Since 1956

Pegasus International Holdings Limited
創信國際控股有限公司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
(Stock Code 股份代號：676)

ANNUAL REPORT 2025 年報

CONTENTS

2	CORPORATE INFORMATION
3	CHAIRMAN'S STATEMENT
5	MANAGEMENT DISCUSSION AND ANALYSIS
6	CORPORATE GOVERNANCE REPORT
17	ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
64	AUDIT COMMITTEE REPORT
65	BIOGRAPHICAL DATA OF DIRECTORS AND SENIOR MANAGEMENT
67	DIRECTORS' REPORT
73	INDEPENDENT AUDITOR'S REPORT
79	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
81	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
83	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
84	CONSOLIDATED STATEMENT OF CASH FLOWS
96	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
150	FINANCIAL SUMMARY

CORPORATE INFORMATION

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

BUSINESS REVIEW

The Group operates a leasing business, which provides a recurring revenue stream to the Group. The industrial park of the Group is located at a strategic location at Nansha, the PRC, with proximity to high-speed rail, enhancing its attractiveness to tenants. The industrial park has a total leasable area of over 340,000 square meters, comprising factory buildings and dormitories.

The business model for this business segment is efficient, as tenants typically undertake their own fit-out, requiring minimal management overhead from the Group. The Group provides property management services, compassing site security, regular maintenance of infrastructure and daily cleaning of common areas. The Company also provides several value-added services to its tenants. These include operating its own wastewater treatment plant with a daily capacity of 6,000 tons, for which the Group charges tenants a separate treatment fee. The Group also supplies and maintains high and low-voltage electrical equipment for tenant use, billing them for associated costs. Furthermore, the industrial park is equipped with backup diesel generators of various capacities. In the event of a power grid outage, the Group could provide emergency electricity supply for a fee, ensuring uninterrupted operations within the industrial park.

There are currently certain prospective tenants for the lease of several factory units, dormitory buildings and the vacant land. However, due to the large-scale conflict in the Middle East in early 2026, heightened market uncertainty has led tenants to request additional time to assess future economic impacts. The Group remains committed to ongoing negotiations to finalise these lease agreements.

The Company aims to continue to attract new tenants for its leasing business through exploring cooperation with the local government authorities, including Nansha District Committee of the Chinese People's Political Consultative Conference (南沙區政協), District Bureau of Development and Investment Promotion (區開發投資促進局), and organization such as Taiwanese Business Association (台商協會), to potentially redevelop the area into a new high-tech industrial park and solicit tenants from high-tech industries. The Company took the initiative to host "秋蘊欖核•產聚新程" 2025年欖核鎮招商推介會 in October 2025, where more than 100 companies have participated in the introduction meeting. The guests have conducted site visits at the Company's industry park and attended management's presentation to introduce the industry park. The introduction meeting was a key platform to showcase the facilities of the industry park and attract target tenants. The Company has also conducted certain upgrades of its facilities to attract new tenants e.g. upgrade of the elevators for the key buildings and waste water treatment plant.

PROSPECT

The persistence of trade protectionism and import tariffs shows no signs of easing, posing a devastating challenge to the export business. We anticipate that these conditions will not improve in 2026, and the operating environment for the export business will remain extremely severe in the coming year. In response to these market dynamics, the Group has made the decision to temporarily suspend production activities and will monitor market conditions over the next one to two years for signs of improvement.

CHAIRMAN'S STATEMENT

Furthermore, geopolitical instability continues to weigh on the global outlook. While the conflict between Russia and Ukraine remains unresolved, new disputes have emerged in the Middle East; the number of participating countries and the scale of these conflicts are rarely seen in recent years. This has led to a more pessimistic economic forecast and a simultaneous decline in the China property market. Consequently, the fair value decrease of investment properties this year approximates US$4.4 million in the current year. However, as this is a non-cash accounting adjustment, the Board believes it will not have a any impact on the Group's actual operations. As previously mentioned, the Group is actively seeking new tenants through various channels and is currently in negotiations with several interested parties for new leases, aiming to generate additional value for the Group.

The Group's financial position remains very healthy, with bank balances and cash (excluding pledged bank deposits) standing at approximately US$8 million. During these challenging times, we remain committed to a prudent financial management style while actively seeking new opportunities for growth.

APPRECIATION

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

By Order of the Board
Wu Chen San, Thomas
Chairman

Hong Kong, 30 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2025, the Group recorded a revenue of US$2,621,000 (2024: US$5,867,000) representing 55.3% decrease comparing to 2024.

Loss before taxation of the Group for the year ended 31 December 2025 was US$5,418,000 (2024: loss before taxation of US$1,756,000), a decrease of US$3,662,000 as compared to the corresponding period in 2024. After accounting for income taxes credit of US$1,097,000 (2024: income tax credit of US$696,000), resulted a loss after taxation of US$4,321,000 (2024: loss after taxation of US$1,060,000). Basic loss per share for the year ended 31 December 2025 was 0.59 US cents (2024: basic loss per share 0.15 US cents). Gross margin changed to 59.1% in this year. In addition, the Group continued to exercise tight cost control and implemented policies to improve efficiency.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its business needs with internal cash flows. Since the global finance crisis couple of years ago, the Group put great effort to maintain a healthy and strong financial position, and the main focus was cash flow management. Trade receivables were reviewed regularly, and trade payables were scheduled to match our cash flow pattern. Spending, capital expenditure, other than necessary, were greatly controlled. As at 31 December 2025, the Group had cash and cash equivalent of US$7,930,000 (2024: US$8,651,000). As at 31 December 2025, the Group raised a new bank borrowings of US$2,582,000, the management considered that current ratio is a better indicator to reflect the Group's financial position. The current ratio of 5.9 (2024: 5.4) times was derived by the total current assets of US$13,814,000 (2024: US$12,384,000) divided by the total current liabilities of US$2,332,000 (2024: US$2,310,000) as at 31 December 2025.

CAPITAL EXPENDITURE

For the year ended 31 December 2025, the Group incurred US$109,000 in capital expenditure, of which was used in acquisition and replacement of plant and machinery.

EMPLOYEES AND REMUNERATION POLICIES

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

CORPORATE GOVERNANCE REPORT

A. CORPORATE GOVERNANCE PRACTICES

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

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

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

The Company has applied the Principles of Good Corporate Governance and has fully complied with all requirements as set out in the code provisions of Appendix C1 Corporate Governance Code (the "Code") of the Main Board Listing Rules of The Hong Kong Stock Exchange Limited throughout the year ended 31 December 2025.

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

B. BOARD OF DIRECTORS

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

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

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

The Board is composed of five executive directors and three independent non-executive directors.

B. BOARD OF DIRECTORS (CONTINUED)

Executive directors:

Mr. Wu Chen San, Thomas *(Chairman)*

Mr. Wu Jenn Chang, Michael *(Duty Chairman)*

Mr. Wu Jenn Tsong, Jackson

Mr. Ho Chin Fa, Steven

Ms. Wu Meng Lung

Independent non executive directors:

Mr. Lai Jenn Yang, Jeffrey

Mr. Huang Hung Ching

Mr. Wu Wen Yen

The biographical details of the directors are set out in "Biographical Data of Directors and Senior Management" section of the Annual Report. Mr. Wu Chen San, Thomas, Mr. Wu Jenn Chang, Michael and Mr. Wu Jenn Tzong, Jackson are brothers. Ms. Wu Meng Lung is a daughter of Mr. Wu Jenn Tzong, Jackson, and the niece of Mr. Wu Chen San, Thomas and Mr. Wu Jenn Chang, Michael. Save as disclosed herein, none of the members of the Board are related to one another.

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

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

B. BOARD OF DIRECTORS (CONTINUED)

The attendance record of each director at the aforesaid meetings in 202 5 is set out below:

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

All the directors attended the Annual General Meeting held on 29 May 2025.

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

	Types of training
Executive Directors	
Mr. Wu Chen San, Thomas	Regulatory update/business operation related
Mr. Wu Jenn Chang, Michael	Regulatory update/business operation related
Mr. Wu Jenn Tzong, Jackson	Regulatory update/business operation related
Mr. Ho Chin Fa, Steven	Regulatory update/business operation related
Ms. Wu Meng Lung	Regulatory update/business operation related
Independent Non-executive Directors	
Mr. Huang Hung Ching	Financial related
Mr. Lai Jenn Yang, Jeffrey	Business operation related
Mr. Wu Wen Yen	Business operation related

C. CHAIRMAN AND CHIEF EXECUTIVE

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

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

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

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

D. INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors of the Company were appointed for specific terms, and are subject to retirement by rotation in accordance with the Bye-laws of the Company.

Upon further appointment of independent non-executive director serves more than 9 years, details will be given to shareholders accompanying that resolution to explain the independence.

E. BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

THE NOMINATION COMMITTEE

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

The Nomination Committee held 2 meetings during the year to carry out 2 reviews of the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board and senior management, assist the Board in maintaining a board skills matrix and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The Nomination Committee also identifies individuals suitably qualified to become Board members of the Group and select or make recommendations to the Board on the selection of, individuals nominated for directorships, on the basis of their qualifications, skill and business experience which the Directors consider will make a positive contribution to the Company.

E. BOARD COMMITTEES (CONTINUED)

THE REMUNERATION COMMITTEE

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

The Remuneration Committee held 2 meetings during the year to carry out annual and interim review of compensation packages for all directors of the Company.

The Remuneration Committee determined the remuneration packages of the Directors and senior management of the Company, and adopted the model of making recommendation to the Board on the remuneration packages of individual executive directors and senior management, with reference to the individual performance, financial status of the Company, and prevailing market conditions.

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

THE AUDIT COMMITTEE

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

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

The Committee reviewed and discussed with management and external auditors the consolidated financial statements for the year ended 31 December 2025 included in 2025 Annual Report. The Committee also reviewed and recommended to the Board approval of the unaudited financial statements for the six months ended 30 June 2025 prior to public announcement and filing. In the regard, the Committee had discussions with management with regard to new or changes in accounting policies as applied, and significant judgments affecting the Group consolidated financial statements.

The Committee also reviewed the risk management and internal control report for the year ended 31 December 2025 submitted by an independent professional advisor.

Please refer to the Audit Committee Report in this Annual Report regarding the work in the current year.

E. BOARD COMMITTEES (CONTINUED)

CORPORATE GOVERNANCE FUNCTIONS

The Board of Directors confirmed that corporate governance is collective responsibility of the Directors, which include the following key areas:

- Developing and reviewing the Company's policies and practices on corporate governance;
- Reviewing and monitoring the training and continuous professional development of Directors and senior management;
- Reviewing and monitoring the Company's policies and practices to ensure compliance with legal and regulatory requirements;
- Developing, reviewing and monitoring the code of conduct applicable to employees and Directors; and
- Reviewing the Company's compliance with the CG Code and the disclosures in the Corporate Governance Report set out in the annual report.

F. COMPANY SECRETARY

Mr. Lee Yiu Ming, the Company Secretary is an employee of the Company who has clear understanding of the Company's operation. Mr. Lee confirmed that he has taken no less than 15 hours relevant professional training during the year.

G. DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code set out in Appendix C3 of the Listing Rules regarding directors' dealings in securities. Directors have confirmed compliance with the Model Code throughout the year. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. No incident of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company.

H. RISK MANAGEMENT AND CONTROL

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

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

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

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

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

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

I. AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

The Audit Committee reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process.

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

	HK$'000
Audit services	1,300
Non-audit services (including tax services and other reporting services)	213
	1,513

J. DIVERSITY

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

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

Please refer to the Environmental, Social and Governance Report in this Annual Report regarding Workforce Diversity.

K. SHAREHOLDERS' RIGHT

a. How Shareholders can convene an extraordinary general meeting

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

b. The procedures for putting enquires to the Board

Shareholders may put enquiries to the Board:

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

(ii) by facsimile to 2317 4710

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

K. SHAREHOLDERS' RIGHT (CONTINUED)

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

A. *Proposal for election of a person as a Director*

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

(i) If a Shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of director(s), wishes to propose a person (other than the member himself/herself) for election as a director of the Company at that meeting, he/she can deposit a written notice at the Company's principal office in Hong Kong at Unit 807, 8/F, New Kowloon Plaza, 38 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon, Hong Kong for the attention of the board of directors of the Company (the "Board") or the company secretary of the Company (the "Company Secretary") or at the share registration office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.In order for the Company to inform all members of that proposal, the written notice must state the full name of the person proposed for election as a director of the Company, his/her biographical details as required by Rule 13.51(2) of The Rules Governing the Listing of Securities on Stock Exchange and be signed by the member concerned together with a written notice signed by the person proposed for election as a director indicating his/her willingness to be elected.

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

B. *Other proposal*

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

L. INVESTOR RELATIONS

Shareholders can make enquiries to the Board through the Company's website at www.pegasusinternationalholdings.com or in writing sent to the principal office of the Company at Unit 807, 8/F, New Kowloon Plaza, 38 Tai Kok Tsui Road, Kowloon, Hong Kong. The Directors, Company Secretary or other appropriate members of senior management respond to enquiries from shareholders promptly. The Company had reviewed the implementation and effectiveness of its shareholders' communication policy during the year ended 31 March 2025 and concluded that the shareholders' communication policy has been properly in place during the Year and is effective.

During the year ended 31 December 2025, there had not been any change in the Company's memorandum and articles of association.

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

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

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

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

N. DIRECTOR'S RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

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

INTRODUCTION

Scope and Reporting Period

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

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

The ESG Report summarises the approach and sustainability performance of the Group covering the operations of the head office in Hong Kong and the manufacturing facility in Guangdong for the financial year covering 1 January to 31 December 2025. This report follows the four reporting principles listed in the Environmental, Social, and Governance Guide:

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

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

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

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

INTRODUCTION (CONTINUED)

Stakeholder Engagement

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

Our Stakeholders and Engagement Channels

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

INTRODUCTION (CONTINUED)

2025 Materiality Assessment

As stakeholder expectations continue to evolve with changing market and environmental conditions, the Group refined its approach this year by conducting a targeted review building on the Group's existing materiality assessment. Through this exercise, the Group ensure that the ESG topics most material to the Group remain relevant, aligned with the Group's strategic objectives, and reflective of stakeholder interests. It also provides a foundation for shaping forward-looking business strategies that respond effectively to emerging trends and industry developments.

To carry out this streamlined review, the Group adopted a structured three-step process:

1. **Review of Material Topics:** The Group performed a comprehensive desktop review to assess the continued relevance of its existing ESG topics. The review incorporated insights from global sustainability frameworks, evolving regional regulations, peer benchmarking, and emerging market developments. Findings confirmed that the ESG topics identified previously remain fundamental to the Group's business operations and long-term strategy.

2. **Analysis:** The ESG topics of higher materiality were then examined to ensure they align with both the Group's sustainability ambitions and its stakeholders' priorities. This analysis strengthened the connection between ESG focus areas and the Group's strategic direction.

3. **Validation:** The Board subsequently reviewed and endorsed the ESG topics.

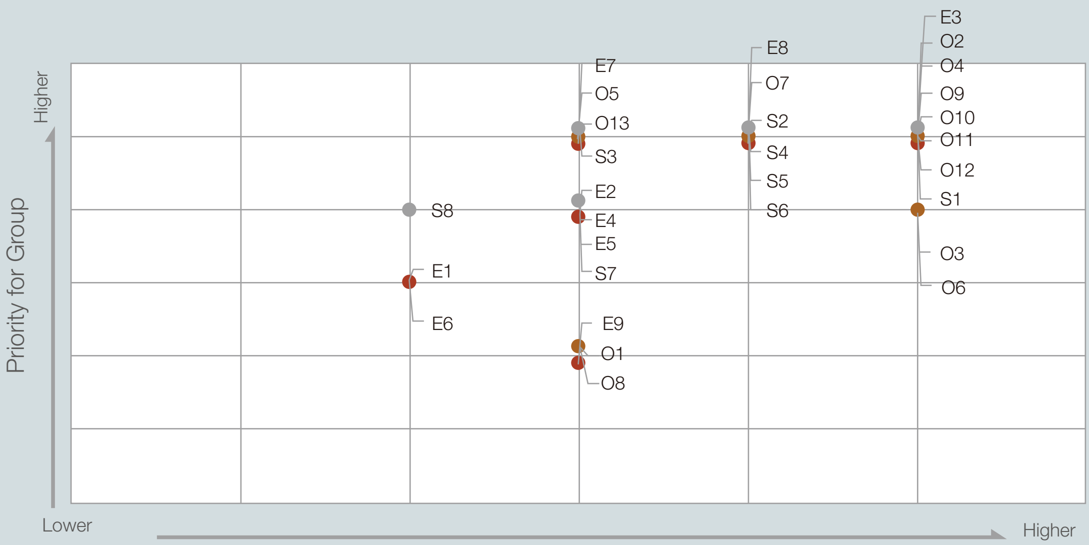
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION (CONTINUED)

2025 Materiality Assessment (Continued)

The following matrix illustrates the results of the materiality assessment:

MATERIALITY MATRIX



Significance to Stakeholders

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

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

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

INTRODUCTION (CONTINUED)

ESG Policy

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

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

ENVIRONMENT

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

The Group adheres to environmental laws and regulations relevant to its operations, including but not limited to the *Environmental Protection Law*, *Law on Prevention and Control of Atmospheric Protection* and *Law on Environmental Impact Assessment* of the PRC. The Group puts in a great effort in order to ensure its activities, including the manufacturing of products and delivery of services, are performed with minimum impact to public health and the environment. In addition, we have proactively established an in-house environmental management policy, which focuses on air and water emission control, in addition to waste management and energy efficiency management. In 2025, the Group did not receive any complaints nor was subjected to any violation investigations with regards it environmental performance.

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

ENVIRONMENT (CONTINUED)

Management of Climate-related Issues

Climate change poses complex challenges to the Group's business operations and supply chain. Rising exposure to extreme weather events, evolving regulatory requirements, and shifting consumer expectations are reshaping market conditions.

Governance

The Group acknowledges the challenges in transitioning to a low-carbon future, highlighting the importance of addressing carbon emissions and related environmental impacts from the Group's operations. The Board takes responsibility in overseeing all major matters of the group, including climate-related risks and opportunities, and ensuring adequate resources are allocated to advance the Group's climate strategy across its operations, while day-to-day management such as the implementation of the Group's ESG Policy are delegated to the Managing Director and senior management of the Group. To enhance the capabilities in overseeing climate-relate matters of the Group, both the Board and management are encouraged to participate in climate-related training programs and courses offered by HKEX and other professional bodies. Key ESG and climate-related matters, including risks and opportunities identified, are reported to the board for review on an annual basis, to ensure alignment with the Group's strategy, including decisions on major transactions, risk management processes, related policies, as well as the establishment and monitoring of targets and where applicable, the incorporation of performance metrics in remuneration policies related to climate-related risks and opportunities.

Strategy

Climate-related risks and opportunities evolve continuously and carry uncertainty as global climate patterns, policy directions, and socio-economic conditions change. Through strengthening the Group's risk assessment process, these climate-related risks and opportunities are integrated into the Group's strategic planning. In line with our ESG Policy and commitments, the Group has performed its first climate-related risks and opportunities identification and assessment based on industry research, peer benchmarking and discussions with internal stakeholders of the Group. This assessment evaluated the impact of climate-related risks and opportunities that could affect the Group's cash flow, access to finance, and cost of capital across three time horizons: short-term (2026–2027), medium-term (2028–2030), and long-term (2030–2050).

ENVIRONMENT (CONTINUED)

Management of Climate-related Issues (Continued)

Strategy (Continued)

The table below summarises one physical risk, three transition risks, and one opportunity identified as material to our business across these time horizons. For each item, potential impacts on the Group's business model and value chain are outlined, along with the actions the Group takes to mitigate risks and capture opportunities.

Climate risks identified	Time horizon	Effects on our business model and value chain	The Group's response
Physical Risk			
Typhoon, heavy rain, flooding, extreme heat	Medium to long-term	• Disruption to manufacturing operations and facilities leading to repair costs, production delays, increase contractual and operational risks • Damage to leased properties, incurring repair costs, rental income disruptions and potential liability claims • Climate-related disruptions may lead to operational delays and increases in contractual risks	• Closely monitor weather forecasts to ensure preparedness • Enhance employee preparedness and communication for extreme weather events • Increase property preparedness against extreme weather events • Diversify supply chain to increase flexibility and resilience against climate-related disruptions
Transition Risks			
Tightening environmental regulations	Short to medium-term	• Increases in climate-related regulatory requirements may raise compliance costs in data collection, verification and reporting • Design and manufacturing costs may arise from new product requirements • Possible increase in raw material and production costs from stricter supplier permits and controls	• Closely monitor and comply with evolving regulations on ESG reporting • Optimize production processes to reduce emissions • Ensure close communication and collaboration with suppliers to address any new requirements

ENVIRONMENT (CONTINUED)

Management of Climate-related Issues (Continued)

Strategy (Continued)

Climate risks identified	Time horizon	Effects on our business model and value chain	The Group's response
Adoption of low-carbon technologies	Short to medium-term	• Increased costs from integration of new low-carbon technologies • Increased cost from training programmes to increase capabilities of employees for new technologies	• Increase prioritisation of energy-efficient technologies
Reputational risk	Medium to long-term	• Failure to meet sustainability expectation may harm the Group's reputation and raise its cost of capital	• To promote stakeholder engagement and transparent communications through existing communication channels

Climate opportunities identified	Time horizon	Effects on our business model and value chain	The Group's response
Resource efficiency and low-carbon technology	Short to medium-term	• Advances in technology could streamline operations and increase resource efficiency. This reduces the emissions and operational expenses	• Prioritise consideration of sustainability and energy efficiency when making new investment decisions

ENVIRONMENT (CONTINUED)

Management of Climate-related Issues (Continued)

Strategy (Continued)

Business model and value chain

During the Reporting Period, the current effects of the above climate-related risks and opportunities on our business model and value chain are assessed. Based on our assessment, it is concluded that there are no material current effects, reflecting the effectiveness of our existing mitigation measures. To strengthen our climate risk management, the Group plans to assess its capabilities in conducting climate scenario analysis, to better understand the potential anticipated effects of climate-related risks and opportunities on its business model and value chain, and to inform targeted actions to strengthen the Group's climate resilience.

Strategy and decision-making

These climate-related risks and opportunities identified are integrated into the Group's business strategy and decision-making process, through the integration of climate-related considerations across its operations. In short to medium term, the Group will prioritise sustainable manufacturing and enhance supply chain resilience to climate-related disruptions.

The Group is also strengthening its capabilities to manage climate-related risks and opportunities, including assessing its readiness to develop a climate transition plan. While no standalone plan or formal climate targets are currently in place, the Group actively explores ways to enhance its production facilities and reduce energy consumption.

The Group allocates sufficient internal resources to execute climate-related initiatives and strategic adjustments towards a low-carbon economy. These resources support ongoing transition activities while enabling long-term growth amid evolving climate policies and market trends, with plans to further expand these measures as regulatory expectations advance.

Financial position, financial performance and cash flows

The Group acknowledges that climate-related risks and opportunities may have both current and anticipated influences on its financial performance, cash flows, and position. In this Reporting Period, the financial implications of the identified climate-related risks and opportunities have been evaluated. With a resilient supply chain and manufacturing lines, currently there are no material financial effects experienced by the Group. To the best of the Group's knowledge, there are also no significant adjustments to the carrying amounts of assets or liabilities anticipated in the next reporting period from climate-related factors.

Looking ahead, the Group intends to enhance its understanding of anticipated financial impacts by exploring its capabilities in quantitative climate scenario analysis. These analyses will assess potential changes to the Group's financial position and evaluate climate-related effects on performance and cash flows, while also testing the resilience of the Group's strategy, business model, and value chain against climate-related uncertainties. In the interim, the Group will continue to strengthen its internal expertise and monitor evolving market practices and methodologies to support effective scenario analysis in future periods.

ENVIRONMENT (CONTINUED)

Management of Climate-related Issues (Continued)

Risk Management

Climate-related risks and opportunities are integrated into the Group's risk management framework. Through this integrated approach, the Group seeks to mitigate climate-related risks across its operations, strengthen knowledge through collaboration with industry partners, and embed a culture of climate risk awareness throughout the Group. In 2025, the Group has identified climate-related risks and opportunities, drawing on industry research and peer benchmarking. This assessment establishes a baseline against which the Group will monitor progress and refine its approach in subsequent reporting periods.

To assess and prioritize these identified risks, a set of standard criteria is used. Risk mitigation plans are then established for those risks considered to be significant. These climate-related risks are also continuously monitored through our risk management processes to ensure the embedding of climate considerations into the Group's objectives and systems. The effectiveness of this risk management process is reviewed regularly, with updates made in future reporting periods as needed.

To ensure continuous improvement, the Group also intends to evaluate the integration of climate scenario analysis into future assessments of risks and opportunities. This will strengthen the resilience of our climate risk management framework by providing further insights into potential future impacts and enabling more robust strategic planning.

Metrics and Targets

During the Reporting Year, the total greenhouse gas (GHG) emissions amounted to 297, showing a decrease of 43% from 2024, due to a decrease in production activities in this reporting period. Additionally, the Group has made progress in improvement of its Scope 3 disclosures. In this reporting period, the Group has expanded to included Category 5: Waste Generated in Operations.

Greenhouse Gas Emissions	**Emissions (tCO_2e)**
Scope 1	0
Scope 2[1]	293
Scope 3	4
Total	297
GHG Emission Intensity (per 1,000 US$ revenue)	0.11

1 GHG emissions are calculated using the location-based method. Scope 2 GHG emissions associated with the electricity purchased in Hong Kong are provided by the corresponding electricity providers. The specific emission factors are available from CLP's sustainability report 2024. For electricity purchased from China, reference is made to the National Baseline Grid Emission Factor in China 2024 by the Ministry of Ecology and Environment of the PRC.

ENVIRONMENT (CONTINUED)

Management of Climate-related Issues (Continued)

Metrics and Targets (Continued)

Scope 3 Greenhouse Gas Emissions	Emissions (tCO_2e)
Category 5: Waste Generated in Operations[2]	4
Sum	4

To calculate carbon emissions, the Group relies on primary activity data, including electricity consumption bills and fuel consumption records. Emission factors from the *Guidelines to Account For and Report on Greenhouse Gas Emissions and Removals* in Hong Kong, as well as electricity emission factors published by local governments and electricity providers, are applied. The main source of carbon emissions for the Group is purchased electricity, as fossil fuels were not consumed during our operations throughout the year.

The Group has explored various measures to reduce its overall carbon footprint associated with daily operations. To align with the national ambition of progressing towards a net-zero society, the Group strives to reduce its carbon emissions. To attain this goal, the Group will optimise its production lines and implement automation upgrades to enhance production efficiency and reduce energy consumption.

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

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

2 This includes emissions relating to the third-party treatment and disposal of waste produced. Emission factors from the UK Government GHG Conversion Factors for Company Reporting 2025 are used.

ENVIRONMENT (CONTINUED)

Air Emission

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

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

Sources of air emission: factory

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

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

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

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

ENVIRONMENT (CONTINUED)

Waste Management

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

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

Total Waste Production

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

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

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

As a result of its comprehensive waste reduction measures, the Group generated a total of 0.72 tonnes of hazardous waste, showing a 60% decrease from the previous year. Due to minimal production-related activities during this reporting period, no non-hazardous waste or packaging material consumption was recorded.

ENVIRONMENT (CONTINUED)

Use of Resources and Conservation Practices

To enhance the Group's management of energy and resource consumption, the "Energy and Resources Management Guidelines" were established in 2017. As a component of the Group's resource management strategy, daily inspections of energy and resource consumption have been carried out, and the results are consistently monitored to minimise waste. Policies promoting the efficient use of resources, including energy, water, and other raw materials, are in effect and communicated to staff members as part of their training requirements. These policies are regularly reviewed and updated to facilitate ongoing improvements.

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

Energy

The Group's total electricity consumption during the reporting period is 510,127 kWh, the energy intensity by electricity consumption is reported at 194.63 kWh/US$1,000 revenue generated in 2025.

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

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

The Group will continue increasing its efforts in the areas of environmental management and resource conservation, and strive to reduce its energy consumption, with reduction efforts focusing on energy efficiency enhancements.

ENVIRONMENT (CONTINUED)

Use of Resources and Conservation Practices (Continued)

Water

The Group recorded a water consumption of 12,668 m^3 during the reporting period, The Group will continue to enforce its water conservation efforts and existing water-saving policy – the "Water Resources Management Policy".

Regarding the wastewater generated by the Group's operations, it has continued its efforts in reducing the volume of sewage discharge during the reporting period. The Group has established "Wastewater Pollution Control Management Guidelines" for sewage treatment and water recycling management. Prior to discharge, the Group processes its wastewater at onsite water treatment facilities before final discharge, reducing chemical organic demand ("COD"), suspended solids ("SS"), biochemical oxygen demand ("BOD"), ammonia nitrogen ("NH3-N") and phosphate to levels in compliance with local emission limits.

The amount of sewage generated for the Group is 11,401 m^3 for the year. And the water consumption intensity was at 4.83 m^3/US$1,000 revenue generated.

The Group aims to reduce its water consumption intensity through increasing use of water recycling.

ENVIRONMENT (CONTINUED)

Environmental Performance

Category	Unit	2025	2024
Energy Consumption[3]			
Total Energy Consumption	GJ	1,836	4,261
Petrol Consumption	GJ (L)	–	–
Electricity Consumption	GJ (kWh)	1,836 (510,127)	4,261 (1,183,683)
Total Consumption Intensity	GJ/1,000 US$ revenue	0.70	0.73
Greenhouse Gas ("GHG") Emissions			
Total GHG Emissions	tCO_2e	297	525
Scope 1 – Direct Emissions	tCO_2e	–	–
Scope 2 – Energy Indirect Emissions	tCO_2e	293	520
Scope 3 – Other Indirect Emissions[4]	tCO_2e	4	5.03
Total GHG Emissions Intensity	tCO_2e/1,000 US$ revenue	0.11	0.09
Air Emissions			
Nitrogen Oxides ("NO_x") Emissions	kg	–	–
Sulphur Oxides ("SO_x") Emissions	kg	–	–
Particulate Matter Emissions	kg	–	–
Water Pollutants			
Chemical Oxygen Demand ("COD")	mg/L	12.5	23.00
Ammonia Nitrogen Emissions	mg/L	3.11	4.68
Suspended Solids Emissions	mg/L	9.75	12.00
Waste Management			
Total Hazardous Waste Produced	t	0.72	1.82
Total Non-hazardous Waste Produced	t	–	1.72
Total Hazardous Waste Intensity	kg/1,000 US$ revenue	0.28	0.31
Total Non-hazardous Waste Intensity	kg/1,000 US$ revenue	–	0.29
Total Wastewater Generation	m^3	11,401	12,736
Use of Resources			
Total Water Consumption	m^3	12,668	17,429
Total Water Consumption Intensity	m^3/1,000 US$ revenue	4.83	2.97
Packaging Materials			
Paper	t	–	1.01
Paper Boxes	t	–	8.00

3 The significant decrease in overall environmental data during the Reporting Period was due to the significant contraction of the Group's business of manufacturing and export sales of footwear products following the imposition of escalated tariffs by the U.S. government on goods produced in China, resulting in lower export activities.

4 Scope 3 emissions cover GHG emissions related to third-party treatment and disposal of waste produced.

SOCIAL

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

Employment and Labour Practices

The Group has established a comprehensive set of employment policies, including the "Attendance Management Policy", "Leave Policy", and "Payroll and Distribution Guideline". These policies cover key employment matters such as working hours, remuneration, employee benefits, holidays, and leave entitlements. All employees receive compensation above the statutory minimum wage. Overtime is voluntary, capped at three hours per day, and compensated at up to three times the standard wage rate.

Beyond statutory holidays, the Group provides a broad range of paid leave options, including annual, bereavement, marriage, maternity, paternity, sick, and compensation leave. Leave requests are reviewed and approved by management, with consideration given to production schedules, while exceptions are granted for personal circumstances such as marriage, bereavement, maternity, or injury. To further support employees during childbirth and recovery, maternity allowances are provided. In addition, the Group ensures full compliance with social welfare regulations in the PRC by offering social insurance and housing provident fund benefits to all staff.

To encourage excellence and accountability, the Group has implemented an "Award and Penalty System". Employees who demonstrate outstanding performance, responsibility, discipline, and serve as role models are recognized and rewarded with cash bonuses. Conversely, cases of serious misconduct or dishonest behaviour are addressed through appropriate disciplinary measures. This system reinforces a culture of integrity, motivates employees to strive for excellence, and upholds the highest standards of professionalism across the organization.

SOCIAL (CONTINUED)

Prevention of Forced and Child Labour

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

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

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

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

Equal Opportunity Employer

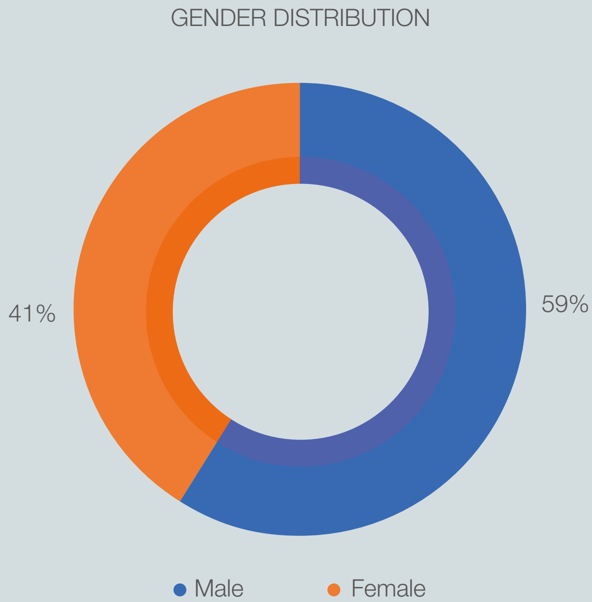
The Group is an equal opportunity employer and strictly prohibits any form of discrimination within the workplace. This extends to all aspects of employment, including the recruitment process, staff promotions, and remuneration. We firmly believe that employees should be evaluated solely on the basis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

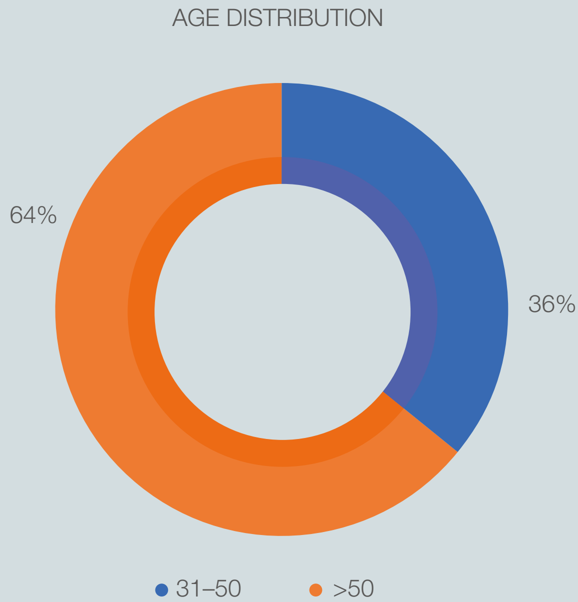
Our non-discrimination principle is consistently applied across all areas of human resource management. This includes ensuring fairness and equality in wages, benefits, promotions, training, discipline, dismissal, and retirement of our staff members. The Group strives to foster a work environment that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

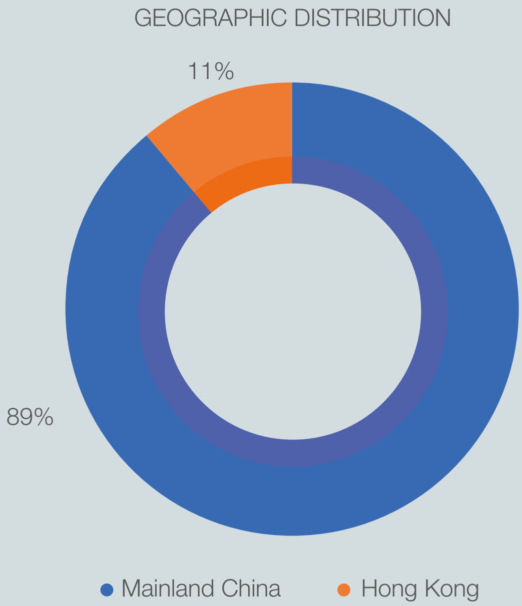
SOCIAL (CONTINUED)

Workplace Diversity

During the reporting year, the Group has 66 employees (48 full-time, 18 part-time). The current male-to-female ratio of our staff is 1:0.69. The following charts present data regarding the diversity of our staff members, in terms of gender and age distribution.







SOCIAL (CONTINUED)

Workplace Diversity (Continued)

Employee Category	Turnover Rate
Overall	35%
By Gender	
Male	17%
Female	18%
By Age	
31–50 years old	12%
Over 50 years old	23%
By Geographical Region	
Chinese Mainland	33%
Hong Kong	2%

Appraisal System and Termination of Employment

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

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

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

SOCIAL (CONTINUED)

Health and Safety

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

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

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

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

During the reporting period, the Group recorded zero work-related work injuries with a total of 34 lost days occurred, showing a reduction of 62.6% from the number of lost days occurred in 2024. Moving forward, the Group will continue to improve its work safety policies to target a zero-workplace injury.

	2025	2024	2023
Number of work-related fatalities	0	1	0
Rate of work-related fatalities	0	0.91%	0

Provision of Clean Potable Water

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

SOCIAL (CONTINUED)

Development and Training

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

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

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

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

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

SOCIAL (CONTINUED)

Development and Training (Continued)

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

Training Statistics	
Total Training Hours	
Male Employees	251
Female Employees	231
Senior Management Staff	55.51
Junior Staff	166
Average Training Hours	
Male Employees	6.44
Female Employees	8.56
Senior Management Staff	7.93
Junior Staff	6.64
Percentage Employees Trained	
Male Employees	31%
Female Employees	18%
Senior Management Staff	22%
Junior Staff	29%

Supply Chain Management

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

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

SOCIAL (CONTINUED)

Supply Chain Management (Continued)

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

Due to the imposition of escalated U.S. tariffs on goods manufactured in China, the Group's footwear manufacturing and export sales business contracted significantly, leading to reduced export activities. As a result, supplier-related activities are minimal during the reporting period.

Promoting the Use of Environmentally Preferred Materials

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

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

Product Quality Control

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

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

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

SOCIAL (CONTINUED)

Product Quality Control (Continued)

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

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

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

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

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

SOCIAL (CONTINUED)

Protection of Intellectual Property and Privacy

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

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

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

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

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

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

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

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

SOCIAL (CONTINUED)

Consumer Satisfaction

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

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

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

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

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

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

Product Recalls

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

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

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

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

SOCIAL (CONTINUED)

Anti-corruption

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

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

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

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

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

COMMUNITY

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

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

REPORT CONTENT INDEX

Material Aspect	Content	Section and Remarks
Mandatory Disclosure Requirements		
Governance Structure		
Board Statement	A disclosure of the board's oversight of ESG issues	Environment – Management of Climate-related Issues
	The board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses)	Environment – Management of Climate-related Issues
	How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses	Environment – Management of Climate-related Issues
Reporting Principles		
Description of the application of the Reporting Principles	**Materiality:** The ESG report should disclose: (I) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	Scope and Reporting Period
	Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.	Scope and Reporting Period
	Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	Scope and Reporting Period
Reporting Boundary		
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report	Scope and Reporting Period

REPORT CONTENT INDEX (CONTINUED)

"Comply or explain" Provisions

KPIs	HKEX ESG Reporting Code Requirements	Section and Remarks
A. Environmental		
Aspect A1	**Emissions**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment
KPI A1.1	The types of emissions and respective emissions data.	Environmental – Air Emission & Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental – Waste Management & Environmental Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental – Waste Management & Environmental Performance
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental – Air Emission
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental – Waste Management

REPORT CONTENT INDEX (CONTINUED)

"Comply or explain" Provisions (Continued)

KPIs	HKEX ESG Reporting Code Requirements	Section and Remarks
Aspects A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental – Use of Resources and Conservation Practices & Environmental Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental – Water & Environmental Performance
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental – Use of Resources and Conservation Practices
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental – Water
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental – Waste Management & Environmental Performance
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental – Use of Resources and Conservation Practices
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental – Use of Resources and Conservation Practices

REPORT CONTENT INDEX (CONTINUED)

"Comply or explain" Provisions (Continued)

KPIs	HKEX ESG Reporting Code Requirements	Section and Remarks
B. Social		
Employment and Labour Practices		
Aspect B1	**Employment**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Social
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Social – Workplace Diversity
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Social – Workplace Diversity
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Social – Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Year.	Social – Health and Safety
KPI B2.2	Lost days due to work injury.	Social – Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Social – Health and Safety

REPORT CONTENT INDEX (CONTINUED)

"Comply or explain" Provisions (Continued)

KPIs	HKEX ESG Reporting Code Requirements	Section and Remarks
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Social – Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social – Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social – Development and Training
Aspect B4	**Labour Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social – Prevention of Forced and Child Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Social – Prevention of Forced and Child Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Social – Prevention of Forced and Child Labour
Operating Practices		
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Social – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Social – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Social – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Social – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Social – Promoting the Use of Environmentally Preferred Materials

REPORT CONTENT INDEX (CONTINUED)

"Comply or explain" Provisions (Continued)

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

REPORT CONTENT INDEX (CONTINUED)

"Comply or explain" Provisions (Continued)

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

REPORT CONTENT INDEX (CONTINUED)

Climate-related Disclosures

HKEX ESG Reporting Code Requirements	Section and Remarks
(I) Governance	
19. An issuer shall disclose information about:	
(a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about:	Management of Climate-related Issues
(i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities;	
(ii) how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities;	
(iii) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities;	
(iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities (see paragraphs 37 to 40), including whether and how related performance metrics are included in remuneration policies (see paragraph 35); and	
(b) management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:	
(i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and	
(ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.	

REPORT CONTENT INDEX (CONTINUED)

Climate-related Disclosures (Continued)

HKEX ESG Reporting Code Requirements			Section and Remarks
(II) Strategy			
Climate-related risks and opportunities			
20.	An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall:		
	(a)	describe climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term;	Management of Climate-related Issues
	(b)	explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk;	
	(c)	specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons – short, medium or long term – the effects of each climate-related risk and opportunity could reasonably be expected to occur; and	
	(d)	explain how the issuer defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making.	
Business model and value chain			
21.	An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain. Specifically, the issuer shall disclose:		
	(a)	a description of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain; and	Management of Climate-related Issues
	(b)	a description of where in the issuer's business model and value chain climate related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).	

REPORT CONTENT INDEX (CONTINUED)

Climate-related Disclosures (Continued)

HKEX ESG Reporting Code Requirements	Section and Remarks
Strategy and decision-making	
22. An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose:	
(a) information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about:	
(i) current and anticipated changes to the issuer's business model, including its resource allocation, to address climate-related risks and opportunities;	Management of Climate-related Issues The Group has not yet developed a climate-related transition plan or quantitative climate-related targets.
(ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect);	
(iii) any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan; and	
(iv) how the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (if any)), described in accordance with paragraphs 37 to 40; and	
(b) information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).	
23. An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).	

REPORT CONTENT INDEX (CONTINUED)

Climate-related Disclosures (Continued)

HKEX ESG Reporting Code Requirements				Section and Remarks
Financial position, financial performance and cash flows				
Current financial effect				
24.	An issuer shall disclose qualitative and quantitative information about:			
	(a)	how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; and		Management of Climate-related Issues
	(b)	the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.		
Anticipated financial effect				
25.	The issuer shall provide qualitative and quantitative disclosures about:			
	(a)	how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration:		Management of Climate-related Issues
		(i)	its investment and disposal plans; and	
		(ii)	its planned sources of funding to implement its strategy; and	
	(b)	how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.		

REPORT CONTENT INDEX (CONTINUED)

Climate-related Disclosures (Continued)

HKEX ESG Reporting Code Requirements	Section and Remarks
Climate resilience	
26. An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose:	
(a) the issuer's assessment of its climate resilience as at the reporting date, which shall enable an understanding of:	
(i) the implications, if any, of the issuer's assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis;	The Group has not yet conducted scenario analysis during the reporting period. As the next step, the Group plans to advance its capabilities in conducting scenario analysis in the near future.
(ii) the significant areas of uncertainty considered in the issuer's assessment of its climate resilience; and	
(iii) the issuer's capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term;	

REPORT CONTENT INDEX (CONTINUED)

Climate-related Disclosures (Continued)

HKEX ESG Reporting Code Requirements	Section and Remarks
(b) how and when the climate-related scenario analysis was carried out, including:	
(i) information about the inputs used, including:	
(1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios;	The Group has not yet conducted scenario analysis during the reporting period. As the next step, the Group plans to advance its capabilities in conducting scenario analysis in the near future.
(2) whether the analysis included a diverse range of climate-related scenarios;	
(3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks;	
(4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change;	
(5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties;	
(6) time horizons the issuer used in the analysis; and	
(7) what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis);	
(ii) the key assumptions the issuer made in the analysis; and	
(iii) the reporting period in which the climate-related scenario analysis was carried out.	

REPORT CONTENT INDEX (CONTINUED)

Climate-related Disclosures (Continued)

HKEX ESG Reporting Code Requirements	Section and Remarks
(III) Risk Management	
27. An issuer shall disclose information about:	
(a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about:	Management of Climate-related Issues
(i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes);	
(ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks;	
(iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria);	
(iv) whether and how the issuer prioritises climate-related risks relative to other types of risks;	
(v) how the issuer monitors climate-related risks; and	
(vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period;	
(b) the processes the issuer uses to identify, assess, prioritise and monitor climate related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and	
(c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.	

REPORT CONTENT INDEX (CONTINUED)

Climate-related Disclosures (Continued)

HKEX ESG Reporting Code Requirements				Section and Remarks
(IV) Metrics and Targets				
Greenhouse gas emissions				
28.	An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO_2 equivalent, classified as:			
	(a)	Scope 1 greenhouse gas emissions;		Management of Climate-related Issues
	(b)	Scope 2 greenhouse gas emissions; and		
	(c)	Scope 3 greenhouse gas emissions.		
29.	An issuer shall:			
	(a)	measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions;		Management of Climate-related Issues The Group's methodology for calculating GHG emissions is in accordance with the Greenhouse Gas Protocol. The Group has adopted operational control approach to measure our greenhouse gas emissions. For further details, please refer to the further details in the Metrics and Targets section under Management of Climate-related Issues.
	(b)	disclose the approach it uses to measure its greenhouse gas emissions including:		
		(i)	the measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions;	
		(ii)	the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and	
		(iii)	any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;	
	(c)	for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and		
	(d)	for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).		

REPORT CONTENT INDEX (CONTINUED)

Climate-related Disclosures (Continued)

HKEX ESG Reporting Code Requirements		Section and Remarks
Climate-related transition risks		
30.	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks.	Management of Climate-related Issues Currently, the Group has not identified any assets which is at risk to climate-related transition risk. Our management will continue to monitor the portfolio closely and ensure that our portfolio remains resilient to any climate-related transition risks.
Climate-related physical risks		
31.	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.	Management of Climate-related Issues As outlined in the Management of Climate-related Issues section, the Group is currently not exposed to material climate-related physical risks. Based on the assessment, there are no assets or business activities within the Group that are materially vulnerable to climate-related physical risks at the moment.
Climate-related opportunities		
32.	An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	The Group is assessing the practicality of this potential disclosure and utilizes available capability relief for aspects of climate-related financial quantification where data or modelling constraints currently exist. The Group will enhance its quantification methodologies and reduce reliance on such relief in future disclosures.

REPORT CONTENT INDEX (CONTINUED)

Climate-related Disclosures (Continued)

HKEX ESG Reporting Code Requirements	Section and Remarks
Capital deployment	
33. An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	The Group has invested resources to reduce its overall carbon footprint associated with daily operations. As the related expenditures were not financial material, they have not been disclosed.
Internal carbon prices	
34. An issuer shall disclose:	
(a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and	Currently, the Group has not yet applied internal carbon prices.
(b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.	
Remuneration	
35. An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).	Remuneration policy is currently not linked with climate-related issues. The Group will explore the potential for adoption in the coming years.
Industry-based metrics	
36. An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.	The Group will explore the potential to enhance disclosures on quantitative climate-related targets in future reporting periods.

REPORT CONTENT INDEX (CONTINUED)

Climate-related Disclosures (Continued)

HKEX ESG Reporting Code Requirements			Section and Remarks
Climate-related targets			
37.	An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose:		
	(a)	the metric used to set the target;	The Group will explore the potential to enhance disclosures on quantitative climate-related targets in future reporting periods.
	(b)	the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);	
	(c)	the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region);	
	(d)	the period over which the target applies;	
	(e)	the base period from which progress is measured;	
	(f)	milestones or interim targets (if any);	
	(g)	if the target is quantitative, whether the target is an absolute target or an intensity target; and	
	(h)	how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.	
38.	An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:		
	(a)	whether the target and the methodology for setting the target has been validated by a third party;	
	(b)	the issuer's processes for reviewing the target;	
	(c)	the metrics used to monitor progress towards reaching the target; and	
	(d)	any revisions to the target and an explanation for those revisions.	
39.	An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.		

REPORT CONTENT INDEX (CONTINUED)

Climate-related Disclosures (Continued)

HKEX ESG Reporting Code Requirements	Section and Remarks
40. For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose:	
(a) which greenhouse gases are covered by the target;	
(b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target;	
(c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target;	
(d) whether the target was derived using a sectoral decarbonisation approach; and	
(e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose:	
(i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits;	
(ii) which third-party scheme(s) will verify or certify the carbon credits;	
(iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and	
(iv) any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset).	
Applicability of cross-industry metrics and industry-based metrics	
41. In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to and consider the applicability of cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36).	The Group will consider the applicability of cross-industry metrics in the future.

AUDIT COMMITTEE REPORT

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

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

The Committee reviewed and discussed with management and external auditors the consolidated financial statements for the year ended 31 December 2025 included in 2025 Annual Report. In the regard, the Committee had discussions with management with regard to new or changes in accounting policies as applied, and significant judgments affecting the Group consolidated financial statements. The Committee also received reports and met with the external auditors to discuss the general scope of their audit work (including the impact of new or changes in accounting policies as applied), their assessment of Group internal controls.

The Committee also reviewed the risk management and internal control report for the year ended 31 December 2025 submitted by an independent professional advisor.

Based on these review and discussion, and the report of the external auditors, the Committee recommended to the Board approval of the consolidated financial statements for the year ended 31 December 2025, with the Independent Auditors' Report thereon. The Committee also reviewed and recommended to the Board approval of the unaudited financial statements for the six months ended 30 June 2025 prior to public announcement and filing.

The Committee recommended to the Board that the shareholders be asked to re-appoint Deloitte Touche Tohmatsu as the Group's external auditors for 2026.

MEMBERS OF THE AUDIT COMMITTEE

Mr. Huang Hung Ching

Mr. Lai Jenn Yang, Jeffrey

Mr. Wu Wen Yen

Hong Kong, 30 March 2026

BIOGRAPHICAL DATA OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wu Chen San, Thomas, aged 75, is the Chairman of the Group and is responsible for the Group's sales, marketing and strategic planning. Mr. Wu joined the footwear business founded by his father, Mr. Wu Suei, in the early 1970's and has over 40 years' experience in the footwear manufacturing business.

Mr. Wu Jenn Chang, Michael, aged 68, is the Deputy Chairman of the Group and is responsible for the Group's finance, production and purchasing. Mr. Wu is the honor Chairman of Taiwanese-invested Enterprises Association of Guangzhou and honor citizen of Guangzhou city. Mr. Wu joined the footwear business founded by his father, Mr. Wu Suei, in 1983 and has over 30 years' experience in the footwear manufacturing business.

Mr. Wu Jenn Tzong, Jackson, aged 70, is responsible for the Group's sourcing functions conducted in Taiwan through the Group's subsidiary, Topstair International (Taiwan) Ltd. Mr. Wu joined the footwear business founded by his father, Mr. Wu Suei, in 1977 and has over 30 years' experience in the footwear manufacturing business.

Ms. Wu Meng Lung, aged 42, holds a bachelor degree in International Business of Management department from National Taiwan University. Ms. Wu is a team head in a subsidiary of the Company since 2009 who is responsible for developing key strategy of the Company and managing in-house brands and licensing of international brands. Prior to joining the Company, Ms. Wu worked as a consultant in Avery Dennison Corporation and The Boston Consulting Group in Taiwan.

Mr. Ho Chin Fa, Steven, aged 73, is a Deputy General Manager of the Group. He is responsible for production management and staff training. Mr. Ho joined the Group in 1990 and has over 30 years' experience in the footwear manufacturing business.

BIOGRAPHICAL DATA OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Huang Hung Ching, aged 62, is currently a partner of Ever Brilliant Accounting Firm, Taipei, Taiwan. He graduated from Fu Jen Catholic University and holds a Master's degree in accounting from Shanghai University of Finance and Economic. He is a member of the Taiwan Provincial CPA Association. Prior to joining the Company, he had over 20 years of experience in accounting and auditing.

Mr. Lai Jenn Yang, Jeffrey, aged 68, is currently an Executive Director of Nicematch International Co., Ltd, which is incorporated in Taiwan. Mr. Lai graduated from Tamkang University in Taiwan and obtained a bachelor degree in Civil Engineering. He also obtained a master degree in Engineering from Ohio State University, USA. Prior to joining to the Company, he had more than 20 years of experience in operation and engineering management.

Mr. Wu Wen Yen, aged 55, holds a master of business administration from National Tsing Hua University. He has over 20 years' experience in management. Mr. Wu founded Mercury Technology Ltd in 2001 which focused on silicone production. He is currently the chairman of Mercury Technology Ltd, the chairman of Shenzhen Lida Innovative Technology Ltd and general manager of Midas Tech Co., Ltd. He has also been visiting lecturer for bachelor's program in advanced materials science at Tamkang University in December 2017 and visiting lecturer for industrial design program at Shenzhen University in August 2016. He was also elected as an elite talent in Shenzhen FuTian Elite Talent Club in 2018.

SENIOR MANAGEMENT

Mr. Lee Yiu Ming, aged 61, graduated from Hong Kong Polytechnic University and holds a Master's degree in business administration from the Queen's University of Belfast, Northern Ireland. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Lee is the company secretary of the Company. He is responsible for the company secretarial functions of the Group.

Mr. Hsieh Hsin Lee, aged 65, is a supervisor of Panyu Pegasus. Mr. Hsieh joined the Group in 1991 and has over 30 years' experience in footwear manufacturing. He is responsible for the Group's production management and quality control process. He is also responsible for staff training.

Mr. Hans Wu, aged 36, is a business director of Panyu Pegasus. Mr. Wu graduated from University of Manchester, the United Kingdom. Mr. Wu joined the Group in 2013 and has 10 years' experience in footwear manufacturing and product development.

Mr. Ng Chung Lok, aged 42, obtained a bachelor's degree in Professional Accountancy from the Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he worked in a multinational audit firm for 4 years. Mr. Ng is the Finance Director of the Group. He is responsible for the financial and accounting functions of the Group.

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is engaged principally in the manufacture and sale of footwear products and leasing of investment properties to generate rental income. The activities of its subsidiaries are set out in Note 32 to the consolidated financial statements.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement and Management Discussion and Analysis respectively from pages 3 to 5 of this Annual Report. The outlook of the Company's business is discussed throughout this Annual Report.

RESULTS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 79 to 80.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in Notes 13 and 14 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 23 to the consolidated financial statements.

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

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2025, the Company's reserves available for distribution to shareholders consisted of retained profits and contributed surplus, totalling US$21,049,000 (2024: US$20,912,000).

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

DIRECTORS

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

Executive directors:

Mr. Wu Chen San, Thomas (Chairman)

Mr. Wu Jenn Chang, Michael (Deputy Chairman)

Mr. Wu Jenn Tzong, Jackson

Mr. Ho Chin Fa, Steven

Ms. Wu Meng Lung

Independent non-executive directors:

Mr. Huang Hung Ching

Mr. Lai Jenn Yang, Jeffrey

Mr. Wu Wen Yen

In accordance with Clause 87(1) of the Company's Bye-laws, Messrs. Wu Chen San, Thomas, Wu Jenn Chang, Michael, Lai Jenn Yang, Jeffrey and Wu Meng Lung will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN SHARES

At 31 December 2025, the interests of the directors and their associates in the shares, underlying shares or debentures of the Company and its associated corporation, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers, were as follows:

Long positions

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

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

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Long positions (Continued)

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

Pegasus Footgear Management Limited (note a)

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

notes:

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

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

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

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

Save as disclosed above, at 31 December 2025, none of the directors nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than as disclosed in Note 27 to the consolidated financial statements, no transactions, arrangements and contracts of significance to which the Company, its holding company or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2025, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executive, the following shareholder had notified the Company of relevant interest in the issued share capital of the Company.

Long positions

Ordinary shares of HK$0.10 each of the Company

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

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

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31 December 2025.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2025, the Group's largest customer accounted for approximately 25.8% of the Group's total revenue. The five largest customers accounted for 89% of the Group's total revenues.

For the year ended 31 December 2025, the Group did not make any purchase during the year.

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

EMOLUMENT POLICY

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

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

On behalf of the Board

Wu Chen San, Thomas
CHAIRMAN
Hong Kong
30 March 2026

Deloitte. 德勤

TO THE MEMBERS OF PEGASUS INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Pegasus International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 79 to 149, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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") as 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"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter

Valuation of buildings

We identified valuation of buildings as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant estimates associated with the determination of the fair value of the Group's buildings.

As disclosed in Note 13 to the consolidated financial statements, the management estimated the fair value of the Group's buildings to be US$19,870,000 at 31 December 2025. During the year, revaluation increase of US$1,614,000 were recognised in properties revaluation reserve.

The fair value of the buildings was supported by valuations conducted by an independent external valuer. Details of the valuation techniques and key inputs used in the valuation are disclosed in Note 13 to the consolidated financial statements. The valuation of buildings is dependent on certain key inputs including reversionary yield, comparable market rents of similar properties, vacancy ratio and land yield. Changes to these key inputs may result in changes in the fair value of the Group's buildings.

How our audit addressed the key audit matter

Our procedures in relation to the management's valuation of buildings included:

- Evaluating the competence, capabilities and objectivity of the independent external valuer;
- Understanding the valuer's valuation techniques, key inputs adopted in the valuation; and
- Assessing the reasonableness of income approach, key inputs used in the valuation by (i) checking the reversionary yield, market rents of similar properties and locations based on available market data; and (ii) comparing to relevant market information on vacancy ratio and land yield adopted in similar properties and locations.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant estimates associated with the determination of the fair value of the Group's investment properties. As disclosed in Note 14 to the consolidated financial statements, the management estimated the fair value of the Group's investment properties to be US$58,022,000 at 31 December 2025. A decrease in fair value of investment properties amounted to US$4,390,000 was recognised for the year ended 31 December 2025. The fair value of the investment properties was supported by valuations conducted by an independent external valuer. Details of the valuation techniques and key inputs used in the valuation are disclosed in Note 14 to the consolidated financial statements. The valuation of investment properties is dependent on certain key inputs including the existing lease rental, term yield, reversionary yield, market rents of similar properties, vacancy ratio and land yield. Changes to these key inputs may result in changes in the fair value of the Group's investment properties.	Our procedures in relation to the management's valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the independent external valuer; • Understanding the valuer's valuation techniques, key inputs adopted in the valuation; and • Assessing the reasonableness of income approach, key inputs used in the valuation by (i) checking the details of rentals to the respective underlying existing tenancy agreements; (ii) checking the reversionary yield, market rents of similar properties and locations based on available market data; and (iii) comparing to relevant market information on vacancy ratio and land yield adopted in similar properties and locations.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Pik Fung (practising certificate number: P07133).

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	NOTES	2025 US$'000	2024 US$'000
Revenue	5	**2,621**	5,867
Cost of sales and services		**(1,072)**	(2,225)
Gross profit		**1,549**	3,642
Other income		**765**	632
Other gains and losses		**447**	268
Fair value decrease of investment properties		**(4,390)**	(2,769)
Selling and distribution costs		**(51)**	(268)
General and administrative expenses		**(2,762)**	(2,640)
Impairment losses (including reversals of impairment losses) of financial assets		**(700)**	–
Other expense		**(183)**	(586)
Finance cost	6	**(93)**	(35)
Loss before tax	7	**(5,418)**	(1,756)
Tax credit	10	**1,097**	696
Loss for the year attributable to owners of the Company		**(4,321)**	(1,060)
Other comprehensive income (expense)			
Item that may be subsequently reclassified to profit or loss:			
Reclassification of cumulative translation reserve upon deregistration of foreign operations		**–**	694
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation from functional currency to presentation currency		**1,195**	(927)
Revaluation increase (decrease) on buildings		**1,614**	(347)
Deferred tax recognised on revaluation of buildings		**(404)**	86
		2,405	(494)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	NOTE	**2025**	2024
		US$'000	US$'000
Total comprehensive expense for the year attributable to owners of the Company		**(1,916)**	(1,554)
Loss per share	12		
Basic		**(US cents 0.59)**	(US cents 0.15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	NOTES	2025 US$'000	2024 US$'000
Non-current assets			
Property, plant and equipment	13	**20,026**	18,537
Investment properties	14	**58,022**	61,492
Right-of-use assets	15	**1,771**	1,980
Accrued rentals	17	**132**	406
		79,951	82,415
Current assets			
Inventories	16	**–**	104
Trade and other receivables	17	**1,748**	2,786
Financial assets at fair value through profit or loss ("FVTPL")	18	**1,135**	704
Time deposits	19	**141**	139
Pledged bank deposits	19	**2,860**	–
Bank balances and cash	19	**7,930**	8,651
		13,814	12,384
Current liabilities			
Trade and other payables	20	**1,310**	1,588
Bank borrowings	21	**250**	–
Lease liabilities	22	**82**	79
Provision for housing provident fund	28	**60**	32
Tax payable		**630**	611
		2,332	2,310
Net current assets		**11,482**	10,074
		91,433	92,489

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	NOTES	2025 US$'000	2024 US$'000
Capital and reserves			
Share capital	23	**9,428**	9,428
Reserves		**63,996**	66,855
Total equity		**73,424**	76,283
Non-current liabilities			
Deferred tax liabilities	24	**14,941**	15,399
Bank borrowings	21	**2,332**	–
Lease liabilities	22	**736**	807
		18,009	16,206
		91,433	92,489

The consolidated financial statements on pages 79 to 149 were approved and authorised for issue by the Board of Directors on 30 March 2026 and are signed on its behalf by:

Wu Chen San, Thomas
DIRECTOR

Wu Jenn Chang, Michael
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company						
	Share capital US$'000	Share premium US$'000	Properties revaluation reserve US$'000	Translation reserve US$'000	Merger reserve US$'000 (note)	Accumulated losses US$'000	Total US$'000
At 1 January 2024	9,428	21,637	48,277	8,975	(4,512)	(5,025)	78,780
Loss for the year	–	–	–	–	–	(1,060)	(1,060)
Reclassification of cumulative translation reserve upon deregistration of foreign operations	–	–	–	694	–	–	694
Exchange differences arising on translation from functional currency to presentation currency	–	–	–	(927)	–	–	(927)
Revaluation decrease on buildings	–	–	(347)	–	–	–	(347)
Deferred tax recognised on revaluation of buildings	–	–	86	–	–	–	86
Total comprehensive expense for the year	–	–	(261)	(233)	–	(1,060)	(1,554)
Dividends recognised as distribution (note 11)	–	–	–	–	–	(943)	(943)
At 31 December 2024	**9,428**	**21,637**	**48,016**	**8,742**	**(4,512)**	**(7,028)**	**76,283**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(4,321)**	**(4,321)**
Exchange differences arising on translation from functional currency to presentation currency	**–**	**–**	**–**	**1,195**	**–**	**–**	**1,195**
Revaluation increase on buildings	**–**	**–**	**1,614**	**–**	**–**	**–**	**1,614**
Deferred tax recognised on revaluation of buildings	**–**	**–**	**(404)**	**–**	**–**	**–**	**(404)**
Total comprehensive expense for the year	**–**	**–**	**1,210**	**1,195**	**–**	**(4,321)**	**(1,916)**
Dividends recognised as distribution (note 11)	**–**	**–**	**–**	**–**	**–**	**(943)**	**(943)**
At 31 December 2025	**9,428**	**21,637**	**49,226**	**9,937**	**(4,512)**	**(12,292)**	**73,424**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 US$'000	2024 US$'000
OPERATING ACTIVITIES		
Loss before tax	**(5,418)**	(1,756)
Adjustments for:		
Depreciation of property, plant and equipment	**516**	448
Depreciation of right-of-use assets	**235**	261
Impairment losses (including reversals of impairment losses) of financial assets	**700**	–
Net gain on fair value changes of financial assets at FVTPL	**(431)**	(119)
Write down of inventories	**88**	1
Gain on disposal of property, plant and equipment	**(10)**	(160)
Loss on deregistration of a subsidiary	**–**	694
Fair value decrease of investment properties	**4,390**	2,769
Interest expense on lease liabilities	**41**	35
Interest expense on bank borrowings	**52**	–
Provision for housing provident fund	**27**	2
Interest income	**(275)**	(308)
Dividends from financial assets at FVTPL	**(48)**	(59)
Exchange gain	**–**	(675)
Operating cash flows before movements in working capital	**(133)**	1,133
Decrease in inventories	**17**	236
Decrease (increase) in trade and other receivables, and accrued rentals	**648**	(1,511)
Decrease in trade and other payables and provision for housing provident fund	**(300)**	(855)
Cash from operations	**232**	(997)
Income tax refunded	**–**	6
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**232**	(991)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 US$'000	2024 US$'000
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(2,860)	–
Purchase of property, plant and equipment	(109)	–
Placement of time deposits	(140)	(141)
Interest received	275	308
Withdrawal of time deposit	140	–
Dividends from financial assets at FVTPL	48	59
Proceeds on disposal of property, plant and equipment	30	160
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(2,616)	386
FINANCING ACTIVITIES		
New bank borrowings raised	2,500	–
Dividends paid	(943)	(943)
Repayment of lease liabilities	(80)	(112)
Interest expense on lease liabilities	(41)	(35)
Interest expense on bank borrowings	(52)	–
CASH FROM (USED IN) FINANCING ACTIVITIES	1,384	(1,090)
NET DECREASE INCREASE IN CASH AND CASH EQUIVALENTS	(1,000)	(1,695)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	8,651	9,858
Effect of foreign exchange rate changes	279	488
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash	7,930	8,651

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

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

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards as issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of exchangeability

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

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

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

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency[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 2026.

3 Effective for annual periods beginning on or after 1 January 2027.

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

HKFRS 18 Presentation and Disclosure in Financial Statements

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

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provision. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

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

3.1 Basis of preparation of consolidated financial statements

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

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

3.2 Material accounting policy information

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

Basis of consolidation

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

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

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

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

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

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

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

3.2 Material accounting policy information *(Continued)*

Revenue from contracts with customers

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

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

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

Leases

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

The Group as a lessee

Short-term lease

The Group applies the short-term lease recognition exemption that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities;
- any initial direct costs incurred by the Group; and

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

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

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)*

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

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 incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment whether the risk profile of the entity that enters into the lease is different to that of the Group and whether the lease benefit from a guarantee from the Group.

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

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

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

The Group as a lessor

Classification and measurement of leases

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

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

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

3.2 Material accounting policy information *(Continued)*

Leases (Continued)

The Group as a lessor (Continued)

Classification and measurement of leases *(Continued)*

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

Refundable rental deposits

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

Foreign currencies

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

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

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

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

3.2 Material accounting policy information *(Continued)*

Retirement benefits cost

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

Short-term employee benefits

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

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

Taxation

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

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

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

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

3.2 Material accounting policy information *(Continued)*

Taxation (Continued)

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

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

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

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

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

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

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

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

3.2 Material accounting policy information *(Continued)*

Property, plant and equipment

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

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

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

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

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

3.2 Material accounting policy information *(Continued)*

Property, plant and equipment (Continued)

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

Depreciation on revalued buildings is recognised in profit or loss.

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

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

Investment properties

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

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

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

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

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

3.2 Material accounting policy information *(Continued)*

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

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

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

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

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

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

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

3.2 Material accounting policy information *(Continued)*

Inventories

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

Financial instruments

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

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

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

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

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

Financial assets at FVTPL

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

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

(i) ***Significant increase in credit risk*** *(Continued)*

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

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

(ii) ***Definition of default***

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

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

(iii) ***Credit-impaired financial assets***

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

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or assets arising from investment properties that are measure using their fair value model, the directors of the Company have reviewed the Group's investment properties and concluded that they are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale. Therefore, the directors of the Company have determined that the presumption that the carrying amounts of investment properties are recovered through sale is rebutted. As a result, as at 31 December 2025, deferred tax liabilities of US$11,227,000 (2024: US$12,145,000) have been recognised on the basis that these investment properties will be recovered through use as the Group is subject to income tax in the PRC.

Key sources of estimation uncertainty

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

Valuation of buildings

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

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

Key sources of estimation uncertainty *(Continued)*

Valuation of buildings (Continued)

Note 13 provides detailed information about the valuation techniques and key inputs used in the determination of the fair value of the buildings. Judgement and estimation are required in establishing the relevant key inputs used in the income approach. These key inputs impact the revaluation of buildings over the useful lives of buildings and also the amount recognised in properties revaluation reserve.

As at 31 December 2025, the fair value of the buildings was US$19,870,000 (2024: US$18,442,000), with a revaluation increase of US$1,614,000 (2024: decrease of US$347,000) being recognised in properties revaluation reserve for the year ended 31 December 2025.

Valuation of investment properties

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

Note 14 provides detailed information about the valuation techniques and key inputs used in the determination of the fair value of the investment properties. Judgement and estimation are required in establishing the relevant key inputs used in the income approach. These key inputs impact the fair value of investment properties and also the amount recognised in profit or loss.

As at 31 December 2025, the fair value of the investment properties was US$58,022,000 (2024: US$61,492,000), with a fair value decrease of US$4,390,000 (2024: decrease of US$2,769,000) being recognised in profit or loss for the year ended 31 December 2025.

Impairment assessment of Identified PPE and Identified ROU assets (as defined in Note 13)

Due to the continued unsatisfactory financial performance of manufacturing and sales of footwear products business, the management concluded there was no indication for reversal of impairment provided on Identified PPE and Identified ROU assets which were impaired in prior years as at 31 December 2025.

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

Key sources of estimation uncertainty *(Continued)*

Impairment assessment of Identified PPE and Identified ROU assets (as defined in Note 13) (Continued)

For buildings included in Identified PPE amounting to US$19,870,000 (2024: US$18,442,000) and leasehold lands included in Identified ROU assets amounting to US$1,626,000 (2024: US$1,763,000), as their individual fair value less costs of disposal were higher than the carrying amounts, no impairment loss on these buildings included in Identified PPE and leasehold lands included in Identified ROU assets were recognised in profit or loss during the year ended 31 December 2025 (2024: Nil).

As at 31 December 2025, the accumulated impairment loss of the related Identified PPE and Identified ROU assets are US$7,513,000 (2024: US$7,531,000) and US$913,000 (2024: US$913,000), respectively.

Provision for housing provident fund

As explained in Note 28, the Group has made provision for housing provident fund based upon the management's estimation for the claims against a subsidiary of the Group. In determining the provision for housing provident fund, the management made an assessment based on its best estimate and judgement of whether it is probable that an outflow of resources will be required to settle the claims, and, if applicable, the final amount of the settlements. The management considers in its assessment information about the nature and status of the claims. While the ultimate outcome of the claims will be higher or lower than the estimated provision made by the management, any increase or decrease in the estimates would affect the profit or loss in the future.

As at 31 December 2025, the carrying amount of the provision for housing provident fund is US$60,000 (2024: US$32,000).

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue

	2025 US$'000	2024 US$'000
Revenue from contracts with customers:		
Manufacture and sales of footwear products	**13**	1,499
Revenue from other sources:		
Lease of properties	**2,608**	4,368
Total revenue	**2,621**	5,867

Revenue from manufacturing and sales of footwear

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

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

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

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

Revenue from lease of properties

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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Segment revenue and results

For the year ended 31 December 2025

	Manufacture and sales of footwear US$'000	Lease of properties US$'000	Total US$'000
REVENUE	13	2,608	2,621
RESULTS			
Segment results	(1,411)	(2,181)	(3,592)
Unallocated other income			765
Unallocated other gains and losses			447
Unallocated other expense			(183)
Unallocated corporate expenses			(2,855)
Loss before tax			(5,418)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2024

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

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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) *(Continued)*

Other segment information

For the year ended 31 December 2025

	Manufacture and sales of footwear US$'000	Lease of properties US$'000	Total US$'000
Amounts included in the measure of segment profit or loss:			
Impairment losses (including reversals of impairment losses) of financial assets	**700**	**–**	**700**
Depreciation of property, plant and equipment	**516**	**–**	**516**
Depreciation of right-of-use assets	**235**	**–**	**235**

For the year ended 31 December 2024

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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) *(Continued)*

Geographical information

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

	2025	2024
	US$'000	US$'000
United States of America	**13**	704
Morocco	**–**	457
Others	**–**	338
	13	1,499

The Group's rental income generated from lease of properties in the PRC amounted to US$2,608,000 (2024: US$4,368,000).

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

	2025	2024
	US$'000	US$'000
PRC	**79,636**	82,009

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) *(Continued)*

Information about major customers

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

	2025	2024
	US$'000	US$'000
Customer A*	**677**	681
Customer B*	**588**	621
Customer C*	**381**	383
Customer D*	**373**	411
Customer E*	**316**	317
Customer F**	**13**	1,499
Customer G*	**–**	1,695

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

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

6. FINANCE COST

	2025	2024
	US$'000	US$'000
Interest expense on lease liabilities	**41**	35
Interest expense on bank borrowings	**52**	–
	93	35

7. LOSS BEFORE TAX

	2025 US$'000	2024 US$'000
Loss before tax has been arrived at after changing:		
Directors' emoluments (Note 8)	**133**	129
Other staff costs	**1,099**	1,762
Retirement benefits scheme contributions (note c)	**68**	133
Total staff costs	**1,300**	2,024
Capitalised in inventories	**(58)**	(512)
	1,242	1,512
Auditor's remuneration		
– Audit services	**167**	215
– Non-audit services	**28**	29
	195	244
Cost of inventories recognised as an expense, including provision for housing provident fund (note a)	**673**	1,794
Depreciation of right-of-use assets	**235**	261
Depreciation of property, plant and equipment	**516**	448
Provision for housing provident fund (included in cost of sales and services) (Note 28)	**27**	2
Gross rental income from investment properties	**(2,608)**	(4,368)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**399**	431
Rental income, net	**(2,209)**	(3,937)
and after (crediting) charging to other gains and losses:		
Net foreign exchange gain	**(6)**	(683)
Gain on disposal of property, plant and equipment	**(10)**	(160)
Net gain on fair value changes of financial assets at FVTPL	**(431)**	(119)
Loss on deregistration of a subsidiary	**–**	694
and after crediting to other income:		
Interest income	**(275)**	(308)
Dividends from financial assets at FVTPL	**(48)**	(59)
and after charging to other expense:		
Redundancy costs (note b)	**183**	586

7. LOSS BEFORE TAX *(Continued)*

notes:

a. During the year ended 31 December 2025, included in cost of inventories recognised as an expense is write down of inventories of US$88,000 (2024: US$1,000).

b. During the year ended 31 December 2025, the Group streamlined its business operation and carried out a series of staff integration due to the uncertainty of the global economic environment. Accordingly, the Group recognised redundancy costs of US$183,000 (2024: US$586,000).

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eight (2024: eight) directors and chief executive were as follows:

	Executive directors					Independent non-executive directors			
	Wu Chen San, Thomas	Wu Jenn Chang, Michael	Wu Jenn Tzong, Jackson	Wu Meng Lung	Ho Chin Fa, Steven	Lai Jenn Yang, Jeffrey	Wu Wen Yen	Huang Hung Ching	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000 (note i)	US$'000	US$'000
2025									
Fees	**–**	**–**	**–**	**–**	**–**	**8**	**8**	**8**	**24**
Other emoluments									
Salaries	**–**	**48**	**–**	**34**	**27**	**–**	**–**	**–**	**109**
	–	**48**	**–**	**34**	**27**	**8**	**8**	**8**	**133**
2024									
Fees	–	–	–	–	–	8	8	8	24
Other emoluments									
Salaries	–	46	–	25	34	–	–	–	105
	–	46	–	25	34	8	8	8	129

note:

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Neither the chief executive nor any of the directors waived any emoluments for the year ended 31 December 2025 (2024: nil).

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

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

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2024: two) are executive directors of the Company whose emoluments are included in the disclosure in Note 8 above. The emoluments of the remaining three (2024: three) individuals, are as follows:

	2025	2024
	US$'000	US$'000
Basic salaries and allowances	**156**	156
Retirement benefits scheme contributions	**5**	5
	161	161

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

	2025	2024
	No. of employees	No. of employees
Nil to HK$1,000,000	**3**	3

No emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2025 and 2024.

10. TAX CREDIT

	2025 US$'000	2024 US$'000
Hong Kong Profits Tax		
Overprovision in prior years	–	(4)
Deferred taxation (Note 24)	(1,097)	(692)
	(1,097)	(696)

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

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

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

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

10. TAX CREDIT *(Continued)*

The 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:

	2025	2024
	US$'000	US$'000
Loss before tax	**(5,418)**	(1,756)
Tax at the domestic income tax rate of 25% (2024: 25%) (note)	**(1,355)**	(439)
Tax effect of expenses not deductible for tax purposes	**430**	235
Tax effect of income not taxable for tax purposes	**(154)**	(189)
Tax effect of deductible temporary differences not recognised	**7**	3
Utilisation of deductible temporary differences previously not recognised	**(138)**	(691)
Overprovision in prior years	**–**	(4)
Tax effect of tax losses not recognised	**87**	352
Utilisation of tax losses previously not recognised	**–**	(28)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**26**	65
Tax credit for the year	**(1,097)**	(696)

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

11. DIVIDENDS

	2025	2024
	US$'000	US$'000
Dividends recognised as distribution to ordinary shareholders:		
Final dividend of HK$0.01 in respect of the year ended 31 December 2024 (2024: final dividend of HK$0.01 in respect of the year ended 31 December 2023) per ordinary share	**943**	943

The Board decided not to declare a dividend for the year end 31 December 2025 (2024: a final dividend of HK$0.01 per ordinary share in respect of the year ended 31 December 2024 was proposed by the directors of the Company).

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of US$4,321,000 (2024: loss for the year attributable to owners of the Company of US$1,060,000) and on the number of ordinary shares of 730,650,000 (2024: 730,650,000) in issue during the year.

There are no potential dilutive ordinary shares outstanding during the two years ended 31 December 2025 and 2024.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COST OR VALUATION							
At 1 January 2024	19,421	30	1,642	43,448	23,968	524	89,033
Exchange adjustments	(200)	–	(17)	(255)	(252)	(4)	(728)
Disposals	–	–	–	–	(231)	(21)	(252)
Revaluation	(779)	–	–	–	–	–	(779)
Transfer	–	(30)	–	30	–	–	–
At 31 December 2024	18,442	–	1,625	43,223	23,485	499	87,274
Exchange adjustments	300	–	24	368	365	6	1,063
Additions	–	–	47	16	2	44	109
Disposals	–	–	–	(139)	–	–	(139)
Revaluation	1,128	–	–	–	–	–	1,128
At 31 December 2025	19,870	–	1,696	43,468	23,852	549	89,435
Comprising:							
At cost	–	–	1,696	43,468	23,852	549	69,565
At valuation – 2025	19,870	–	–	–	–	–	19,870
	19,870	–	1,696	43,468	23,852	549	89,435
DEPRECIATION AND IMPAIRMENT							
At 1 January 2024	–	–	1,642	43,405	23,958	494	69,499
Exchange adjustments	–	–	(17)	(254)	(252)	(3)	(526)
Provided for the year	432	–	–	7	2	7	448
Eliminated on disposals	–	–	–	–	(231)	(21)	(252)
Eliminated on revaluation	(432)	–	–	–	–	–	(432)
At 31 December 2024	–	–	1,625	43,158	23,477	477	68,737
Exchange adjustments	–	–	24	367	365	5	761
Provided for the year	486	–	9	8	2	11	516
Eliminated on disposals	–	–	–	(119)	–	–	(119)
Eliminated on revaluation	(486)	–	–	–	–	–	(486)
At 31 December 2025	–	–	1,658	43,414	23,844	493	69,409
CARRYING VALUES							
At 31 December 2025	19,870	–	38	54	8	56	20,026
At 31 December 2024	18,442	–	–	65	8	22	18,537

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

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

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

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

As at 31 December 2025, property, plant and equipment of US$66,762,000 (2024: US$65,345,000) have been fully depreciated and impaired but still in use.

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

Due to the continued unsatisfactory financial performance of manufacturing and sales of footwear products business, the management concluded there was no indication for reversal of impairment provided on recoverable amounts of property, plant and equipment ("Identified PPE") as disclosed in this note, and right-of-use assets ("Identified ROU assets") as disclosed in Note 15, with carrying amounts of US$20,026,000 and US$1,771,000 (2024: US$18,537,000 and US$1,980,000), respectively.

For buildings included in Identified PPE amounting to US$19,870,000 (2024: US$18,442,000) and leasehold lands included in Identified ROU assets amounting to US$1,626,000 (2024: US$1,763,000), as their individual fair value less costs of disposal were higher than the carrying amounts, no impairment loss on these buildings included in Identified PPE and leasehold lands included in Identified ROU assets were recognised in profit or loss during the year ended 31 December 2025 and 31 December 2024.

As at 31 December 2025, the accumulated impairment loss of the related Identified PPE and Identified ROU assets are US$7,531,000 (2024: US$7,531,000) and US$913,000 (2024: US$913,000), respectively, which were recognised on the assets included in the Identified PPE and the Identified ROU assets other than the aforesaid buildings and leasehold lands.

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

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

The buildings were revalued at 31 December 2025 by RHL Appraisal Limited ("RHL") on an income approach. RHL is an independent qualified professional valuers not connected with the Group. The valuation report on these buildings is signed by a director of RHL who is a member of the Hong Kong Institute of Surveyors, and was arrived at by reference to the key inputs, including reversionary yield, comparable market rents of similar properties, vacancy ratio and land yield.

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

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

A revaluation increase of US$1,614,000 (2024: decrease of US$347,000) has been recorded directly to properties revaluation reserve for the year ended 31 December 2025.

If the buildings in the PRC had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of US$5,983,000 (2024: US$6,213,000).

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

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

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

Buildings held by the Group	Fair value 2025 US$'000	Fair value 2024 US$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
The PRC						
Industrial buildings and staff quarters	**19,870**	18,442	Level 3	Income approach The key inputs are: (1) Reversionary yield (2) Monthly market rent (3) Vacancy ratio (4) Land yield	Reversionary yield of 8% (2024: 8%) per annum, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future	The higher the reversionary yield, the lower the fair value, and vice versa
					Monthly rent, based on internal floor area using direct market comparables and taking into account of age, location and individual factors such as size of properties and layout which ranged from Renminbi ("RMB") RMB13 to RMB23 (2024: RMB13 to RMB23) per square meter	The higher the monthly rent the higher the fair value, and vice versa
					Vacancy ratio of 18% (2024: 18%), based on available market data of similar buildings in nearby location	The higher the vacancy ratio, the lower the fair value, and vice versa
					Land yield of 5.0% (2024: 5.0%), based on available market data of similar location	The higher the land yield, the lower the fair value, and vice versa

14. INVESTMENT PROPERTIES

The Group leases out various buildings under operating leases with rentals receivable monthly. The lease contracts are entered into for fixed term of 3 to 6 years (2024: 3 to 15 years), with extension option to extend the lease beyond the periods held by lessees only.

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

For the year ended 31 December 2025, the total cash outflow for ROU assets classified as investment properties is US$399,000 (2024: US$431,000).

	US$'000
Fair value	
At 1 January 2024	64,927
Decrease in fair value recognised in profit or loss	(2,769)
Exchange adjustments	(666)
At 31 December 2024	61,492
Decrease in fair value recognised in profit or loss	(4,390)
Exchange adjustments	920
At 31 December 2025	58,022

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

The fair value of the Group's investment properties as at 31 December 2025 has been arrived at on the basis of a valuation carried out on the respective dates by RHL. The fair value decrease is mainly attributable to the decrease in the market rental in the market during the year. (2024: The fair value decrease is mainly attributable to the increase in the vacancy ratio in the market during the year.).

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

The Group's investment properties are categorised within level 3 of the fair value hierarchy as at 31 December 2025.

14. INVESTMENT PROPERTIES

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

Investment properties held by the Group	Fair value 2025 US$'000	Fair value 2024 US$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to f air value
The PRC						
Industrial buildings and staff quarters	**58,022**	61,492	Level 3	Income approach The key inputs are: (1) Term yield (2) Reversionary yield (3) Monthly market rent (4) Vacancy ratio (5) Land yield	Term yield ranged from 5.0% to 7.0% (2024: 5.0% to 7.0%) per annum	The higher the term yield and reversionary yield, the lower the fair value, and vice versa
					Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future, which ranged from 6.0% to 8.0% (2024: 6.0% to 8.0%) per annum	
					Monthly rent, based on internal floor area using direct market comparables and taking into account of age, location and individual factors such as size of properties and layout, which ranged from RMB6 to RMB23 (2024: RMB7 to RMB23) per square meter	The higher the monthly rent the higher the fair value, and vice versa
					Vacancy ratio of 18% (2024: 18%), based on available market data of similar buildings in nearby location	The higher the vacancy ratio, the lower the fair value, and vice versa
					Land yield of 5.0% (2024: 5.0%), based on available market data of similar location	The higher the land yield, the lower the fair value, and vice versa

15. RIGHT-OF-USE ASSETS

	Leasehold lands US$'000	Office premise US$'000	Total US$'000
At 31 December 2025			
Carrying amount	1,626	145	1,771
At 31 December 2024			
Carrying amount	1,763	217	1,980
For the year ended 31 December 2025			
Depreciation charge	163	72	235
For the year ended 31 December 2024			
Depreciation charge	164	97	261

	2025 US$'000	2024 US$'000
Expense relating to short-term lease	**78**	122
Total cash outflow for leases	**199**	269
Addition to right-of-use assets	**–**	208

	2025 US$'000	2024 US$'000
Leasehold lands with land certificates	**1,626**	1,763

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of estimated useful life and lease term, which is 5 years for office premise (2024: 5 years) and 50 years for leasehold lands (2024: 50 years).

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

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

Restrictions or covenants on leases

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

Impairment assessment

Particulars regarding impairment testing of Identified ROU assets are set out in Note 13.

16. INVENTORIES

	2025 US$'000	2024 US$'000
Raw materials	–	99
Finished goods	–	5
	–	104

17. TRADE AND OTHER RECEIVABLES

	2025 US$'000	2024 US$'000
Trade receivables		
– contracts with customers	–	299
– operating lease receivables	1,674	1,649
	1,674	1,948
Less: allowance for credit losses	(700)	–
Trade receivables, net	974	1,948
Prepayment and other deposit	193	224
Refundable rental deposit	27	53
Accrued rentals	132	406
Other receivables	554	561
Total trade and other receivables	1,880	3,192
Less: accrued rentals shown under non-current assets	(132)	(406)
	1,748	2,786

As at 1 January 2024, trade receivables from contracts with customers amounted to US$702,000.

17. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2025	2024
	US$'000	US$'000
0–30 days	**–**	221
31–60 days	**–**	313
Over 60 days	**974**	1,414
Total trade receivables	**974**	1,948

As at 31 December 2025, included in the Group's trade receivables balances are debtors with aggregate carrying amount of US$974,000 (2024: US$1,414,000) which are past due as at the reporting date. Out of the past due balances, US$974,000 (2024: US$1,295,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history, the financial conditions, the current credit worthiness of customers and the forward-looking information.

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

Accrued rentals of the Group amount to US$132,000 (2024: US$406,000) represented the unbilled rental receivables. Accrued rentals will be collected in more than 1 year and the whole amount are classified under non-current assets.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

	2025	2024
	US$'000	US$'000
Listed securities held for trading:		
Equity securities listed in Hong Kong	**1,135**	704

19. TIME DEPOSITS, PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 December 2025, the time deposits with maturity of more than three months and within 1 year carry interest at market rate of 1.00% (2024: 1.25%) per annum.

Bank balances and cash comprises cash held by the Group and short-term bank deposits (other than fixed-rate fixed-term bank deposits) that are interest-bearing at market interest rates, ranging from 0.001% to 0.25% (2024: 0.001% to 0.875%) per annum.

Included in bank balances and cash, fixed bank deposits of US$4,686,000 (2024: US$4,182,000) carry interest ranging from 1.0% to 4.80% (2024: 4.58% to 5.77%) per annum and the fixed bank deposits have an original maturity term of 3 months or less.

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

	2025 US$'000	2024 US$'000
US$	189	301
HK$	221	189

Details of impairment assessment of time deposits, pledged bank deposits and bank balances are set out in Note 30.

20. TRADE AND OTHER PAYABLES

	2025 US$'000	2024 US$'000
Trade payables	–	11
Accrued payroll	218	271
Accrued expenses	337	319
Rental deposit received	602	634
Value-added tax and other tax payables	79	220
Others	74	133
	1,310	1,588

20. TRADE AND OTHER PAYABLES *(Continued)*

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

	2025	2024
	US$'000	US$'000
0–30 days	–	1
31–60 days	–	–
Over 60 days	–	10
Total trade payables	–	11

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

21. BANK BORROWINGS

The Group's bank borrowings, all of which are secured, comprised:

	31/12/2025	31/12/2024
	US$'000	US$'000
Bank loans	2,582	–
The bank borrowings are repayable as follows:		
Within one year or on demand	250	–
More than one year, but not exceeding two years	2,332	–
	2,582	–
Less: Amount due within one year shown under current liabilities	(250)	–
Amount due after one year	2,332	–

21. BANK BORROWINGS *(Continued)*

The exposure of the Group's borrowings are as follows:

	30/6/2025 US$'000	31/12/2024 US$'000
Fixed-rate borrowings	**2,582**	–

The Group's bank borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2025 US$'000	2024 US$'000
US$	**2,582**	–

Note:

(i) As at 31 December 2025, the Group's fixed-rate borrowings carry interest rates of 3% per annum (2024: Nil).

(ii) The borrowings are secured by pledged bank deposits of US$2,860,000.

22. LEASE LIABILITIES

	2025 US$'000	2024 US$'000
Lease liabilities payable:		
Within one year	**82**	79
Within a period of more than one year but not more than two years	**87**	82
Within a period of more than two years but not more than five years	**61**	128
Within a period of more than five years	**588**	597
	818	886
Less: Amount due for settlement within 12 months shown under current liabilities	**(82)**	(79)
Amount due for settlement after 12 months shown under non-current liabilities	**736**	807

23. SHARE CAPITAL

	Number of shares	Amount US$'000
Authorised:		
Ordinary shares of Hong Kong dollar ("HK$") 0.10 each		
At 1 January 2024, 31 December 2024 and 31 December 2025	1,500,000,000	19,355
Convertible non-voting preference shares of US$100,000 each (note)		
At 1 January 2024, 31 December 2024 and 31 December 2025	150	15,000
		34,355

	Number of shares		Amount	
	2025 '000	2024 '000	**2025 US$'000**	2024 US$'000
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**730,650**	730,650	**9,428**	9,428

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

24. DEFERRED TAXATION

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

	Revaluation of buildings in the PRC	Revaluation of investment properties in the PRC	Total
	US$'000	US$'000	US$'000
At 1 January 2024	3,376	12,969	16,345
Credit to other comprehensive expense	(86)	–	(86)
Credit to profit or loss	–	(692)	(692)
Exchange adjustments	(36)	(132)	(168)
At 31 December 2024	3,254	12,145	15,399
Charge to other comprehensive expense	404	–	404
Credit to profit or loss	–	(1,097)	(1,097)
Exchange adjustments	56	179	235
At 31 December 2025	3,714	11,227	14,941

At 31 December 2025, the Group had unused tax losses of US$3,037,000 (2024: US$4,974,000) and deductible temporary difference arising from accrued rentals, provision for housing provident funds and impairment provided for Identified PPE and Identified ROU assets of US$2,905,000 (2024: US$3,430,000) available for offset against future taxable profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$782,000 (2024: US$4,298,000) that will expire in 2026 to 2030 (2024: 2025 to 2029). Other losses may be carried forward indefinitely.

25. OPERATING LEASE

The Group as lessor

Undiscounted lease payments receivable on leases are as follows:

	2025	2024
	US$'000	US$'000
Within one year	**2,303**	3,890
In the second year	**1,388**	3,875
In the third year	**450**	3,069
In the fourth year	**377**	2,153
In the fifth year	**–**	2,120
After five years	**–**	10,226
	4,518	25,333

All of the properties held by the Group for rental purposes have committed tenants for the tenancy ranging from 3 to 6 years (2024: 3 to 15 years) and the rentals are pre-determined at fixed amounts with progressive increase. The lease commitments presented above is based on the existing committed monthly minimum lease payments.

26. RETIREMENT BENEFITS SCHEMES

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

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

The total expenses recognised in profit or loss of US$68,000 (2024: US$133,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans. During the years ended 31 December 2025 and 2024, the Group had no forfeited contributions under those schemes which may be used by the Group to reduce the contributions.

27. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	2025 **US$'000**	2024 US$'000
Short-term employee benefits	**287**	279
Post-employment benefits	**2**	2
	289	281

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

28. PROVISION FOR HOUSING PROVIDENT FUND

There were claims made against a subsidiary of the Group in respect of housing provident fund which were initiated by the employees of the subsidiary, and the Group has lodged appeals against these claims. Up to the date of this report, part of the claims are still under process while certain appeals are still under review by the court. While the ultimate outcome of these claims and legal proceedings cannot presently be reliably estimated, after considering the current facts and circumstances, provision for housing provident fund of US$27,000 (2024: US$2,000) has been made in profit or loss during the year ended 31 December 2025. During the year ended 31 December 2025, no claims (2024: US$323,000) has been settled by the Group. The directors of the Company believe that adequate provisions has been made in the Group's consolidated financial statements as at 31 December 2025 and 2024.

29. CAPITAL RISK MANAGEMENT

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

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

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

30. FINANCIAL INSTRUMENTS

30a. Categories of financial instruments

	2025 US$'000	2024 US$'000
Financial assets		
Financial assets at FVTPL	**1,135**	704
Amortised cost	**12,486**	11,352
Financial liabilities		
Amortised cost	**3,258**	778
Lease liabilities	**818**	886

30b. Financial risk management objectives and policies

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

Market risk

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

(i) Currency risk

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

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

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

	2025	2024
	US$'000	US$'000
Current assets denominated in:		
US$	**189**	301
HK$	**221**	189
Current liabilities denominated in:		
US$	**2,599**	17

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

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

	2025	2024
	US$'000	US$'000
Current liabilities denominated in:		
US$	**29,570**	32,005

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2024: 5%) increase and decrease in exchange rates where the functional currencies of the relevant group entities against the relevant foreign currencies. 5% (2024: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A negative number below indicates an increase in loss for the year where the functional currencies of the relevant group entities 5% (2024: 5%) strengthen against the relevant foreign currencies of the group entities. For a 5% (2024: 5%) weakening of the functional currencies of the relevant group entities against the relevant foreign currencies of the group entities, there would be an equal and opposite impact on the profit for the year of the Group and the amounts below would be positive.

	Decrease (increase) in loss for the year	
	2025	2024
	US$'000	US$'000
US$	**1,199**	1,190
HK$	**(8)**	(7)

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to bank borrowings (see Note 21 for details), lease liabilities (see Note 22 for details) and fixed-rate bank deposits (see Note 19 for details). The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits (see Note 19 for details). The Group continues to monitor the exposure on interest rate risk and will consider hedging the interest rate should the need arise.

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

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

(iii) *Price risk*

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

Sensitivity analysis

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

If the prices of the respective equity instruments had been 15% (2024: 15%) higher/lower, the loss for the year ended 31 December 2025 would decrease/increase by US$170,000 (2024: the loss for the year ended decrease/increase by US$106,000) as a result of the changes in fair value of investments at FVTPL.

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

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

Trade receivables on contract with customers and operating lease receivables

As at 31 December 2025, the Group has concentration of credit risk by customers as 100% of the Group's trade receivables was due from a tenant in lease of properties (2024: 20% and 80% of the Group's total trade receivables were due from its sole customer in sales of footwear and a tenant in lease of properties, respectively). In order to minimise the credit risk on its trade debts, the Group's finance and sales team is responsible for determination of credit limits, credit approvals and other monitoring procedures for its customers to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group performs impairment assessment under ECL model on trade receivables on contract with customers and operating lease receivables individually.

Other receivables, refundable rental deposit, pledged bank deposits, time deposits and bank balances

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

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

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

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

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

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

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

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

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

	Notes	Internal/external credit rating	12m or lifetime ECL	Gross carrying amount 2025 US$'000	2024 US$'000
Financial assets at amortised cost					
Trade receivables					
– contract with customers	17	Grade 1 (note 1)	Lifetime ECL	**–**	299
– operating lease receivables	17	Grade 1 (note 1)	Lifetime ECL	**1,674**	1,649
				1,674	1,948
Other receivables	17	Grade 1 (note 2)	12m ECL	**554**	561
Refundable rental deposit	17	Grade 1 (note 2)	12m ECL	**27**	53
Pledged bank deposits	19	A3	12m ECL	**2,860**	–
Time deposits	19	A1	12m ECL	**141**	139
Bank balances	19	Ranged from Aa3 to A2 (note 3)	12m ECL	**7,912**	8,628

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

notes:

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

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

	Lifetime ECL (not credit-Impaired) US$'000
As at 1 January 2024 and 31 December 2024	–
Impairment losses recognised for new financial assets originated	70
As at 31 December 2025	70

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

   The Group closely monitors the past-due information of other debtors. In addition, the Company performs impairment assessment under ECL model on other receivables and refundable rental deposit individually based on the assessment in the risk of default of the respective counterparties. For the year ended 31 December 2025 and 2024, the Group has assessed that the expected loss rates for other receivables and refundable rental deposit were insignificant. Thus, no loss allowance for other receivables and refundable rental deposit were recognised.

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

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

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

Liquidity tables

	Weighted average interest rate	On demand or less than 1 month US$'000	1–3 months US$'000	3 months to 1 year US$'000	1–5 years US$'000	>5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2025 US$'000
2025								
Trade and other payables	–	676	–	–	–	–	676	676
Bank borrowings	3.0%	–	–	252	2,426	–	2,678	2,582
Lease liabilities	3.42% – 5.55%	–	20	102	274	847	1,243	818
Subtotal		676	20	354	2,700	847	4,597	4,076

	Weighted average interest rate	On demand or less than 1 month US$'000	1–3 months US$'000	3 months to 1 year US$'000	1–5 years US$'000	>5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2025 US$'000
2024								
Trade and other payables	–	778	–	–	–	–	778	778
Lease liabilities	3.42% – 5.55%	–	28	93	344	876	1,341	886
Subtotal		778	28	93	344	876	2,119	1,664

30. FINANCIAL INSTRUMENTS *(Continued)*

30c. Fair value measurements of financial instruments

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

Financial assets	**Fair value as at 31 December**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	2025	2024		
	US$'000	US$'000		
Financial assets at FVTPL	**1,135**	704	Level 1	Quoted bid prices in an active market

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

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

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings	**Interest payables**	**Dividend payable**	**Lease liabilities**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2024	–	–	–	800	800
Financing cash flows	–	–	(943)	(147)	(1,090)
Interest expense on lease liabilities	–	–	–	35	35
Exchange adjustments	–	–	–	(7)	(7)
Declaration of dividends	–	–	943	–	943
New lease entered	–	–	–	205	205
At 31 December 2024	–	–	–	886	886
Financing cash flows	2,500	(52)	(943)	(121)	1,384
Interest expense	–	52	–	41	93
Exchange adjustments	82	–	–	12	94
Declaration of dividends	–	–	943	–	943
At 31 December 2025	2,582	–	–	818	3,400

32. DETAILS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2025 and 2024 are as follows:

Name of subsidiaries	Place of establishment/ operations	Issued and fully paid share capital/ registered capital	Attributable equity interest and voting power held by the Company		Principal activities
			Directly	Indirectly	
W.P.T. Development Inc.	British Virgin Islands/ Hong Kong	Ordinary US$8	100%	–	Investment holding
Pacific Footgear Corporation	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Marketing and trading in footwear
Topstair International (H.K.) Company Limited	Hong Kong	Ordinary HK$10,000	–	100%	Trading in footwear and provision of administrative services to group companies
Universal Footgear Corporation	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Marketing
Pacific View Marketing Limited	Hong Kong	Ordinary HK$8	–	100%	Inactive
P&S Marketing Group Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Inactive
Wuco Corporation	British Virgin Islands/ Hong Kong	Ordinary US$8	–	100%	Trading in footwear and investment holding
Nagano Management Limited	British Virgin Islands/ Hong Kong	Ordinary US$11	–	100%	Investment holding
台灣松鄴國際有限公司	Taiwan	Registered capital NT$5,000,000	–	100%	Trading in raw materials of footwear

32. DETAILS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of establishment/ operations	Issued and fully paid share capital/ registered capital	Attributable equity interest and voting power held by the Company Directly	Indirectly	Principal activities
廣州市番禺創信鞋業有限公司*	PRC	Registered capital US$42,800,000	–	100%	Leasing of investment properties to generate rental income, manufacture of footwear and footwear materials
廣州創信鞋品服飾有限公司*	PRC	Registered capital RMB25,500,000	–	100%	Marketing and trading in footwear in the PRC
廣州市豐群鞋業有限公司*	PRC	Registered capital US$10,600,000	–	100%	Manufacture of footwear and footwear materials

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

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

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2025 US$'000	2024 US$'000
Non-current assets		
Investments in subsidiaries	**26,465**	26,465
Amount due from a subsidiary	**28,795**	26,795
	55,260	53,260
Current assets		
Amount due from a subsidiary	**576**	576
Dividend receivables	**2,000**	2,000
Other receivables	**148**	144
Bank balances	**19**	18
	2,743	2,738
Current liabilities		
Other payables	**200**	113
Amounts due to a subsidiary	**5,699**	3,920
	5,899	4,033
Net current liabilities	**(3,156)**	(1,295)
	52,104	51,965
Capital and reserves		
Share capital	**9,428**	9,428
Reserves	**42,676**	42,537
	52,104	51,965

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

Movement in the Company's reserves

	Share premium	Contributed surplus	Translation reserve	Retained profits	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2024	21,637	19,486	(11)	1,304	42,416
Profit for the year	–	–	–	1,065	1,065
Exchange differences arising on translation to presentation currency	–	–	(1)	–	(1)
Dividends recognised as distributions	–	–	–	(943)	(943)
At 31 December 2024	21,637	19,486	(12)	1,426	42,537
Profit for the year	–	–	–	1,080	1,080
Exchange differences arising on translation to presentation currency	–	–	2	–	2
Dividends recognised as distributions	–	–	–	(943)	(943)
At 31 December 2025	21,637	19,486	(10)	1,563	42,676

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

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2021 US$'000	2022 US$'000	2023 US$'000	2024 US$'000	**2025** **US$'000**
Revenue	7,308	9,254	6,039	5,867	**2,621**
(Loss) profit before tax	(1,162)	1,833	120	(1,756)	**(5,418)**
Tax credit (expense)	205	(150)	331	696	**1,097**
(Loss) profit for the year	(957)	1,683	451	(1,060)	**(4,321)**

ASSETS AND LIABILITIES

	At 31 December				
	2021 US$'000	2022 US$'000	2023 US$'000	2024 US$'000	**2025** **US$'000**
Total assets	101,855	99,614	99,016	94,799	**93,765**
Total liabilities	(22,239)	(21,067)	(20,236)	(18,516)	**(20,341)**
Total equity	79,616	78,547	78,780	76,283	**73,424**