DEED OF NON-COMPETITION

Each of the controlling shareholders has confirmed to the Company of his/her compliance with the terms and undertakings of the deed of non-competition provided to the Company under the Deed of Non-competition (as defined in the Company's prospectus dated 28 June 2018). The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the terms and undertakings under the Deed of Non-competition have been complied with by the controlling shareholders.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, the Group has no specific plan for material investments or capital assets in the coming year as at 31 December 2023.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

A financial information summary of the Group is set out on page 107 of this annual report.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS HELD

As at 31 December 2023, H.W. Properties Investment Limited, one of the subsidiaries of the Group, held eight ordinary shares in (or 8% of the entire issued share capital of) Supreme Gain Investments Limited ("Supreme Gain") a company incorporated in Hong Kong principally engaged in property investment in Hong Kong, as disclosed in note 19 to this annual report.

As of 31 December 2023, the Group has made a total investment of HK$20,000,000 to Supreme Gain. With a fair value of HK$21,745,000, the Group's investment in Supreme Gain is approximately 6.3% of the Group's total assets as at 31 December 2023.

Although the Group principally engages in the manufacturing and sales of denim fabrics, the Directors have always been proactive in seeking opportunities in diversifying the scope of business of the Group. The Directors consider that the investment in Supreme Gain represents an investment opportunity to participate in the property investment market in Hong Kong and that such investment will generate stable income for the Group. The Directors also take an optimistic view of the property market in Hong Kong and believe that the Group will benefit from the long-term appreciation of the price in properties in Hong Kong.

Save as disclosed in this annual report, the Group did not have any significant investments held or material acquisition or disposal of subsidiaries, associates and joint ventures during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2023 and up to the date of this annual report, none of the Directors is or was considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules.

EQUITY-LINKED AGREEMENT

No equity-linked agreement that would or might result in the Company issuing shares, or that requiring the Company to enter into an agreement that would or might result in the Company issuing shares, was entered into by the Company during the year or subsisted at the end of year.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUBSEQUENT EVENTS

The Board is not aware of any significant event affecting the Group and requiring disclosure that took place subsequent to 31 December 2023 and up to the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, for the year ended 31 December 2023 and up to the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year were audited by Deloitte Touche Tohmatsu, Certified Public Accountants who will retire at the conclusion of the forthcoming annual general meeting (the "AGM") of the Company and, being eligible, will offer themselves for re-appointment. There has been no change in auditors since the Listing Date.

On behalf of the Board

LAU Chung Chau
Chairlady and non-executive Director

Hong Kong, 28 March 2024

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance. The Company acknowledges the important role of the Board in providing effective leadership and direction to the Company's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company is committed to maintaining high standards of corporate governance in the interests of shareholders. The Company has complied with all code provisions of the CG Code of the Listing Rules effective as at 31 December 2023 for the year ended 31 December 2023.

THE BOARD

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in attaining the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. The Board has delegated the authority and responsibility for implementing business strategies and management of the daily operations of the Group's business to the management. The Board exercises a number of powers which include:

- formulating long-term strategy
- approving public announcements
- approving financial statements, including interim and annual results
- approving major acquisitions, disposal and capital projects
- authorising significant changes to the capital structure and material borrowings
- any issue or buy-back of equity securities under the relevant general mandates
- making recommendations and/or declaration of dividend and reviewing dividend policy
- approving appointments to the Board
- setting the Group remuneration policy
- reviewing operational and financial performance
- reviewing the effectiveness of internal control

The Board meets at least four times a year and additional meetings are held when required to discuss significant events and issues. The Company Secretary assists the chairman/chairlady of the Board in preparing agenda for Board meetings. Board meetings are held with at least 14 days' advance notice, and all Directors would be served with an agenda with supporting papers at least three days before the Board meetings, so as to ensure that there is timely access to relevant information. The Group ensures that all the Board members are informed of the Group's latest developments and thereby assists them in the discharge of their duties. The Directors may take independent professional advice as and when appropriate, at the Company's expenses. Minutes of the Board and Board committees are taken by the Company Secretary. Such minutes of the Board and the Board committees, together with supporting papers, are made available for inspection by any Director following reasonable notice. Draft and final versions of minutes are sent to all Directors for their comment and records.

The Company has arranged directors and officers liability and company reimbursement insurances for the Directors and senior management of the Company.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

The Board has developed and reviewed the Company's policies and practices on corporate governance. It includes the developing and monitoring of the training and continuous professional development of the Directors and the senior management of the Group; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring of the code of conduct of the Company's employees and Directors; and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Corporate Governance Report

COMPOSITION OF THE BOARD

The Board currently comprises two executive Directors (Mr. Tung Wai Ting Stephen and Mr. Tung Cheuk Ming Stanley), one non-executive Director (Ms. Lau Chung Chau) and three independent non-executive Directors (Mr. Tsang Ling Biu Gilbert, Mr. Cheung Che Kit Richard and Mr. Wong Ming Bun David). Among the executive Directors, Mr. Tung Wai Ting Stephen is the elder brother of Mr. Tung Cheuk Ming Stanley, and they are both sons of Ms. Lau Chung Chau. Biographical details of the Directors of the Group as at the date of this annual report are set out on pages 7 to 8 of this annual report. Independent non-executive Directors account for more than one-third of the members of the Board. The independent non-executive Directors come from various industries and have related professional background, bringing valuable expertise and experience that promotes the best interests of the Group and its shareholders. The role of the independent non-executive Directors is to provide independent and objective opinions to the Board for its consideration.

Chairlady and the Chief Executive Officer

The chairlady of the Board and the Chief Executive Officer are Ms. Lau Chung Chau and Mr. Tung Wai Ting Stephen, respectively. Responsibilities between the chairlady of the Board and the chief executive officer of the Company are clearly divided and segregated to ensure a balance of power and authority and to reinforce their independence and accountability.

BOARD MEETINGS

During the year, the Board has held a total of four Board meetings for the main purposes of formulating business development and prospects of the Group, reviewing and considering the financial and operating performance.

The attendance of each Director at the Board meetings is set out below:

Name of Directors	Attendance/ Number of Board Meetings
Executive Directors	
Mr. Tung Wai Ting Stephen *(Chief executive officer)*	4/4
Mr. Tung Cheuk Ming Stanley	3/4
Non-executive Director	
Ms. Lau Chung Chau *(Chairlady)*	4/4
Independent non-executive Directors	
Mr. Tsang Ling Biu Gilbert	2/4
Mr. Cheung Che Kit Richard	2/4
Mr. Wong Ming Bun David	2/4

Corporate Governance Report

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received confirmation from each independent non-executive Director about his independence as set out in Rule 3.13 of the Listing Rules and continues to consider each of them to be independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

A person may be appointed as a member of the Board at any time either by shareholders' resolutions in general meetings or by resolutions of the Board. New Directors appointed by the Board as an addition to the Board during the year are required to retire at the first general meeting following their appointments and new Directors appointed by the Board to fill a causal vacancy during the year are required to retire at the first general meeting following their appointments, and in both cases, the acting Directors will be eligible for re-election at such general meeting. All Directors are required to retire by rotation at least once every three years at the AGM, subject to re-election by the shareholders. All independent non-executive Directors are appointed for a term of not more than three years.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Directors' training is an ongoing process. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Directors have been informed of the requirement under code provision C.1.4 of the CG Code regarding continuous professional development. The Company updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

According to the records provided by the Directors, a summary of training received by the Directors during the year is as follows:

Name of Directors	Type of Continuous Professional Development Programmes
Executive Directors	
Mr. Tung Wai Ting Stephen *(Chief executive officer)*	A, B
Mr. Tung Cheuk Ming Stanley	A, B
Non-executive Director	
Ms. Lau Chung Chau *(Chairlady)*	A, B
Independent non-executive Directors	
Mr. Tsang Ling Biu Gilbert	A, B
Mr. Cheung Che Kit Richard	A, B
Mr. Wong Ming Bun David	A, B

Notes:

A: attending training sessions and/or seminars

B: reviewing materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

BOARD COMMITTEES

The Board has established three Board committees, namely, the Audit Committee, the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") for overseeing the particular aspects of the affairs of the Company. All the Board committees have been established with defined written terms of reference, which are posted on the Company's website "www.hwtextiles.com.hk" and the website of the Stock Exchange and are available to the shareholders upon request. All the Board committees would report to the Board on their decisions or recommendations made.

All the Board committees are provided with sufficient resources to discharge their duties.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. Tsang Ling Biu Gilbert, Mr. Cheung Che Kit Richard and Mr. Wong Ming Bun David. Mr. Tsang Ling Biu Gilbert is the chairman of the Audit Committee. He has professional qualification and experience in accounting and financial matters.

Under its terms of reference, the primary duties of the Audit Committee are mainly (i) to review and supervise the financial reporting process and to oversee the audit process of the Group; (ii) to oversee internal control procedures and corporate governance of the Group; (iii) to supervise internal control systems of the Group; and (iv) and to monitor any continuing connected transactions.

During the year, the Audit Committee performed the following duties, including (i) reviewing the Group's audited annual consolidated financial statements for the year ended 31 December 2022 and its unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023; (ii) reviewing the significant accounting policies and the impact of the adoption of new financial reporting standards; (iii) discussing key audit matters with the external auditor; (iv) considering the re-appointment of the external auditor as an independent auditor of the Company for the consolidated financial statements of the Group for the year ended 31 December 2023, and recommended to the Board for shareholders' approval; and (v) reviewing and discussing the internal risk management findings with the Board. Two meetings of the Audit Committee were held and the Directors' attendance of the meetings of the Audit Committee is set out as follows:

Name of Directors	Attendance/ Number of Audit Committee Meetings
Mr. Tsang Ling Biu Gilbert *(Chairman)*	2/2
Mr. Cheung Che Kit Richard	2/2
Mr. Wong Ming Bun David	2/2

The meetings were held together with the external auditors of the Company and the chief financial officer of the Company, and discussed auditing, internal control and financial reporting matters which included the review of the interim and annual financial statements.

REMUNERATION COMMITTEE

The Remuneration Committee comprises one executive Director, namely Mr. Tung Wai Ting Stephen, and two independent non-executive Directors, namely Mr. Cheung Che Kit Richard and Mr. Wong Ming Bun David. Mr. Wong Ming Bun David is the chairman of the Remuneration Committee.

Under its terms of reference, the primary duties of the Remuneration Committee are mainly (i) to evaluate the performance of all Directors and senior management and make 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; (ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments, and any compensation payable for loss or termination of their office(s) or appointment(s), and to make recommendations to the Board on the remuneration of non-executive Directors.

Pursuant to provision E.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year are as follows:

Remuneration band	Number of individual
Not exceeding HK$1,000,000	4

During the year, the remuneration packages of the Directors and the senior management of the Group were reviewed and discussed at the meeting of the Remuneration Committee and relevant recommendations have been made by the Remuneration Committee to the Board. One meeting of the Remuneration Committee was held during the year. The Directors' attendance of the meetings of the Remuneration Committee is set out as follows:

Name of Directors	Attendance/ Number of Remuneration Committee Meeting
Mr. Tung Wai Ting Stephen	1/1
Mr. Cheung Che Kit Richard	1/1
Mr. Wong Ming Bun David *(Chairman)*	1/1

NOMINATION COMMITTEE

The Nomination Committee comprises one executive Director, namely Mr. Tung Cheuk Ming Stanley, and two independent non-executive Directors, namely Mr. Cheung Che Kit Richard and Mr. Wong Ming Bun David. Mr. Wong Ming Bun David is the chairman of the Nomination Committee.

Under its terms of reference, the primary duties of the Nomination Committee are (i) to review the structure, size and composition of the Board on a regular basis; (ii) to make recommendations to the Board relating to the appointment and removal of Directors; (iii) to identify individuals suitably qualified to become members of the Board; and (iv) to assess the independence of the independent non-executive Directors.

The Company has adopted a board diversity policy (the "Policy"). The purpose of the Policy is to set out the basic principles to be followed to ensure that the Board has appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Under the Policy, the selection of the Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience, which are the measurable objectives for implementing the Policy, and gender is not regarded as an important restriction on the candidate selection for the Board.

The Nomination Committee has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to this policy in selection of the Board candidates. Board nomination and appointments will continue to be made on merit basis based on its business needs from time to time while taking into account diversity.

The Nomination Committee is also responsible for reviewing the Policy, developing and reviewing measurable objectives for implementing the Policy and monitoring the progress on achieving these measurable objectives. The review of the Policy and the measurable objectives shall be carried out at least annually to ensure the continued effectiveness of the Board. Having considered the business and development needs of the Company, the Nomination Committee considers that the current Board is sufficiently diversified in terms of its skills, experience, knowledge, length of service and independence.

During the year, the Nomination Committee has considered the Policy and whether the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the Nomination Committee has concluded that based on the Company's existing business model and specific needs, the current composition of the Board satisfies the Policy for the year.

As at 31 December 2023, the gender ratio of male to female in the workforce (including senior management of the Group) is approximately 1.2:1. In order to pursue gender diversity, similar considerations are taken into account when selecting and hiring people across the Group's operations. Please refer to our environment, social and governance report for our hiring policy in achieving gender diversity.

During the year, one meeting of the Nomination Committee was held and the Directors' attendance of the meeting of the Nomination Committee is set out as follows:

Name of Directors	Attendance/ Number of Nomination Committee Meeting
Mr. Tung Cheuk Ming Stanley	1/1
Mr. Cheung Che Kit Richard	1/1
Mr. Wong Ming Bun David *(Chairman)*	1/1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year, which were prepared in accordance with statutory requirements and applicable accounting standards. The reporting responsibility of the external auditors of the Company on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 35 to 39.

COMPANY SECRETARY

Mr. Cheung Ka Chun, the Company Secretary, reports to the chairman of the Board. The details of his biography is set out in the section headed "Directors and Senior Management" of this annual report. Mr. Cheung also confirmed that he has taken no less than 15 hours relevant professional training during the year.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its overall responsibility for the Group's risk management and internal control systems and reviewing their effectiveness in order to safeguard the interest of the Group and the shareholders, and to review and monitor the effectiveness of the internal control and risk management systems on an ongoing basis to ensure that the systems in place are adequate.

The Group's risk management and internal control systems are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. Such systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Board, through the Audit Committee, has reviewed the adequacy and effectiveness of the Group's systems of risk management and internal control covering all material controls, including financial, operation, compliance and internal controls as well as risk management functions semi-annually. During the year, it identified material risks of the Group and formulated corresponding solutions to manage the risks after taking into account the risk tolerance of the Group.

Corporate Governance Report

The Board considered that the risk management and internal control systems of the Group to be adequate and effective for the year. The Board and the Audit Committee also considered that the key areas of the Group's risk management and internal control systems, including the adequacy of resources, qualifications and experience of our accounting and financial reporting staff, and their training programs and budget, are reasonably implemented and the Group has fully complied with provisions of the CG Code regarding risk management and internal control systems in general for the year.

Code provision D.2.5 requires the issuer to have an internal audit function. In the opinion of the directors, the size of the Group does not warrant setting up an internal audit department. However, during the year under review, the Board, through the Audit Committee has conducted a review on the effectiveness of the internal control system of the Group, namely, management supervision, compliance with the CG Code, and major areas of the internal control systems and procedures to assure the Board that the system of internal control is functioning as intended. The results of the internal control review were submitted to the Board for their consideration.

The Group strictly follows the requirements of the SFO and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable. Before inside information is fully disclosed to the public, such information is kept strictly confidential. The Group has further enhanced the procedures with the establishment of a continuous disclosure policy and provided relevant training to all relevant staff of the Group. The Board considered the procedures and measures in relation to the handling and dissemination of the inside information to be effective and adequate.

EXTERNAL AUDITORS

The Group's external auditors are Deloitte Touche Tohmatsu, Certified Public Accountants. In order to maintain their independence, objectivity and effectiveness in performing the audit services, the Audit Committee pre-approved all audit services and discussed with Deloitte Touche Tohmatsu, Certified Public Accountants the nature and scope of the audit services.

During the year, the remuneration paid or payable to Deloitte Touche Tohmatsu, Certified Public Accountants in respect of audit services was HK$1,700,000. The fee paid or payable to Deloitte Touche Tohmatsu, Certified Public Accountants for non-audit services, namely review of unaudited interim results of the Group for the six months ended 30 June 2023, was HK$420,000.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by Directors. Following specific enquiry by the Company, all the Directors have confirmed that they have complied with the required standard as set out in the Model Code and its code of conduct regarding directors' securities transactions for the year ended 31 December 2023 and up to the date of this report.

Corporate Governance Report

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"). Under the Dividend Policy, in circumstances that the Group is profitable and without affecting the normal operations and business of the Group, the Company may consider declaring and paying dividends to the Shareholders.

The recommendation of any dividend payment is subject to the absolute discretion of the Board, and any declaration of final dividend shall be subject to the approval of the Shareholders. Any dividend distributions shall be made in accordance with the articles of association of the Company and all applicable laws and regulations.

In proposing any dividend payout, the Board shall take into consideration various factors, including: (i) the Group's actual and expected financial performance; (ii) general economic and financial conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; (iii) the Group's business and operating strategies including commitments and investment needs in order to maintain long-term business growth; (iv) liquidity position and working capital requirements; and (v) any other factors that the Board deems relevant and appropriate.

There is no assurance that any dividends will be proposed or declared in any particular amount for any specific reporting period. The Board shall review the Dividend Policy from time to time and may, at its absolute and sole discretion, to update and/or modify the Dividend Policy at any time as the Board deems fit and necessary.

INVESTOR RELATIONS AND COMMUNICATION

The Board and the senior management recognise the importance of communication with the shareholders and accountability to shareholders. Annual and interim reports offer comprehensive operational and financial performance information to the shareholders. The senior management also maintains close communication with investors, analysts and the media by other channels including roadshows, briefings and individual meetings. The Group has set up its own website "www.hwtextiles.com.hk", which is updated on a regular basis, as a means to provide updated information on the Company to investors.

The Board reviews the investor relations policy on an annual basis, and makes any changes it considers necessary to ensure its effectiveness and that the legal interests of shareholders and investors are substantially protected.

The Board has conducted a review of the implementation and effectiveness of the investor relations policy of the Company. Having considered the diverse channels of communication in place, the Board is satisfied that an effective investor relations policy has been properly implemented throughout the year ended 31 December 2023.

GENERAL MEETINGS WITH SHAREHOLDERS

The Company's annual general meeting provides a useful platform for direct communication between the Board and the shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

During the year, one general meeting was held, which was the annual general meeting for the year ended 31 December 2022. The attendance of each Director at the annual general meeting is set out below:

Name of Directors	Attendance/ Number of general meeting
Executive Directors	
Mr. Tung Wai Ting Stephen *(Chief executive officer)*	1/1
Mr. Tung Cheuk Ming Stanley	1/1
Non-executive Director	
Ms. Lau Chung Chau *(Chairlady)*	0/0
Independent non-executive Directors	
Mr. Tsang Ling Biu Gilbert	0/1
Mr. Cheung Che Kit Richard	0/1
Mr. Wong Ming Bun David	1/1

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirement under Paragraph O of the CG Code:

Convening of extraordinary general meeting on requisition by shareholders

Pursuant to article 12.3 of the articles of association of the Company, any two or more shareholders collectively or any recognised clearing house (or its nominee(s)) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting ("EGM") to be called by the Board. The written requisition must specify the business to be transacted on the EGM, which shall be held within two months after the deposit of such requisition for the attention of the Company Secretary. If within 21 days from the date of the deposit of the requisition, the Board fails to proceed to convene an EGM, the shareholder(s) concerned may themselves convene an EGM, and all reasonable expenses incurred by the shareholder(s) making the requisition as a result of the failure of the Board shall be reimbursed by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholder(s) may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Address: Unit A6, 31st Floor, TML Tower, 3 Hoi Shing Road, Tsuen Wan, Hong Kong

Email: general@hwtextiles.com.hk

The Company Secretary shall forward the shareholder(s)' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to respond to the shareholder(s)' questions.

Procedures for putting forward proposals at general meetings by shareholders

Any shareholder of the Company who wish to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration not less than seven days prior to the date of a general meeting through the Company Secretary of the Company whose contact details are set out in the paragraph "Procedures for directing shareholders' enquiries to the Board" above.

CONSTITUTIONAL DOCUMENTS

There has been no change in the memorandum and articles of association of the Company for the year ended 31 December 2023.

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF HINGTEX HOLDINGS LIMITED
興紡控股有限公司
(incorporated in the Cayman Islands as an exempted company with limited liability)

OPINION

We have audited the consolidated financial statements of Hingtex Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 106, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and other non-current assets	
We identified the impairment assessment of goodwill and other non-current assets allocated to the cash-generating units ("CGUs") engaging in manufacturing and trading of denim fabric (collectively the "Denim Fabric CGUs") as a key audit matter because of its significance to the consolidated financial statements as a whole and the estimation uncertainty involved in the assessment of the recoverable amount. As disclosed in note 4 to the consolidated financial statements, carrying amount of goodwill and the other non-current assets as at 31 December 2023 are HK$1,184,000 and HK$115,758,000 respectively, which in aggregate represents approximately 77% of the Group's total non-current assets. As disclosed in note 17 to the consolidated financial statements, the management determines the recoverable amount of the Denim Fabric CGUs by reference to a value in use calculation (the "VIU Calculation") performed by an independent qualified professional valuer not connected to the Group. The VIU Calculation is based on a cash flow projection with a pre-tax discount rate of 14.65%. The revenue growth rate and the expected gross profit margin in the cash flow projection are determined by reference to the historical performance of the Denim Fabric CGUs and management's expectation of the market development. Based on the result of management's assessment, no impairment loss is recognised to goodwill and other non-current assets for the year ended 31 December 2023.	Our procedures in relation to the impairment assessment included: • Obtaining an understanding of management's process and basis in the impairment assessment; • Evaluating the independent qualified professional valuer's competence, capabilities and objectivity; • Assessing the appropriateness of the methodology used in determining the recoverable amount with the involvement of our internal valuation specialists; • Evaluating the reasonableness of the pre-tax discount rate used in the VIU Calculation with reference to the current market risk-free rate of interest and the industry specific risk factor with the involvement of our internal valuation specialists; • Evaluating the reasonableness of the management's estimate of revenue growth rate and expected gross profit margin with reference to the historical performance of the Denim Fabric CGUs and market data; • Evaluating the reasonableness of sensitivity analysis provided by the management of the Group, and performing re-calculations to assess the extent of impact on the VIU Calculation; and • Assessing the reliability of management's estimates in revenue growth rate and gross profit margin used in the VIU Calculation by reviewing the actual outcome of these estimates in previous VIU Calculation.

OTHER INFORMATION

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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.

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for 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 the independent auditor's report is Chu Yim Yan, Sonia.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTES	Year ended 31 December **2023** **HK$'000**	 2022 HK$'000
Revenue	5	**162,884**	245,176
Cost of sales		**(141,189)**	(226,288)
Gross profit		**21,695**	18,888
Other income	6	**3,789**	3,355
Other gains and losses	7	**(69)**	(876)
Reversal of impairment loss under expected credit loss model, net		**64**	526
Selling and distribution expenses		**(14,471)**	(15,436)
Administrative expenses		**(44,837)**	(50,107)
Research and development expenses		**(8,072)**	(9,257)
Fair value gain on financial asset at fair value through profit or loss ("FVTPL")		**651**	1,094
Share of results of an associate		**(29)**	(1,848)
Share of result of a joint venture		**–**	(25)
Finance costs	8	**(1,989)**	(1,383)
Loss before tax	9	**(43,268)**	(55,069)
Income tax credit	10	**5,468**	5,107
Loss and total comprehensive expense for the year attributable to owners of the Company		**(37,800)**	(49,962)
LOSS PER SHARE			
— Basic (HK cents)	12	**(5.91)**	(7.81)

Consolidated Statement of Financial Position

At 31 December 2023

		At 31 December	
		2023	2022
	NOTES	**HK$'000**	HK$'000
Non-current assets			
Property, plant and equipment	14	**93,569**	101,097
Right-of-use assets	15	**19,220**	25,484
Other intangible assets	16	**2,969**	3,337
Goodwill	17	**1,184**	1,184
Interest in an associate	18	**405**	434
Financial asset at FVTPL	19	**21,745**	21,094
Deferred tax assets	20	**13,480**	9,893
Other receivables	22	**–**	1,025
Total non-current assets		**152,572**	163,548
Current assets			
Inventories	21	**85,296**	97,300
Trade and other receivables	22	**43,959**	48,260
Amount due from an associate	23	**616**	616
Cash and cash equivalents	24	**60,740**	84,693
Total current assets		**190,611**	230,869
Current liabilities			
Trade and other payables	25	**23,643**	24,713
Tax liabilities		**1,618**	4,314
Lease liabilities	26	**3,431**	5,595
Bank borrowings	27	**29,000**	31,361
Contract liabilities	28	**891**	2,434
Total current liabilities		**58,583**	68,417
Net current assets		**132,028**	162,452
Total assets less current liabilities		**284,600**	326,000

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	At 31 December 2023 HK$'000	2022 HK$'000
Non-current liabilities			
Lease liabilities	26	**–**	3,431
Deferred tax liabilities	20	**7,709**	7,932
Other payables	25	**1,219**	1,165
Total non-current liabilities		**8,928**	12,528
Net assets		**275,672**	313,472
Capital and reserves			
Share capital	29	**6,400**	6,400
Reserves		**269,272**	307,072
Equity attributable to owners of the Company and total equity		**275,672**	313,472

The consolidated financial statements on pages 40 to 106 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Mr. Tung Wai Ting Stephen
Director

Mr. Tung Cheuk Ming Stanley
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (note)	Retained profits HK$'000	Total HK$'000
At 1 January 2022	6,400	141,986	10,882	204,166	363,434
Loss and total comprehensive expense for the year	–	–	–	(49,962)	(49,962)
At 31 December 2022	6,400	141,986	10,882	154,204	313,472
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(37,800)**	**(37,800)**
At 31 December 2023	**6,400**	**141,986**	**10,882**	**116,404**	**275,672**

Note:

Other reserve represents (i) deemed contribution totaling HK$9,282,000 from certain shareholders of the Company for acquisition of Kingshine Investment Group Limited; and (ii) the difference between the aggregate paid-in share capital of certain subsidiaries of HK$1,605,000 and the share capital of the Company of HK$5,000 immediately upon the completion of reorganisation in 2018, in which the Company acquired the entire equity interests in those subsidiaries from immediate and ultimate holding company of the Company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(43,268)**	(55,069)
Adjustments for:		
Finance costs	**1,989**	1,383
Interest income	**(2,438)**	(618)
Share of results of an associate	**29**	1,848
Share of results of a joint venture	**–**	25
Depreciation of property, plant and equipment	**9,613**	11,109
Depreciation of right-of-use assets	**6,264**	6,953
Amortisation of other intangible assets	**368**	367
Net (reversal) write-down of inventories	**(140)**	721
Impairment losses reversed on trade receivables, net	**(64)**	(526)
Gain on disposal of property, plant and equipment	**(91)**	(1,293)
Fair value gain on financial asset at FVTPL	**(651)**	(1,094)
Net foreign exchange loss	**51**	44
Operating cash flows before movements in working capital	**(28,338)**	(36,150)
Decrease in inventories	**12,144**	62,620
Decrease in trade and other receivables	**5,193**	25,401
Increase in trade and other payables	**(893)**	(44,434)
(Decrease) increase in contract liabilities	**(1,543)**	580
Decrease in amount due to a joint venture	**–**	(86)
Cash (used in) generated from operations	**(13,437)**	7,931
Income tax (paid) refund	**(1,015)**	239
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(14,452)**	8,170
INVESTING ACTIVITIES		
Interest received	**2,438**	618
Proceeds on disposal of property, plant and equipment	**1,506**	1,923
Purchase of property, plant and equipment	**(3,500)**	(3,085)
Acquisition of financial asset at FVTPL	**–**	(20,000)
Formation of an associate	**–**	(2,282)
Advance to an associate	**–**	(616)
Proceeds from deregistration of a joint venture	**–**	4,452
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**444**	(18,990)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(60,331)**	(120,270)
Repayment of lease liabilities	**(5,595)**	(6,354)
Interest paid	**(1,989)**	(1,383)
New bank borrowings raised	**57,970**	103,653
NET CASH USED IN FINANCING ACTIVITIES	**(9,945)**	(24,354)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(23,953)**	(35,174)
Cash and cash equivalents at the beginning of the year	**84,693**	119,867
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**60,740**	84,693

1. GENERAL

Hingtex was incorporated in the Cayman Islands on 3 November 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2018.

The Company's immediate and ultimate holding company is Manford Investment Holdings Limited, a company incorporated on 24 October 2017 in the British Virgin Islands ("BVI") under the laws of BVI with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Group are the manufacturing and sales of denim fabric.

The functional currency of the Company is United States dollar ("US$"), as the sales activities of the Group are mainly denominated in US$, and the presentation currency of the Group is Hong Kong dollar ("HK$"), as the directors of the Company consider HK$ can provide more meaningful information to the Company's investors.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of these amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

3.1 Basis of preparation of consolidated financial statements

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

The consolidated financial statements have been prepared on the historical cost basis, except for financial asset at FVTPL that is measured at fair value, at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

3.2 Material accounting policy information

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the consolidation, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

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

3.2 Material accounting policy information *(Continued)*

Goodwill (Continued)

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5 and 28.

Leases

Definition of 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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application of HKFRS 16 *Leases* ("HKFRS 16"), the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification or business combination date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Right-of-use assets

The cost of right-of-use assets include the amount of the initial measurement of the lease liability.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

3.2 Material accounting policy information *(Continued)*

Leases (Continued)

The Group as a lessee *(Continued)*

Right-of-use assets (Continued)

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

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

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

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

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

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

3.2 Material accounting policy information *(Continued)*

Foreign currencies

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans including Mandatory Provident Fund Scheme and a state managed defined contribution retirement scheme organised by the relevant local government authority in the People's Republic of China (the "PRC") are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

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

3.2 Material accounting policy information *(Continued)*

Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

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

3.2 Material accounting policy information *(Continued)*

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing liabilities and related assets as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

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

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than plant and machinery under construction as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Plant and machinery in the course of construction for production are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

3.2 Material accounting policy information *(Continued)*

Property, plant and equipment (Continued)

Ownership interests in leasehold land and building *(Continued)*

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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

3.2 Material accounting policy information *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

In testing a CGU for impairment, corporates assets are allocated to individual CGUs when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each assets in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of impairment loss that would otherwise have been allocated to the asset is allocated pro rata to other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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

3.2 Material accounting policy information *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above) (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at fair value through profit or loss.

Amortised cost and interest income

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

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Financial assets at FVTPL

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amount due from an associate, cash and cash equivalents) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. Except for trade receivables which are backed by bills, the ECL on trade receivables are assessed collectively with appropriate groupings.

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

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

(ii) Definition of default

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

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

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following bases:

- Past due status;
- Nature, size and industry of debtors; and
- Internal credit ratings.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

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

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going 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.

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

Impairment assessment of goodwill and non-current assets

For impairment assessment of goodwill and other non-current assets, including property, plant and equipment, right-of-use assets and other intangible assets (collectively the "Other Non-Current Assets"), management of the Group estimates the recoverable amount of the CGUs engaging in manufacturing and trading of denim fabric (collectively the "Denim Fabric CGUs") to which the Group's goodwill and Other Non-Current Assets have been allocated. The management estimates the recoverable amount of the Denim Fabric CGUs by reference to a value in use calculation which requires the Group to estimate the future cash flows expected to arise from Denim Fabric CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise.

As at 31 December 2023, the carrying amount of goodwill and the aggregate amount of the Other Non-Current Assets are HK$1,184,000 and HK$115,758,000 respectively. Details of the value in use calculation are disclosed in note 17.

5. REVENUE AND SEGMENT INFORMATION

Information reported to the chief executive officer, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis by products. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Types of goods or services recognised at a point in time		
Sales of denim fabrics		
Stretchable blended denim fabrics	**139,950**	210,890
Stretchable cotton denim fabrics	**9,677**	19,552
Non-stretchable denim fabrics	**9,180**	11,882
Others (note)	**4,077**	2,852
Total	**162,884**	245,176

Note: Others mainly include revenue from sales of yarns and provision of sub-contracting services.

Performance obligations for contracts with customers

The Group sells denim fabrics and yarns directly to customers, which are mainly garment manufacturers.

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific locations (delivery). Following the delivery, the customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 120 days upon delivery. A contract liability is recognised for advance payments received by the Group until the goods have been delivered to the customers.

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) is HK$891,000 (2022: HK$2,434,000) as at 31 December 2023 and the expected timing of recognising is within one year.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group mainly operates in Hong Kong and the PRC, and the Group's non-current assets are mainly located in the PRC.

Information about the Group's revenue is presented based on the geographical location of the customers:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Hong Kong	**50,579**	51,345
Bangladesh	**42,128**	58,670
The PRC	**26,936**	47,936
Vietnam	**18,021**	45,606
Indonesia	**9,773**	10,017
Taiwan	**4,846**	10,403
India	**2,846**	11,467
Jordan	**2,715**	3,039
Pakistan	**1,711**	2,861
Macao	**1,412**	–
Other countries and regions	**1,917**	3,832
Total	**162,884**	245,176

Information about major customers

The following illustrates the revenue from customers which contributing over 10% of the total revenue of the Group:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Customer A	**N/A(note)**	33,478

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group for the corresponding reporting period.

6. OTHER INCOME

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Interest income from bank deposits	**2,438**	618
Storage income	**120**	163
Government grants (Note)	**427**	1,724
Sample charge income	**804**	850
	3,789	3,355

Note: During the year ended 31 December 2022, the Group recognised government grants of HK$928,000 in respect of COVID-19 related conditional subsidies in respect of Employment Support Scheme provided by the Hong Kong government. There is no such grant during the current year. Other government grants represent unconditional incentives from the PRC government during the current and prior years.

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Net foreign exchange loss	**(220)**	(2,250)
Gain on disposal of property, plant and equipment	**91**	1,293
Others	**60**	81
	(69)	(876)

8. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Interest expenses on bank borrowings	**1,704**	1,201
Interest expenses on lease liabilities	**285**	182
	1,989	1,383

9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Directors' remuneration (note 11(a)):		
— Emoluments, salaries and other allowances	**9,241**	11,845
— Retirement benefit scheme contributions	**36**	36
	9,277	11,881
Other staff salaries and allowances	**35,226**	36,049
Retirement benefit scheme contributions, excluding those of directors	**2,670**	1,671
Total employee benefits expenses	**47,173**	49,601
Capitalised as cost of inventories manufactured	**(12,590)**	(12,790)
	34,583	36,811
Depreciation of property, plant and equipment	**9,613**	11,109
Depreciation of right-of-use assets	**6,264**	6,953
Amortisation of other intangible assets	**368**	367
	16,245	18,429
Capitalised as cost of inventories manufactured	**(8,481)**	(10,200)
	7,764	8,229
Auditor's remuneration	**2,349**	2,372
Cost of inventories recognised as an expense including reversal of write-down of inventories of HK$140,000 (2022: including write-down of inventories of HK$721,000)	**141,189**	226,288

10. INCOME TAX CREDIT

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Current tax	**(1,658)**	(1,534)
Deferred tax (note 20)	**(3,810)**	(3,573)
Total	**(5,468)**	(5,107)

Hong Kong

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

For the year ended 31 December 2023, no provision for Hong Kong Profits Tax has been made as the assessable profits is offset with the relevant entities' tax losses carried forward. There were no assessable profits in Hong Kong for the year ended 31 December 2022.

The PRC

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. As one of the PRC subsidiaries of the Group was qualified as "High-tech Enterprise" in relation to their production activities in 2020 and obtained the renewal of such qualification in 2023, this PRC subsidiary, upon satisfaction of the criteria required, was subject to a preferential PRC Enterprise Income Tax rate of 15% up to 2026.

10. INCOME TAX CREDIT *(Continued)*

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

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Loss before tax	**(43,268)**	(55,069)
Tax at Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	**(7,139)**	(9,086)
Tax effect of expenses not deductible for tax purposes	**575**	2,175
Tax effect of share of results of an associate	**5**	305
Tax effect of income not taxable for tax purposes	**(624)**	(730)
Tax effect of tax losses not recognised	**2,187**	4,176
Utilisation of tax losses previously not recognised	**(138)**	(293)
Effect of different tax rates of subsidiaries operating in the PRC	**(618)**	(30)
Effect of super deduction for research and development costs	**–**	(120)
Others	**284**	(1,504)
	(5,468)	(5,107)

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors and chief executive's emoluments

Details of the emoluments paid or payable to the directors and the chief executive of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) during the year are as follows:

	Fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Other benefit HK$'000 (note (e))	Total HK$'000
For the year ended 31 December 2023					
Executive directors					
Mr. Stephen Tung	**–**	**3,085**	**18**	**–**	**3,103**
Mr. Stanley Tung (note (e))	**–**	**3,240**	**18**	**1,536**	**4,794**
Non-executive director					
Ms. Lau Chung Chau	**–**	**2,400**	**–**	**–**	**2,400**
Independent non-executive directors					
Mr. Tsang Ling Biu Gilbert	**216**	**–**	**–**	**–**	**216**
Mr. Cheung Che Kit Richard	**180**	**–**	**–**	**–**	**180**
Mr. Wong Ming Bun David	**120**	**–**	**–**	**–**	**120**
	516	**8,725**	**36**	**1,536**	**10,813**
For the year ended 31 December 2022					
Executive directors					
Mr. TH Tung (note (a))	–	3,600	–	–	3,600
Mr. Stephen Tung	–	3,565	18	–	3,583
Mr. Stanley Tung (note (e))	–	3,450	18	1,574	5,042
Non-executive director					
Ms. Lau Chung Chau (note (b))	–	600	–	–	600
Independent non-executive directors					
Mr. Tsang Ling Biu Gilbert	300	–	–	–	300
Mr. Cheung Che Kit Richard	180	–	–	–	180
Mr. Leung Wang Ching Clarence, *J.P.* (note (c))	103	–	–	–	103
Mr. Wong Ming Bun David (note (d))	47	–	–	–	47
	630	11,215	36	1,574	13,455

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors and chief executive's emoluments *(Continued)*

Notes:

(a) During the year ended 31 December 2022, Mr. TH Tung resigned as executive director of the Company.

(b) During the year ended 31 December 2022, Ms. Lau Chung Chau was appointed as non-executive director of the Company.

(c) During the year ended 31 December 2022, Mr. Leung Wang Ching Clarence, J.P. resigned as independent non-executive director of the Company.

(d) During the year ended 31 December 2022, Mr. Wong Ming Bun David was appointed as independent non-executive director of the Company.

(e) The amount represents the lease payment of right-of-use asset of which the Group leased from third party and provided to Mr. Stanley Tung for use by him and his family members at no charge. The estimated money value of the benefit in kind is approximately HK$1,536,000 (2022: HK$1,574,000).

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's emoluments shown above were for her services as director of the Company. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Mr. Stephen Tung is the chief executive officer of the Company and his emolument for the role as chief executive officer is also included above.

During both years, no emoluments were paid by the Group to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Company waived or agreed to waive any emoluments during the year.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals of the Company included three (2022: three) directors of the Company for the year ended 31 December 2023. The emoluments of the remaining two (2022: two) individuals for the year are as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Salaries and other benefits	**1,508**	1,508
Retirement benefit scheme contributions	**36**	36
	1,544	1,544

The emoluments of these employees are within the following bands:

	Year ended 31 December	
	2023	2022
Nil to HK$1,000,000	**2**	2

During both years, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Group is based on the following data:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Loss for the year for the purpose of basic loss per share	**(37,800)**	(49,962)

	Year ended 31 December	
	2023	2022
	'000	'000
Number of ordinary shares for the purpose of basic loss per share	**640,000**	640,000

No diluted loss per share for both 2023 and 2022 were presented as there were no potential ordinary shares in issue for both 2023 and 2022.

13. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during both years, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Owned properties HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Other equipment HK$'000	Construction in progress ("CIP") HK$'000	Total HK$'000
Cost							
At 1 January 2022	41,471	91,878	11,466	8,027	1,899	42,208	196,949
Additions	–	226	1,681	–	208	970	3,085
Transfer from CIP	777	159	–	–	–	(936)	–
Disposals	–	(636)	(1,536)	–	(22)	–	(2,194)
At 31 December 2022	42,248	91,627	11,611	8,027	2,085	42,242	197,840
Additions	–	898	1,228	–	48	1,326	3,500
Transfer from CIP	–	2,431	–	–	–	(2,431)	–
Transfer to CIP	–	(2,542)	–	–	–	1,851	(691)
Disposals	–	(1,614)	(5,005)	–	(7)	(10)	(6,636)
At 31 December 2023	42,248	90,800	7,834	8,027	2,126	42,978	194,013
Accumulated depreciation							
At 1 January 2022	15,571	54,855	7,495	7,623	1,654	–	87,198
Charge for the year	1,679	6,786	2,240	336	68	–	11,109
Eliminated on disposals	–	(442)	(1,102)	–	(20)	–	(1,564)
At 31 December 2022	17,250	61,199	8,633	7,959	1,702	–	96,743
Charge for the year	1,696	6,434	1,314	56	113	–	9,613
Transfer to CIP	–	(691)	–	–	–	–	(691)
Eliminated on disposals	–	(438)	(4,776)	–	(7)	–	(5,221)
At 31 December 2023	18,946	66,504	5,171	8,015	1,808	–	100,444
Carrying amount							
At 31 December 2022	24,998	30,428	2,978	68	383	42,242	101,097
At 31 December 2023	23,302	24,296	2,663	12	318	42,978	93,569

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

The above items of property, plant and equipment, except for construction in progress, are depreciated using the straight-line method after taking into account of their estimated residual values over the following estimated useful lives:

Owned properties	Over the shorter of lease terms or 50 years
Plant and machinery	3–10 years
Motor vehicles	5–10 years
Furniture and fixtures	5 years
Other equipment	3–5 years

15. RIGHT-OF-USE ASSETS

The Group as lessee

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
At 1 January 2022	17,139	4,879	22,018
Additions	–	10,419	10,419
Depreciation charge	(647)	(6,306)	(6,953)
At 31 December 2022	16,492	8,992	25,484
Depreciation charge	(647)	(5,617)	(6,264)
At 31 December 2023	15,845	3,375	19,220

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Total cash outflow for leases	**5,880**	6,536

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

The Group as lessee *(Continued)*

The Group leases properties for its operations for the years ended 31 December 2023 and 2022. Lease contracts are entered into for fixed term of 2 to 3 years (2022: 2 to 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several office buildings and industrial buildings where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

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

16. OTHER INTANGIBLE ASSETS

	Club memberships	Software	Technical knowhow	Total
	HK$'000	HK$'000	HK$'000	HK$'000
	note (i)	note (ii)	note (iii)	
Cost				
At 1 January 2022, 31 December 2022 and 31 December 2023	1,683	429	3,675	5,787
Accumulated amortisation				
At 1 January 2022	–	429	1,654	2,083
Charge for the year	–	–	367	367
At 31 December 2022	–	429	2,021	2,450
Charge for the year	–	–	368	368
At 31 December 2023	–	429	2,389	2,818
Carrying amount				
At 31 December 2022	1,683	–	1,654	3,337
At 31 December 2023	1,683	–	1,286	2,969

16. OTHER INTANGIBLE ASSETS *(Continued)*

Notes:

(i) The club memberships represent corporate memberships with golf clubs which are lifetime memberships. As such, the golf club memberships are considered by the Group as having indefinite useful lives and will not be amortised. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

(ii) Software is amortised on a straight-line basis over 3 years.

(iii) Technical knowhow was purchased through acquisition of subsidiaries and is amortised on a straight-line basis over 10 years.

17. GOODWILL

	HK$'000
Cost and carrying amount	
At 1 January 2022, 31 December 2022 and 31 December 2023	1,184

Impairment assessment

To perform the impairment assessment of goodwill and the Other Non-Current Assets, management of the Group estimates the recoverable amount of the Denim Fabric CGUs by reference to a value in use calculation (the "VIU Calculation") performed by an independent qualified professional valuer not connected to the Group. The VIU Calculation is based on a cash flow projection established on the financial budget approved by the management of the Group covering the following five years, with a pre-tax discount rate of 14.65% (2022: 14.73%). The revenue growth rate and the expected gross profit margin in the cash flow projection are determined by reference to the historical performance of the Denim Fabric CGUs and management's expectation of the market development. The cash flow projection beyond the five-year period is extrapolated using a steady 2.0% (2022: 2.0%) growth rate. This growth rate is based on the expected long term nominal gross domestic product growth.

Based on the result of the VIU Calculation, management of the Group determines that the recoverable amount of the Denim Fabric CGUs is higher than the aggregated carrying amount of the assets allocated, and accordingly, no impairment loss is recognised. The management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the Denim Fabric CGUs to drop below the carrying amount of assets allocated to the Denim Fabric CGUs.

18. INTEREST IN AN ASSOCIATE

	At 31 December	
	2023	2022
	HK$'000	HK$'000
Cost of investment in an associate	**2,282**	2,282
Share of post-acquisition loss and other comprehensive loss	**(1,877)**	(1,848)
	405	434

As at 31 December 2023 and 2022, the Group had interest in the following associate:

Name of entity	Place of incorporation/ principal business	Proportion of ownership interest held		Proportion of voting owner held		Principal activities
		2023	2022	**2023**	2022	
		%	%	**%**	%	
Ardo Living Limited ("Ardo")	Hong Kong	**49**	49	**49**	49	Online trading of home goods

In May 2022, Ardo Venture Holding Limited ("AVH"), an indirect wholly-owned subsidiary of the Group, entered into a subscription and shareholders agreement (the "Subscription Agreement") with an independent third party to set up Ardo. The initial investment of the subscription by AVH was US$294,000 (equivalents approximately to HK$2,282,000) which represents 49% of the equity interests in Ardo. Ardo is principally engaged in online trading of home goods. Pursuant to the Subscription Agreement, the Group has rights to appoint two out of five directors to the board and accordingly the Group has significant influence on Ardo and the latter is accounted for as an associate.

The Group's associate is accounted for using the equity method in these consolidated financial statements and is not considered material.

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December	
	2023	2022
	HK$'000	HK$'000
Unlisted equity investment	**21,745**	21,094

On 31 January 2022, H.W. Properties Investment Limited ("HWP"), an indirect wholly-owned subsidiary of the Group, entered into a tri-party agreement (the "Agreement") together with Supreme Gain Investments Limited ("Supreme Gain") and an independent third party, for HWP's subscription of 8% of the issued share capital of Supreme Gain, which would engage in property investment in Hong Kong. Upon completion of the subscription, the Group and the controlling shareholder of Supreme Gain hold 8% and 92% of the issued share capital of Supreme Gain respectively.

In February 2022, the Group made an initial capital injection of HK$4,000,000 to Supreme Gain. In September 2022, by reference to the terms of the Agreement, a further capital contribution of HK$16,000,000 was made by HWP to Supreme Gain prior to Supreme Gain's acquisition of the target property as mentioned in the announcement of the Company dated 31 January 2022.

During the year ended 31 December 2023, a fair value gain of HK$651,000 (2022: HK$1,094,000) was recognised.

20. DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December	
	2023	2022
	HK$'000	HK$'000
Deferred tax assets	**13,480**	9,893
Deferred tax liabilities	**(7,709)**	(7,932)
	5,771	1,961

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

	Tax losses	Temporary difference on inventories	ECL provision	Temporary difference on leasehold lands	Temporary difference on technical knowhow	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000 (note)	HK$'000 (note)	HK$'000	HK$'000
At 1 January 2022	6,456	(1,382)	87	(3,481)	(505)	(2,787)	(1,612)
Credit (charge) to profit or loss	3,317	119	(86)	131	92	–	3,573
At 31 December 2022	9,773	(1,263)	1	(3,350)	(413)	(2,787)	1,961
Credit (charge) to profit or loss	3,610	(23)	–	131	92	–	3,810
At 31 December 2023	13,383	(1,286)	1	(3,219)	(321)	(2,787)	5,771

Note: The amounts arise from fair value adjustments on assets recognised in business combination during the year ended 31 December 2017.

20. DEFERRED TAX ASSETS/LIABILITIES *(Continued)*

At the end of the reporting period, the Group has unused tax losses of HK$132,994,000 (2022: HK$102,701,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of HK$82,504,000 (2022: HK$61,589,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$50,490,000 (2022: HK$41,112,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$33,282,000 (2022: HK$24,214,000) with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
2024	**4,509**	4,509
2025	**3,022**	3,022
2026	**7,255**	7,255
2027	**9,428**	9,428
2028	**9,068**	–
Total	**33,282**	24,214

Under the EIT Law of PRC, dividends declared by PRC subsidiaries is subject to PRC withholding tax at a tax rate of 10%. For those PRC subsidiaries which the investors are non-resident enterprises after fulfilling certain criteria, withholding tax is at a preferential tax rate of 5%. As at 31 December 2023, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$59,326,000 (equivalent to Renminbi ("RMB") 54,779,000) (2022: HK$61,965,000 (equivalent to RMB55,544,000)) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

21. INVENTORIES

	At 31 December	
	2023	2022
	HK$'000	HK$'000
Raw materials	**32,051**	37,360
Work in progress	**13,978**	16,841
Finished goods	**39,267**	43,099
	85,296	97,300

22. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2023	2022
	HK$'000	HK$'000
Trade receivables (note i)	**13,520**	18,509
Less: Allowance for credit loss	**(122)**	(186)
	13,398	18,323
Prepayments and other receivables (note ii)	**9,385**	8,950
Value-added tax recoverable	**19,265**	19,959
Utility and rental deposits	**1,474**	1,572
Others	**437**	481
	43,959	49,285
Analysed as		
Current	**43,959**	48,260
Non-current	**–**	1,025

Notes:

(i) The amounts of trade receivables include bills receivable of HK$8,432,000 (2022: HK$9,737,000).

(ii) Included in the Group's other receivables as at 31 December 2023 is, an amount due from an investee of HK$6,400,000 (2022: 6,400,000) is unsecured, interest-free and repayable on demand.

As at 1 January 2022, trade receivables from contracts with customers amounted to HK$14,446,000.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group generally allows credit periods ranging from 30 days to 120 days regarding different customers. The following is an ageing analysis of gross carrying amounts of trade receivables, presented based on the invoice date, at the end of each reporting period:

	At 31 December	
	2023	2022
	HK$'000	HK$'000
Within 30 days	**6,174**	9,188
31 to 60 days	**5,124**	5,277
61 to 120 days	**1,867**	3,833
121 to 180 days	**319**	154
181 to 365 days	**3**	24
More than 365 days	**33**	33
	13,520	18,509

All trade receivable held by the Group are with a maturity period of less than one year.

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$3,046,000 (2022: HK$6,966,000) which are past due as at the reporting date. Out of the past due balances, HK$42,000 (2022: HK$81,000) has been past due 90 days or more and is considered as in default. Except for bills received, the Group does not held any collateral over these balances.

Details of impairment assessment of trade and other receivables for the years ended 31 December 2023 and 2022 are set out in note 34.

Analysis of trade and other receivables denominated in currencies other than the functional currencies of the relevant group entities is set out below:

	At 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**2,691**	5,074
RMB	**2,935**	5,163
	5,626	10,237

23. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest free and has no fixed repayment term.

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances carry interest at variable rates which range from nil to 4.35% per annum (2022: nil to 0.25% per annum) as at 31 December 2023.

Analysis of cash and cash equivalents denominated in currencies other than the functional currencies of the relevant group entities is set out below:

	At 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**27,047**	30,406
RMB	**2,249**	6,492
	29,296	36,898

The cash and cash equivalents denominated in RMB are mostly held by the group entities incorporated in the PRC.

Details of impairment assessment are disclosed in note 34.

25. TRADE AND OTHER PAYABLES

	At 31 December	
	2023	2022
	HK$'000	HK$'000
Trade payables (note i)	**12,016**	13,530
Deposits received (note ii)	**5,920**	5,883
Payroll payables	**4,085**	3,704
Accrued charges	**2,662**	2,335
Others	**179**	426
	24,862	25,878
Analysed as		
Current	**23,643**	24,713
Non-current	**1,219**	1,165

25. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

(i) As at 31 December 2023, included in the Group's trade payables balances is the amount of HK$9,646,000 (2022: HK$9,737,000) relates to trade payables in which the Group has issued bills to the relevant suppliers for future settlement. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers and the Group makes corresponding settlements with the relevant banks on due date without further extension. Accordingly, the management of the Group considered these arrangements do not involve financing and presents cash outflows for such settlements as arising from operating activities.

(ii) The balance mainly represents the deposits received from an apparel brand owner that the Group serves to secure production of denim fabric based on procurement projections of the brand owner before confirmed purchase.

The ageing analysis of the trade payables presented based on the goods receipt date at the end of each reporting period is as follows:

	At 31 December	
	2023	2022
	HK$'000	HK$'000
Within 30 days	**10,469**	10,583
31 to 60 days	**1,547**	2,947
	12,016	13,530

The average credit period on purchases of goods is ranging from 30 days to 180 days.

Analysis of trade and other payables denominated in currencies other than the functional currencies of the relevant group entities is set out below:

	At 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**6,831**	6,648
RMB	**7,202**	7,401
	14,033	14,049

26. LEASE LIABILITIES

	At 31 December	
	2023	2022
	HK$'000	HK$'000
Lease liabilities payable:		
Within one year	**3,431**	5,595
Within a period of more than one year but not more than two years	**–**	3,431
	3,431	9,026
Less: Amount due for settlement with 12 months shown under current liabilities	**(3,431)**	(5,595)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	3,431

The weighted average incremental borrowing rates applied to leases liabilities range from 3.18% to 5.56% (2022: 2.59% to 5.56%).

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	At 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**3,431**	8,539
RMB	**–**	487
	3,431	9,026

27. BANK BORROWINGS

All bank borrowings are unsecured and repayable within one year based on scheduled repayment dates.

The range of effective interest rates per annum on the Group's bank borrowings is as follows:

	At 31 December	
	2023	2022
Variable-rate borrowings	**6.72% to 6.92%**	5.35% to 5.85%

All the bank borrowings carrying interests at margins over Hong Kong Interbank Offered Rate ("HIBOR") are denominated in HK$ which is not the functional currencies of the relevant group entities.

28. CONTRACT LIABILITIES

As at 1 January 2022, contract liabilities amounted to HK$1,854,000.

The balances of contract liabilities at 1 January 2022 and 31 December 2022 have been recognised as revenue during the years ended 31 December 2022 and 2023 respectively. No revenue recognised in the current year relates to performance obligations that were satisfied in prior year.

29. SHARE CAPITAL

	Number of Shares	**Share capital** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 January 2022, 31 December 2022 and 31 December 2023	1,000,000,000	10,000
Issued and fully paid:		
As at 1 January 2022, 31 December 2022 and 31 December 2023	640,000,000	6,400

30. SHARE OPTION SCHEME

On 19 June 2018 (the "Adoption Date"), the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentive or reward to any employees, executives or officers, directors of the Group or any invested entity and any shareholder, supplier, customer, consultant or adviser of any member of the Group or any invested entity, who have contributed or will contribute to the growth and development of the Group ("Eligible Participants"). The Share Option Scheme will remain in force for a period of ten years commencing after the Adoption Date.

Under the Share Option Scheme, HK$1.00 is payable by the grantee to the Company on acceptance of the share option offer and an offer must be accepted on or before a date as specified in writing, being a date not later than 21 days after the offer date. The directors of the Company may at their discretion determine the specific exercise period which should expire in any event no later than the last day of the ten year period after the date of grant of the share options. The exercise price is determined by the directors of the Company and will not be less than the highest of: (a) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Company's shares on the offer date; (b) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (c) the nominal value of the Company's shares.

The maximum number of shares which may initially be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Company's shares in issue at the time dealings in the Company's shares first commence on the Stock Exchange, i.e. 640,000,000 shares.

No share options were granted since the Adoption Date to 31 December 2023.

31. RETIREMENT BENEFIT SCHEMES

Defined contribution plan

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employees.

The Group also participates in a state-managed defined contribution retirement scheme organised by the relevant local governmental authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme for the eligible employees at specified percentage of the payroll and the local governmental authority is responsible for the pension liabilities to these employees upon their retirement.

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the year, the total amounts contributed by the Group to the schemes and cost charged to the profit or loss represents contributions paid/payable to the schemes by the Group at rates specified in the rules of the schemes.

The retirement benefits scheme contribution expense recognised by the Group amounted to HK$2,706,000 (2022: HK$1,707,000) during the year ended 31 December 2023.

Defined benefit plan

Obligation to pay LSP under Hong Kong Employment Ordinance (Chapter 57)

For the Group's subsidiaries operating in Hong Kong, pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay Long Service Payment ("LSP") to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) × 2/3 × Years of service

Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof, for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement").

31. RETIREMENT BENEFIT SCHEMES *(Continued)*

Defined benefit plan *(Continued)*

The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Abolition will officially take effect on the Transition Date (i.e. 1 May 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date and the years of service up to that date. The Amendment Ordinance has insignificant impact on the Group's LSP liability with respect to employees that participate in MPF Scheme.

32. RELATED PARTY TRANSACTIONS

(a) Related party balances and transactions

Other than the outstanding balance with the associate disclosed in the consolidated statement of financial position and note 23, the Group has the following transactions and balances with its related parties during the current and prior years:

Relationships	Nature of balances/transactions	2023 HK$'000	2022 HK$'000
Related parties			
Star Alliance Holdings Limited	Interest expense on lease liabilities	**154**	102
(note)	Lease liabilities	**1,978**	5,262

Note: As at 31 December 2023 and 2022, Star Alliance Holdings Limited is owned as to 25% each by Ms. Lau, Mr. Stephen Tung, Mr. Stanley Tung and the late Mr. TH Tung, who are also controlling shareholders of the Company.

32. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of directors and key management personnel

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Salaries and other allowances	**10,749**	13,889
Retirement benefit scheme contributions	**72**	72
Other benefits (note)	**1,536**	1,574
	12,357	15,535

Note:

Other benefits represent the estimated money value of rentals for a director's quarter. During the year ended 31 December 2023, depreciation of right-of-use assets in relation to these non-monetary benefits amounted to HK$1,479,000 (2022: HK$1,536,000).

The remuneration of directors and key management personnel are determined having regard to the performance of the individuals and contribution to the Group.

33. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net cash, which includes bank borrowings and lease liabilities, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group review the capital structure regularly. As part of this review, the management of the Group consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December	
	2023	2022
	HK$'000	HK$'000
Financial assets:		
Financial assets at amortised cost	**76,665**	111,685
Financial asset at FVTPL	**21,745**	21,094
Financial liabilities:		
Financial liabilities at amortised cost	**49,765**	53,478
Lease liabilities	**3,431**	9,026

(b) Financial risk management objectives and policies

The Group's financial instruments mainly include trade and other receivables, amount due from an associate, financial asset at FVTPL, cash and cash equivalents, trade and other payables, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk and interest rate risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

The Group's exposure to foreign currency risk related primarily to trade and other receivables, amount due from an associate, financial asset at FVTPL, cash and cash equivalents, trade and other payables, lease liabilities and bank borrowings that are denominated in RMB and HK$. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

***(i) Currency risk** (Continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	RMB	
	Assets HK$'000	**Liabilities** HK$'000
As at 31 December 2023	**5,215**	**7,203**
As at 31 December 2022	11,693	7,401

	HK$	
	Assets HK$'000	**Liabilities** HK$'000
As at 31 December 2023	**37,842**	**30,040**
As at 31 December 2022	43,457	32,251

Sensitivity analysis

The management of the Group considers that the exposure of US$ against HK$ is limited as HK$ is pegged to US$ and the Group is mainly exposed to the currency risk of RMB against US$ during the year. The following table details the Group's sensitivity to a 5% (2022: 10%) increase and decrease in RMB against US$. 5% (2022: 10%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year end for a 5% (2022: 10%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss where RMB weakened 5% (2022: 10%) against US$. For a 5% (2022: 10%) strengthening of RMB against US$, there would be an equal and opposite impact on the profit or loss.

	At 31 December	
	2023 **HK$'000**	2022 HK$'000
Decrease (increase) in post-tax loss for the year	**99**	(365)

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures do not reflect the exposure during the year.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances and variable rate bank borrowings due to the fluctuation of the prevailing market interest rates. Currently, the Group does not have a specific policy to manage its interest rate risk in respect of the variable rates bank borrowings, but the management will closely monitor interest rate exposures and consider hedging significant interest rate risk should the need arise.

As disclosed in note 27, the Group's variable rate bank borrowings are linked to HIBOR.

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank borrowings linked to HIBOR will continue till maturity and hence not subject to transition.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis points (2022: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates for each of the years ended 31 December 2023 and 2022.

If interest rate had been 50 basis points (2022: 100 basis points) higher/lower for variable-rate interest bearing liabilities and all other variables were held constant, the Group's post-tax loss for the year would increase/decrease by HK$121,000 (2022: HK$262,000).

Credit risk and impairment assessment

As at 31 December 2023 and 2022, the carrying amounts of the financial assets as stated in the consolidated statement of financial position best represent the Group's maximum exposure to credit risk, which will cause financial loss to the Group due to failure to discharge obligations by the counterparties. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that settlement of most of trade receivables are backed by bills issued by reputable financial institutions.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because the counterparties are banks with high credit rating and good reputation.

The Group has concentration of credit risks as 36.66% and 35.11% of the total trade receivables was due from one of the Group's customers, and 48.98% and 75.31% of the total trade receivables was due from five of the Group's customers, as at 31 December 2023 and 2022, respectively.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer credit quality and define credit limits by customers. Credit limits contributed to customers and credit term granted to customer are reviewed regularly. The team also develops/maintains the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group only accepts bills issued or guaranteed by reputable Hong Kong banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the bills is insignificant. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit rating information is provided by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and the Group's own trading records to rate its customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Trade receivables are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings and assessed on collective basis, except for trade receivables which are backed by bills that are assessed for ECL individually.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers *(Continued)*

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

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Very low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — Not credit-impaired	12-month ECL
Low risk	Debtor frequently repays after due dates but usually settles in full	Lifetime ECL — Not credit-impaired	12-month ECL
Fair risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — Not credit-impaired	Lifetime ECL — Not credit-impaired
Substantial risk	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers *(Continued)*

The following table provides information about the exposure to credit risk for trade receivables which are subject to ECL assessment and assessed on collective basis:

Internal credit rating	Default rate	Carrying amounts HK$'000	Loss allowance HK$'000	Net amounts HK$'000
As at 31 December 2023				
Very low risk	**0.11%**	**2,914**	**3**	**2,911**
Low risk	**2.10%**	**1,982**	**42**	**1,940**
Fair risk	**22.59%**	**95**	**21**	**74**
Substantial risk	**52.20%**	**97**	**51**	**46**
Total		**5,088**	**117**	**4,971**
As at 31 December 2022				
Very low risk	0.10%	2,750	3	2,747
Low risk	2.15%	5,888	127	5,761
Fair risk	22.67%	63	13	50
Substantial risk	51.65%	71	37	34
Total		8,772	180	8,592

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers *(Continued)*

As at 31 December 2023, trade receivables with gross amount of HK$8,432,000 (2022: HK$9,737,000) which are backed by bills are assessed individually and allowance provided is insignificant.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2022	504	191	695
Recognised to profit or loss, net	(361)	(154)	(515)
As at 31 December 2022	**143**	**37**	**180**
Recognised to profit or loss, net	**(77)**	**14**	**(63)**
As at 31 December 2023	**66**	**51**	**117**

Other financial assets subject to ECL assessment

For other receivables with gross carrying amount of HK$8,311,000 (2022: HK$8,453,000), the Group has applied the general approach in HKFRS 9 to measure the loss allowance approximate to such at 12m ECL, since the directors of the Company did not expect any significant increase in credit risk. The ECL on other receivables are assessed collectively, which is based on the counterparties' past due history and current past due exposure and taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. The directors of the Company considered the internal credit rating of these items is either very low risk or low risk. Thus, credit risk of these items is insignificant and no impairment was provided on these items at the year end.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

Amount due from an associate

As at 31 December 2023 and 2022, amount due from an associate amounts to HK$616,000. The directors of the Company considered the credit risk of this amount is insignificant and no impairment was provided on this balance at 31 December 2023 and 2022.

Cash and cash equivalents

For Cash and cash equivalents, since they are deposited with reputable banks of good credit quality, the directors of the Company considered the credit risk of these items is insignificant and no impairment was provided on these balances at 31 December 2023 and 2022.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2023						
Trade and other payables	**–**	**13,297**	**7,468**	**–**	**20,765**	**20,765**
Bank borrowings	**6.82**	**29,000**	**–**	**–**	**29,000**	**29,000**
Lease liabilities	**4.62**	**1,347**	**2,144**	**–**	**3,491**	**3,431**
		43,644	**9,612**	**–**	**53,256**	**53,196**
As at 31 December 2022						
Trade and other payables	–	5,652	16,465	–	22,117	22,117
Bank borrowings	5.61	31,361	–	–	31,361	31,361
Lease liabilities	4.52	1,499	4,293	3,491	9,283	9,026
		38,512	20,758	3,491	62,761	62,504

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2023, the aggregate carrying amounts of these bank borrowings amounted to HK$29,000,000 (2022: HK$31,361,000). Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements and accordingly, the aggregate principal and interest cash outflows will amount to HK$29,353,000 (2022: HK$31,593,000), details of which are set out in the table below:

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

Maturity analysis — Bank loans with a repayment on demand clause based on scheduled repayments

	Less than 3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
31 December 2023	**29,165**	**188**	**–**	**29,353**	**29,000**
31 December 2022	22,242	9,351	–	31,593	31,361

The amounts included above for variable rate instruments are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

The below tables summarised the financial instruments measured at fair value on a recurring basis:

Financial instrument	Fair value as at 31 December 2023 HK$'000	Fair value as at 31 December 2022 HK$'000	Fair value hierarchy	Valuation techniques and significant key or unobservable inputs
Financial asset at FVTPL	**21,745**	21,094	Level 3	Assets based approach in which the underlying property is valued by income capitalisation method. The key unobservable input is reversionary yield and reversionary rental. (Note)

Note: A slight increase in the reversionary yield used in valuation would result in significant decrease in the fair value of the financial asset at FVTPL.

There were no transfers into or out of Level 3 during the years ended 31 December 2023.

34. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

Reconciliation of Level 3 fair value measurement of financial asset

	HK$'000
Balance at 31 December 2022	21,094
Unrealised fair value change recognised in profit or loss	651
Balance at 31 December 2023	**21,745**

Valuation processes

Financial asset at FVTPL is measured at fair value for financial reporting purposes. The appropriate valuation techniques and inputs for fair value measurement are determined by the directors of the Company.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages an independent qualified valuer to perform the valuation when considered necessary. The directors of the Company work closely with the independent qualified valuer to establish the appropriate valuation techniques and inputs to the model. The directors of the Company review the cause of fluctuations in fair value of the assets and liabilities semi-annually.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities of the Group measured at amortised cost in the consolidated financial statement at the end of each reporting period approximate their fair values.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	1 January 2023 HK$'000	Financing cash flows HK$'000	Leases HK$'000	Interest expenses HK$'000	31 December 2023 HK$'000
Bank borrowings	**31,361**	**(4,065)**	**–**	**1,704**	**29,000**
Lease liabilities	**9,026**	**(5,880)**	**–**	**285**	**3,431**
Total	**40,387**	**(9,945)**	**–**	**1,989**	**32,431**

	1 January 2022 HK$'000	Financing cash flows HK$'000	Leases HK$'000	Interest expenses HK$'000	31 December 2022 HK$'000
Bank borrowings	47,978	(17,818)	–	1,201	31,361
Lease liabilities	4,961	(6,536)	10,419	182	9,026
Total	52,939	(24,354)	10,419	1,383	40,387

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 December	
	2023	2022
	HK$'000	HK$'000
Non-current assets		
Interest in a subsidiary	**4**	4
Amounts due from subsidiaries	**113,922**	115,021
	113,926	115,025
Current assets		
Prepayments, deposits and other receivables	**193**	207
Cash and cash equivalents	**10,585**	10,109
	10,778	10,316
Net assets	**124,704**	125,341
Capital and reserves		
Share capital	**6,400**	6,400
Reserves	**118,304**	118,941
Total equity	**124,704**	125,341

Movements in the Company's reserves

	Share premium HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
Balance at 1 January 2022	141,986	(21,944)	120,042
Loss and total comprehensive expense for the year	–	(1,101)	(1,101)
Balance at 31 December 2022	141,986	(23,045)	118,941
Loss and total comprehensive expense for the year	–	(637)	(637)
Balance at 31 December 2023	141,986	(23,682)	118,304

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the principal wholly-owned subsidiaries held by the Company as at 31 December 2022 and 2021 are set out below.

Name of subsidiary	Principal activity	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid up share capital/ registered capital
Indirectly:			
H.W. Textiles Co., Limited	Design, trading of denim fabric and investment holding	Hong Kong	HK$1,500,000
Kingstead Industrial Limited	Trading of denim fabric and investment holding	Hong Kong	HK$100,000
Zhongshan Hing Tak Weaving and Dyeing Limited 中山興德紡織漿染有限公司*	Manufacturing and trading denim fabric	The PRC	HK$25,000,000
Zhongshan Hing Shing Finishing and Dyeing Limited 中山市興盛漿染整理有限公司*	Provision of sizing, dyeing and finishing services on denim fabric	The PRC	HK$35,000,000

* : The subsidiary is a wholly foreign owned enterprise established in the PRC. The English name of the entity is for identification only. The official name of the entity is in Chinese.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets 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 issued any debt securities at the end of the year.

Financial Summary

The following table summarises the consolidated results, assets and liabilities of the Group for the five years ended 31 December:

	2023 **HK$'000**	**2022** **HK$'000**	2021 HK$'000	2020 HK$'000	2019 HK$'000
Results					
Revenue	**162,884**	245,176	362,999	255,443	506,257
(Loss) profit before tax	**(43,268)**	(55,069)	(12,009)	(42,654)	8,260
Income tax credit (expense)	**5,468**	5,107	102	1,622	(2,992)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company	**(37,800)**	(49,962)	(11,907)	(41,032)	5,268
Assets					
Non-current assets	**152,572**	163,548	147,886	149,158	152,848
Current assets	**190,611**	230,869	356,126	369,514	440,529
Total assets	**343,183**	394,417	504,012	518,672	593,377
Liabilities					
Non-current liabilities	**(8,928)**	(12,528)	(10,399)	(10,160)	(8,166)
Current liabilities	**(58,583)**	(68,417)	(130,179)	(133,171)	(163,718)
Total liabilities	**(67,511)**	(80,945)	(140,578)	(143,331)	(171,884)
Capital and reserves					
Equity attributable to owners of the Company and total equity	**275,672**	313,472	363,434	375,341	421,493
Current ratio (current assets/current liabilities)	**3.25**	3.37	2.74	2.77	2.69
Gearing ratio (total bank borrowings, lease liabilities, obligations under finance lease/total equity)	**11.8%**	12.9%	14.6%	19.8%	17.5%

The results of the Group for the financial year ended 31 December 2023 and its assets and liabilities as at 31 December 2023 are set forth on pages 40 to 106 and are presented on the basis set out in note 3 to the consolidated financial statements.

Corporate Information

EXECUTIVE DIRECTORS
Mr. Tung Wai Ting Stephen
Mr. Tung Cheuk Ming Stanley

NON-EXECUTIVE DIRECTOR
Ms. Lau Chung Chau *(Chairlady)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Tsang Ling Bin Gilbert
Mr. Cheung Che Kit Richard
Mr. Wong Ming Bun David

COMPANY SECRETARY
Mr. Cheung Ka Chun

AUDIT COMMITTEE
Mr. Tsang Ling Biu Gilbert *(Chairman)*
Mr. Cheung Che Kit Richard
Mr. Wong Ming Bun David

REMUNERATION COMMITTEE
Mr. Wong Ming Bun David *(Chairman)*
Mr. Cheung Che Kit Richard
Mr. Tung Wai Ting Stephen

NOMINATION COMMITTEE
Mr. Wong Ming Bun David *(Chairman)*
Mr. Cheung Che Kit Richard
Mr. Tung Cheuk Ming Stanley

AUTHORISED REPRESENTATIVES
Mr. Tung Wai Ting Stephen
Mr. Cheung Ka Chun

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