2023

LEVER STYLE CORPORATION

利 華 控 股 集 團

(Incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT

STOCK CODE: 1346

Certified B Corporation

MIX
Paper from responsible sources
FSC™ C157924
www.fsc.org

WWW.LEVERSTYLE.COM
THE APPAREL ENGINE FOR DIGITAL RETAIL

leverstyle

Contents

Corporate Information

Board of Directors

Executive directors

Mr. SZETO Chi Yan Stanley
Dr. CHAN Yuk Mau Eddie
Mr. LEE Yiu Ming

Independent non-executive directors

Mr. SEE Tak Wah
Mr. ANDERSEN Dee Allen
Ms. KESEBI Lale
Mr. LIU Gary

Audit Committee

Mr. SEE Tak Wah *(Chairman)*
Mr. ANDERSEN Dee Allen
Ms. KESEBI Lale
Mr. LIU Gary

Remuneration Committee

Mr. ANDERSEN Dee Allen *(Chairman)*
Mr. SEE Tak Wah
Mr. SZETO Chi Yan Stanley
Ms. KESEBI Lale
Mr. LIU Gary

Nomination Committee

Mr. SZETO Chi Yan Stanley *(Chairman)*
Mr. SEE Tak Wah
Mr. ANDERSEN Dee Allen
Ms. KESEBI Lale
Mr. LIU Gary

Company Secretary

Mr. LEE Yiu Ming

Registered Office

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

Principal Place of Business in Hong Kong

Room 76, Flat A
7/F, Wing Tai Centre
12 Hing Yip Street
Kwun Tong, Kowloon
Hong Kong

Principal Place of Business in the PRC

1/F, TinWe Mansion
6 Liu Fang Road
Bao'an District
Shenzhen
China

Compliance Adviser

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

Corporate Information

Auditor

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

Legal Advisor

Withers
30/F, United Centre
95 Queensway
Admiralty
Hong Kong

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road
Central
Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Hong Kong

Citibank, N.A.
3 Garden Road
Central
Hong Kong

Company Website

www.leverstyle.com

Stock Code

1346

Chairman's Statement

Record Earnings and Growing Market Share

After registering over 60% and 50% growth in 2021 and 2022 respectively, the revenue of the Group retreated 4.0% to US$208.5 million for the Reporting Period of 2023. Despite the mild decline in revenue, net profit for the Reporting Period expanded 7.6% over the previous year to a record of US$15.6 million. As of the end of the Reporting Period, the Group was debt-free and had a net cash position of US$18.1 million, accounting for 33.8% of net asset value of US$53.6 million.

During the supply chain disruption and the post-COVID rebound in apparel consumer demand in mid-2021 to mid-2022, brands and retailers were caught short on inventory. They therefore ordered inventory earlier and in higher quantities than optimistic forecasts of a prolonged demand rebound. When the supply chain disruption and the post-COVID rebound tapered off in mid-2022, ever increasing quantities of goods continued to flow in, and brands and retailers were stuck with a sea of inventory that they could not sell till future seasons. This wide-spread inventory glut seriously suppressed apparel brands' and retailers' buying appetite in 2023.

As a proxy, US apparel imports in 2023 plummeted 20% from 2022, according to the international trade administration database. Against this backdrop, our mild decline in revenue suggests that we continued to win market share, which bodes well for our competitive position going forward.

Compared to 2019 before the industry went into a wild bust-boom-bust ride, the Group's 2023 revenue has grown 70.9% while net profit has more than doubled.

Future Prospects

With the inventory glut built up since mid-2022 slowly being worked through, most brands and retailers have healthier inventory positions now than they did a year ago, and many of them are resuming buying according to actual consumer demand. However, with high interest rates and the wobbly global economy, there are signs that consumer demand is slowing, the effects of which will reverberate up the supply chain. Several major economies such as the UK and Japan are already in recession, while Germany is likely in recession. If the US fails to achieve the coveted soft landing and goes into recession as well, there will be even more downside for demand.

Our unique asset-light production platform has enabled us to outperform the industry in recent years. However, soft global demand this year will make it difficult for us to organically replicate the outsized growth rates from 2021 and 2022. Therefore, we expect to turn to mergers and acquisitions as a key source of growth, as a difficult economy makes our versatile production platform's advantages more apparent, making it easier for apparel supply chain companies to see the benefit of joining forces with our platform and switching to our business model.

M&A Outlook

For almost 2 years during the post-COVID rebound when most companies in the industry were feeling optimistic about the future, we focused on organic growth rather than acquisitions due to heightened valuation expectations. With 2023 being a very difficult year for the industry, and 2024 also appearing challenging, valuation expectations are becoming more realistic.

In September 2023, we did our first acquisition in almost two years when we acquired the assets, product knowhow and client base of Elegant Team Development Ltd. ("ETD") for US$4.8 million, representing approximately 12.7% discount to the net asset value of the transaction. ETD is a Hong Kong-based supplier of outdoor apparel for European brands and retailers such as Mammut and Jack Wolfskin. Although this business is expected to account for just less than 10% of our turnover in 2024, this acquisition is in line with our desire to expand our presence in the outdoor/active segment, which has been growing faster than the fashion segment that we have historically been known for. Sticking to our versatile asset-light business model, one of our key supply partners took over the legal ownership of ETD's factory, which continues to produce for us but as part of an arms-length supply partner.

Going forward, we will continue to favor the outdoor/active segment when pursuing business combinations, although we will also target companies in the fashion segment that can bolster our product knowhow, scale, and/or production geographical footprint.

With the industry continuing to face headwinds in 2024, we hope to derive more growth from business combinations in 2024 and 2025 than in 2022 and 2023. With a healthy net cash balance, we are in strong financial position to accelerate our acquisition strategy.

Digitalization and Platformization Progress

Working towards becoming the Uber of apparel supply chain, we have continued to make progress on digitalization and platformization.

We completed building our data warehouse that consolidates data from our operation systems. It is the foundation of our digitalisation, establishing the capability to conduct real-time business analyses and to develop proprietary applications to automate our business processes. We also developed a proprietary automated fabric booking system and implemented a customer relationship management ("CRM") system to further digitalize the leads-to-customer lifecycle.

To "platformize" the business and make production portable amongst factories and countries, we are building out our centralized product development model that can issue clearly-defined work instructions to our production partners. And to make production costing brand agnostic, we are working with our production partners to standardize the calculation of product costing based on labor content, order volume and other key factors.

Chairman's Statement

With the required investments in technology and personnel, digitalization and platformization will be a slight drag on our 2024 profitability. However, with the cost and agility benefits kicking in, we expect such efforts to be cost neutral in 2025, and accretive to growth and earnings in the long run.

Repositioning Management Team

In line with our plan to attract and promote the next generation of leaders, our Chief Operation Officer, Mr. William Tan ("William Tan") will succeed Dr. Chan Yuk Mau Eddie ("Eddie Chan") as the Group's Chief Executive Officer, effective from 1 April 2024. William Tan, who joined us in October 2022 from the fashion technology sector, will also be appointed an Executive Director of the Group, effective from 1 April 2024.

Eddie Chan will become Vice Chairman of the Group, effective from 1 April 2024. In anticipation of more M&A activities, Eddie Chan will transition his general management responsibilities to William Tan in order to focus on acquisition integrations and other strategic initiatives. We now have the luxury of helicoptering Eddie Chan in to integrate and manage sizable business combinations, especially those located in foreign geographies. Eddie Chan will remain an Executive Director of the Group.

Conclusion

We are proud of what we achieved in 2023 despite the tremendous difficulty in the apparel industry. We are excited to embark on 2024 from a position of financial strength and with an enhanced management structure.

We hope acquisitions will help boost our growth going forward, and we expect the benefits of platformization and digitalization to become more tangible within this year. We hope M&A, platformization and digitalization will be our engines of growth in 2024 and 2025.

SZETO Chi Yan Stanley
Chairman of the Board

11 March 2024

Management Discussion and Analysis

Revenue

During the year of 2023, the fashion and apparel industry has been badly affected by consumer confidence, economic factors such as high interest rates, high inflation rates, energy costs hike, and geopolitical risks. Brand companies and retailers also held back on new product developments and orders as they focused their efforts on selling off excess inventory from the preceding year. Against this challenging backdrop, the Group was able to navigate with minimal disruption, through maintaining a high level of customer service, providing short lead time, and high-mix-low-volume solutions to help our customers better manage their inventories. Such competitive advantage allowed the Group to manage the general decline better, and on occasions, improving the share of wallet of our customers. The Group recorded revenue of approximately US$208.5 million in 2023, representing an approximate 4.0% decrease from 2022 with revenue of approximately US$217.2 million.

Cost of Sales

Our cost of sales mainly comprises material costs and subcontracting fees. Cost of sales decreased by approximately 4.5% from approximately US$155.6 million in 2022 to approximately US$148.6 million in 2023. Cost of sales as a percentage of total revenue decreased from approximately 71.7% in 2022 to approximately 71.3% in 2023.

Gross Profit and Gross Profit Margin

Our gross profit decreased from approximately US$61.6 million in 2022 to approximately US$59.9 million in 2023, representing a drop of approximately 2.7%, along with the business decrease. Gross profit margin was maintained at a relatively stable level and slightly increased from approximately 28.3% in 2022 to approximately 28.7% in 2023.

Profit for the Year

The Group recorded a net profit of approximately US$15.6 million for the year ended 31 December 2023, as compared to approximately US$14.5 million for the year ended 31 December 2022. Achieving a historical high net profit in 2023 is a significant milestone for the Group by effectively managing our expenses and costs. This accomplishment reflects positive growth, increased efficiency, and strong financial performance.

Increase of approximately US$1.1 million in net profit compared to 2022 was mainly attributable to the following factors:

– Selling and distribution expenses decreased from approximately US$22.3 million in 2022 to approximately US$21.9 million in 2023. This decline was due to the stabilization of freight costs, resulting in more efficient and cost-effective distribution operations;

– Administrative expenses increased from approximately US$17.9 million in 2022 to about US$20.1 million in 2023. This rise can be attributed to the Group's successful recruitment and filling of several key positions in 2023. Additionally, the Group has been actively investing in the continuous development and optimization of staff benefit program, aiming to retain and attract new talents to support growth and success; and

– Finance cost significantly dropped from approximately US$1.3 million in 2022 to approximately US$0.2 million in 2023 due to the strong cash position of the Group.

Our flexible asset-light business model is proven to be successful with such results and improvements. It also demonstrates the successful execution of business strategies and the ability to adapt to market conditions.

Liquidity and Financial Resources

Cash and cash equivalents of the Group as at 31 December 2023 were approximately US$18.1 million (2022: US$23.5 million). The Group had no borrowings at the end of 2023, resulting a net cash position of approximately of US$18.1 million which was a historical high record, compared to approximately US$12.8 million in 2022.

As at 31 December 2023, the Group had net current assets of approximately US$47.9 million. Compared to approximately US$41.9 million as at 31 December 2022, it represented an increase of approximately US$6.0 million. The current ratio for 2023 was approximately 2.4 times whilst it was approximately 2.0 times for 2022 which remained at a relatively healthy position.

The Group obtained bank facilities to fulfil our working capital requirements and to finance our purchase of raw materials and payments to contract manufacturers. As at 31 December 2023, the Group had available banking facilities of approximately US$78.8 million which is considered sufficient for the Group's operation.

Gearing Ratio

Equity attributable to the Company amounted to approximately US$53.6 million at 31 December 2023 (2022: US$47.8 million). As at 31 December 2023, the gearing ratio of the Group was approximately 0% (2022: 22.5%). Gearing ratio is calculated based on the total debts (bank borrowings) divided by the total equity at the end of the year. The decrease in gearing ratio for 2023 was mainly due to no bank borrowings at the end of the year.

With the favorable cash and cash equivalents position of the Group, it has led to a net debt to equity ratio (total debts net of cash and bank balances divided by total equity at end of year) of approximately -33.8% in 2023 (2022: -26.8%).

Contingent Liabilities

As at 31 December 2023, the Group had no material contingent liability (2022: Nil).

Employees and Remuneration

As at 31 December 2023, the Group employed a total of 343 full-time employees (2022: 338 employees). For the year ended 31 December 2023, the aggregate remuneration of the Group's employees (including Directors' remuneration) remained stable at approximately US$20.4 million (2022: US$18.5 million).

The Company recognises the employees as one of the Group's most important assets. The Company strongly believes in hiring the right talent, nurturing and retaining them. The Group remunerates its staff according to their performance, qualifications and industry practices, and conducts regular reviews of its remuneration policy. Employees may receive bonuses and monetary rewards based on their performance and ratings in annual performance appraisals.

The Group also offers rewards or other incentives to motivate the personal growth and career development of employees. The Company adopted the share option scheme and co-ownership share award scheme with the objectives to recognise contributions made by the eligible employees, to motivate career development and to retain the eligible employees for the continual operation, growth and future development of the Group.

Pledge of Assets

As at 31 December 2023, pledge of assets of the Group are set out in Note 31 to the consolidated financial statements.

Foreign Currency Exposure

The Group's reporting and functional currency is US$ whilst some of the Group's business transactions are denominated in various other currencies, primarily Renminbi and HK$. Foreign currency exchange contracts are used to manage foreign currency exposure. The Group's policy is to monitor its foreign currency exposure and use foreign currency exchange contracts as appropriate, to minimise its foreign currency risks.

Future Plans for Material Investments or Capital Assets and the Expected Sources of Funding

There was no other plan for material investments or capital assets as at 31 December 2023.

Significant Investments Held

No significant investments had been made by the Group for the Reporting Period were required to be disclosed.

Management
Discussion and Analysis

Material Acquisition or Disposal of Subsidiaries, Associates and Joint Ventures

The Group had not conducted any substantial acquisition or disposal of subsidiaries, associates or joint ventures that were required to be disclosed during the Reporting Period.

Capital Commitments

As at 31 December 2023, capital commitments of the Group are set out in Note 32 to the consolidated financial statements.

Events Occurring after the Reporting Period

There were no events after the Reporting Period that required to be disclosed.

Corporate Governance Report

The board ("Board") of directors ("Directors") of the Company recognises the importance of good corporate governance and the need to ensure that it is observed and practised throughout the Group. The Group strives to attain and maintain good corporate governance practices and is committed to achieving a high standard of corporate governance and business ethics to safeguard the interests of shareholders of the Company (the "Shareholders") and to enhance corporate value and accountability.

Corporate Governance Practices

The shares of the Company ("Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 13 November 2019 (the "Listing Date"). The Company has adopted the code provisions in the Corporate Governance Code (the "CG Code") set out in Appendix C1 to the Rules governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (formerly Appendix 14) since the Listing Date.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

The Group has been in compliance with all the code provisions under the CG code during the year ended 31 December 2023.

Board of Directors

Board composition

The Board is structured with a view to ensuring it is of a high calibre and has a balance of key skills and knowledge so that it works effectively as a team and individuals or groups do not dominate decision-making.

As at the date of this annual report, the Board comprises three executive Directors and four independent non-executive Directors. Details of their composition by category are as follows:

Executive directors

Mr. SZETO Chi Yan Stanley *(Chairman)*
Dr. CHAN Yuk Mau Eddie *(Chief Executive Officer ("CEO"))*
Mr. LEE Yiu Ming

Independent non-executive directors

Mr. SEE Tak Wah
Mr. ANDERSEN Dee Allen
Ms. KESEBI Lale
Mr. LIU Gary

Corporate Governance Report

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report. In the best of knowledge of the Directors, there is no relationship (including financial, business, family or other material relevant relationship) among members of the Board.

Roles and responsibilities of the Board

The Board is responsible for guiding and monitoring the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board delegates the day-to-day management of the business to the executive Directors and the management team. However, certain functions are specifically reserved for the Board which include the following:

- in conjunction with management, establishing a vision and strategies for the Group;
- approving specific items of material capital expenditure, major acquisitions, investments and disinvestments;
- appointing Directors to the Board;
- approving any significant changes to accounting policies;
- approving public announcements, including financial statements;
- approving any interim dividends and recommending any final dividends to Shareholders;
- approving all circulars, statements and corresponding documents sent to Shareholders;
- approving the terms of reference and membership of Board Committees;
- approving Company policies which may be developed from time to time;
- providing leadership and strategic directions for the Group;
- overseeing the proper conduct of the business;
- ensuring prudent and effective controls and risk management system; and
- overseeing the development and implementation of shareholder communication policy.

Chairman and CEO

The CG Code provision C.2.1 requires that the roles of chairman and chief executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who manage the business.

Mr. SZETO Chi Yan Stanley, who is the chairman of the Board of the Company, provides leadership and is responsible for ensuring that the Board is functioning properly with good corporate governance practices and procedures. The Chairman also ensures that Board discussions are conducted in a manner that all views are taken into account before a decision is made.

Dr. CHAN Yuk Mau Eddie, being the CEO, is responsible for the overall management and corporate affairs of the Company. With the support of the senior management, the CEO has the general responsibility for day-to-day management of the Group's business, implementation of the policies of the Board and making operational decisions. The Board is regularly provided with adequate, complete and reliable information of the Company in a timely manner, which includes but not limited to, the recent development and prospects of the Group.

Therefore, the Board considers that there is sufficient balance of power and authority between the Board and the management of the Company, and that power is not concentrated in the hands of any one individual.

Non-executive Directors and Independent non-executive Directors

The role of the non-executive Directors is to bring independent and objective judgment to the Board which mitigates risks arising from conflicts of interest or undue influence from interested parties and protects the interest of minority shareholders. The Board recognises that it is important to periodically assess whether a Director who is designated as independent continues to satisfy such designation. Towards this end, an assessment of independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules is carried out on each of the independent non-executive Directors annually by every other member of the Board.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules and considered that all independent non-executive Directors fulfil the independence requirements set out in Rule 3.13 of the Listing Rules after the annual assessment. The Company considers all independent non-executive Directors to be independent. In compliance with Rule 3.13 of the Listing Rules, the Company has appointed four independent non-executive Directors.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years and shall continue thereafter unless terminated in accordance with the provisions in their respective letters of appointment. The term of appointment of each Director is subject to retirement by rotation and re-election at annual general meeting in accordance with the articles of association of the Company (the "Articles of Association") and the Listing Rules.

Board diversity policy

The Board has reviewed its board diversity policy (adopted on 12 October 2019) ("Board Diversity Policy") during the year ended 31 December 2023. The Company recognises and embraces the importance and benefit to achieve diversity on the Company's Board to corporate governance and the Board's effectiveness. It endeavours to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Board nomination and appointments will continue to be made on merit basis based on its business needs from time to time while taking into account diversity. Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Board reviews the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

As disclosed in the Prospectus, the aim of the Board and the Nomination Committee is to appoint two female directors to achieve gender diversity. As the Board currently has one female director, the Nomination Committee and the Board have been identifying additional suitable female candidates all along and are of the view that with the appointment of additional female director(s), the diversity of the Board would be further enhanced.

Board committee

The Board has established three committees, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") on 12 October 2019, to oversee particular aspects of the Group's affairs. Each of the three committees has sufficient resources and its specific terms of reference that are approved by the Board, relating to its responsibilities, duties, powers and functions, which are posted to the Stock Exchange's website and the Company's website.

The board committees will regularly report to the Board on decisions or recommendations made.

Audit committee

The Company has established the Audit Committee pursuant to a resolution of the Board passed on 12 October 2019 with written terms of reference in compliance with the CG Code and Rule 3.21 of the Listing Rules. The Audit Committee is primarily responsible for (i) reviewing and monitoring the financial reporting, risk management and internal control systems of the Company; (ii) oversee the audit processes; (iii) making recommendations to the Board on the appointment and removal of external auditors; (iv) performing the Company's corporate governance functions; and (v) to monitor continuing connected transactions (if any).

As at the date of this report, the Audit Committee consists of four independent non-executive Directors, namely Mr. SEE Tak Wah (chairman of the Audit Committee), Mr. ANDERSEN Dee Allen, Ms. KESEBI Lale and Mr. LIU Gary. Mr. SEE Tak Wah is the chairman of the Audit Committee and possesses the appropriate professional qualifications. The Audit Committee met four times during the year ended 31 December 2023. The Chief Financial Officer also attended the meetings of the Audit Committee by invitation. Besides attending meetings, members of the Audit Committee also had ongoing correspondences throughout the year under review.

During the year under review, the Audit Committee held four meetings and carried out the following activities to meet their responsibilities as set out in the terms of reference of the Audit Committee:

(a) reviewed the financial results of the Group for the six months ended 30 June 2023 and the year ended 31 December 2023 as well as the respective results announcement and subsequently presented the interim and annual reports to the Board for approval before its subsequent release to Stock Exchange's website and the Company's website;

(b) monitored the Group's financial controls, internal control and risk management systems;

(c) reviewed the external auditors' management letter and any material queries or issues raised by the auditor; and

(d) reviewed the remuneration, qualifications and independence of the external auditor.

Remuneration committee

The Company has established the Remuneration Committee pursuant to a resolution of the Board passed on 12 October 2019 with written terms of reference in compliance with the CG Code. As at the date of this report, the Remuneration Committee consists of five members, namely Mr. ANDERSEN Dee Allen (Chairman of the Remuneration Committee), Mr. SEE Tak Wah, Ms. KESEBI Lale, Mr. LIU Gary and Mr. SZETO Chi Yan Stanley. The primary functions of the Remuneration Committee include determining the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year under review, the Remuneration Committee held three meetings to review the remuneration policy, structure of the Company and the remuneration packages of the Directors and other related matters. Details of the remuneration of the senior management by band are set out in Note 11 in the notes to the consolidated financial statements for the year ended 31 December 2023.

Nomination committee

The Company has established the Nomination Committee pursuant to a resolution of the Board passed on 12 October 2019 with written terms of reference in compliance with the CG Code.

As at the date of this report, the Nomination Committee consists of five members, namely Mr. SZETO Chi Yan Stanley (Chairman of the Nomination Committee), Mr. SEE Tak Wah, Mr. ANDERSEN Dee Allen, Ms. KESEBI Lale and Mr. LIU Gary.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant policies and procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors (in particular the chairman and chief executive of the Company), and assessing the independence of the independent non-executive Directors. In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural, educational background, professional qualifications, skills, knowledge, industry and regional experience etc.. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the year under review, three Nomination Committee meetings were held.

Board meetings

The Company has adopted the practice of holding board meetings regularly and holds at least four meetings in a period of 12 months at approximately quarterly intervals to discuss, among other things, the financial performance and the business operation and strategic development of the Group. The Board will also meet from time to time, if necessary, to discuss other matters. Notice of a regular board meeting will be given to Directors at least 14 days prior to such regular board meeting while reasonable notice will be given to all Directors for other board meetings.

Attendance records of meetings

The attendance of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings and general meeting during the year under review is set out in the following table:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Number of meetings held during the year	6	4	3	3	1
Name of Directors	**Number of meetings attended/Number of meetings entitled to attend**				
Executive Directors					
Mr. SZETO Chi Yan Stanley *(Chairman)*	6/6	4/4	3/3	3/3	1/1
Dr. CHAN Yuk Mau Eddie	6/6	4/4	–	–	1/1
Mr. LEE Yiu Ming	6/6	4/4	–	–	1/1
Independent Non-Executive Directors					
Mr. SEE Tak Wah	6/6	4/4	3/3	3/3	1/1
Mr. ANDERSEN Dee Allen	5/6	3/4	3/3	3/3	1/1
Ms. KESEBI Lale	6/6	4/4	3/3	3/3	1/1
Mr. LIU Gary	6/6	4/4	3/3	3/3	1/1

Appointment and re-election of Directors

Each of the executive Directors has entered into a service contract with the Company and is appointed for a specific term of three years unless terminated by not less than two months' notice in writing served by either the executive Director or the Company. Each of the non-executive Director and the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years and shall continue thereafter unless terminated in accordance with the provisions in the letter of appointment.

The Company has adopted a nomination policy for directors in which a formal and transparent procedure for the appointment, election and removal of Directors, which is set out in the Articles of Association and is led by the Nomination Committee under its written terms of reference, which will make recommendations on the appointment of new Directors to the Board for approval.

Potential new Board members are identified on the basis of skills and experience which, in the opinion of the Directors, will enable them to make a positive contribution to the performance of the Board.

The procedures and processes of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent nonexecutive Directors.

All Directors are subject to retirement and re-election in accordance with the Articles of Association. Pursuant to the Articles of Association, one-third of all Directors (whether executive or non-executive) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation and re-election at each annual general meeting at least once every three years.

The Articles of Association provides that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

Full details of changes in the Board during the year and up to the date of this annual report are provided in the section of this annual report headed "Directors' Report".

Continuous professional development

According to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. For the year ended 31 December 2023, all Directors participated in training courses on directors' responsibilities and obligations under the Listing Rules which covered among other topics, the CG Code as well as the company's and directors' continuing obligations. For newly appointed Directors, each of them receives training materials on the first occasion of his or her appointment to ensure that he or she is fully aware of the director's responsibilities under the Listing Rules and all application laws in Hong Kong. In addition, each of the Directors has, from time to time, reviewed updates on laws, rules and regulations which might be relevant to their roles, duties and functions as a director of a listed company.

Directors' and Officers' insurance

Code provision C.1.8 requires that there should be appropriate insurance cover in respect of legal action against the Directors.

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules (formerly Appendix 10) as its own code of conduct regarding Directors' securities transactions (the "Securities Dealing Code"). Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the Model Code and the Securities Dealing Code for the year ended 31 December 2023 and up to the date of this report.

Auditor's Remuneration

The amount of fees charged by the Company's external auditor, Ernst & Young, generally depends on the scope and volume of the external auditors' work performed.

For the year ended 31 December 2023, the remuneration paid or payable to Ernst & Young in respect of the audit service and non-audit services for our Group are as follows:

Services rendered	US$'000
Audit service	246
Non-audit services	162
Total	408

Company Secretary

Mr. LEE Yiu Ming, an executive Director, is the company secretary of the Company. The company secretary is in charge of preparing and keeping written resolutions and/or minutes of meetings of the Board and the Board committees together with any relevant documents. All matters under consideration including any enquiry and objection by Directors are documented in details. Within a reasonable time frame upon closing a meeting, draft minutes will be despatched to all Directors for their comments and final written resolutions and minutes will be sent to all Directors for their records. All minutes are open for inspection by any Director at reasonable time upon reasonable notice.

In accordance with Rule 3.29 of the Listing Rules, Mr. LEE Yiu Ming undertook at least 15 hours of relevant professional training during the year ended 31 December 2023.

Directors' Responsibility in Respect of the Financial Statements

It is the responsibility of the Directors to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

The Directors consider that, in preparing the financial statements, the Group has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors also consider that all applicable approved accounting standards have been complied with and confirm that the financial statements have been prepared on a going concern basis.

The Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to issue their opinion to the Shareholders. The independent auditor's report by external auditor, Ernst & Young, about their reporting responsibility on the consolidated financial statements of our Group is set out in the independent auditor's report of this annual report.

Risk Management and Internal Control

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

The Group has established a risk management framework, which consists of the Board, the Audit Committee and its senior managerial personnel. The Board 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 implemented procedures for identifying and managing risks in accordance with its operation manual ("Operation Manual"). The Operation Manual sets out directions in identifying, evaluating and managing significant risks. At least on an annual basis, the senior managerial personnel 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 hired an internal auditor to assist the Board 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 on a timely basis to ensure prompt remediation actions are taken.

Both the internal audit report and enterprise risk assessment report rendered by the internal auditor are submitted to the Audit Committee and the Board at least once a year. The Board 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; the extent and frequency of communication with the Board in relation to the results 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 considers the Group's risk management and internal control systems are effective.

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

For the year ended 31 December 2023, the Board, through the internal auditor, conducted a review of the effectiveness of the risk management and internal control system, which covered the areas of compliance and risk management. The Board considered the system of the Group to be adequate and effective for the year ended 31 December 2023.

Disclosure of Inside Information

The Group acknowledges its obligation under the Securities and Futures Ordinance ("SFO") and the Listing Rules, and the overriding principle that inside information should be announced immediately when it is the subject of a decision.

The Company makes reference to the "Guideline on Disclosure of Inside Information" issued by the Securities and Futures Commission of Hong Kong in 2012 in handling and dissemination of inside information. The Company has also established and implemented procedures for responding to external enquiries about the Group's affairs. Executive Directors or other senior management staff nominated by the Board as well as the Company Secretary of the Company are authorised to communicate with parties outside the Group.

Shareholders' Rights

An annual general meeting of the Company shall be held each year and at the place determined by the Board. Each general meeting other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Procedures for shareholders to convene an EGM

Pursuant to the Articles of Association, an EGM may be convened on the written request of any two or more Shareholders deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the request not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

An EGM may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of two months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for putting forward proposals at shareholders' meetings

There are no provisions in the Articles of Association allowing Shareholders to put forward new resolutions at general meetings. Shareholders who wish to make proposals or move a resolution may, however, convene an EGM in accordance with the "Procedures for shareholders to convene an EGM" set out above.

Procedures for putting enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Board, which contact details are as follows:

Lever Style Corporation
Room 76, Flat A, 7/F
Wing Tai Centre
12 Hing Yip Street
Kwun Tong
Kowloon
Hong Kong

1/F, TinWe Mansion
6 Liu Fang Road
Bao'an District
Shenzhen
the PRC

Telephone: (+852) 2793 8000
(+86) 755 2980 7870

Communication with Shareholders and Investors

The Board adopted a shareholders' communication policy at a board meeting held on 12 October 2019. The Board and senior management recognise their responsibilities to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company. The Company has established various and a wide range of communication channels with the shareholders with the objective of ensuring that the shareholders have equal and timely access to information about the Company in order to enable the shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company. The channels include general meetings, annual reports and interim reports, notices and circulars, announcements, and all the published disclosures submitted to the Stock Exchange. In addition, the Company updates its website from time to time to provide the shareholders with information of the Company's recent development.

The annual general meeting of the Company will provide a forum for the Board and the shareholders to communicate. The Board will answer questions raised by shareholders at the annual general meeting. At the meeting, separate resolutions will be proposed by the Chairman for each issue and voting on each resolution will be conducted by poll. The results of the poll will be posted on the respective websites of the Stock Exchange and the Company on the same day of the meeting.

The Company has been striving to maintain high transparency and communicates with the shareholders and the investors of the Company through diversified communication channels. The Company holds press conferences and analyst briefing sessions from time to time to provide the latest business information of the Company to the investors.

As part of its regular review, the Board had reviewed these communication channels for the year ended 31 December 2023 and is of the view that they are effectively and adequately implemented.

Dividend Policy

The Company has adopted a dividend policy in which the Board, when deciding whether to propose a dividend and determining the dividend amount, will take into account, inter alia, the following factors:

(i) the general financial condition of the Group;

(ii) the actual and future operations and liquidity of the Group;

(iii) future cash requirements and availability of the Group;

(iv) restrictions on payment of dividends that may be imposed by the Group's leaders (if any);

(v) general market conditions; and

(vi) any other factors which the Board may deem appropriate at such time.

The Board will review the dividend policy from time to time and may exercise at its sole discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary.

There can be no assurance that dividends will be paid in any particular amount for any given period.

Constitutional Documents

The Company adopted the second amended and restated Articles of Association of the Company by resolutions in writing of the Shareholders passed on 10 June 2022, which has been effective since the same date. A copy of the second amended and restated Articles of Association of the Company is posted on the Stock Exchange's website and the Company's website. During the year under review, there has been no change in the Articles of Association of the Company.

Non-Competition Undertakings

The Company has received a declaration from each of Mr. SZETO Chi Yan Stanley, Imaginative Company Limited and Lever Style Holdings Limited (the "Covenantors"), the controlling shareholders of the Company, of their compliance with the terms of the non-competition undertaking ("Undertaking"). The Covenantors declared that they have fully complied with the Undertaking during the year ended 31 December 2023 and up to the date of this annual report. The independent non-executive Directors have also reviewed the compliance of the Undertaking by the Covenantors and formed the opinion that the Covenantors have not breached any terms of the Undertaking during the year under review.

Environmental, Social and Governance Report

1. About the Report

The Environmental, Social and Governance ("ESG") Report presents the efforts and achievements made in sustainability and social responsibility by the Lever Style Corporation (the "Company", together with its subsidiaries, the "Group" or "we"). The ESG Report demonstrates our commitments, actions, and performance in fulfilling the principle of sustainable development.

1.1 Scope of the Report

The ESG Report covers the environmental and social performance of all the Group's businesses for the period between 1 January 2023 and 31 December 2023 (the "Year"). Since the major part of business operation of the Group occurs in Shenzhen, the People's Republic of China ("PRC"), unless otherwise specified, the environmental key performance indicators ("KPIs") as disclosed in the ESG Report for the Year are based on the performance of our office in Shenzhen. For details of corporate governance, please refer to the Corporate Governance Report on pages 11 to 24 of the annual report for the Year.

1.2 Reporting Standard

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix C2 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

1.3 Reporting Principles

The content of the ESG Report is determined through stakeholder engagement and materiality assessment process, which includes identifying ESG-related issues, collecting, and reviewing the management and stakeholders' opinions, assessing the relevance and materiality of the issues, and preparing and validating the information reported. The ESG Report covers all key issues that are concerned by different stakeholders.

Quantitative environmental and social KPIs are disclosed in the ESG Report so that stakeholders can have a comprehensive understanding of the Group's ESG performance. Information of the standards, methodologies, references and source of key emission and conversion factors used on these KPIs are stated wherever appropriate. To enhance and maintain comparability of ESG performances between years, the Group has strived to adopt consistent reporting and calculation methodologies as far as reasonably practicable. For any changes in methodologies and specific standards, the Group has presented and explained in detail in corresponding sections. The Group will continue to adopt consistent methodologies as far as reasonably practicable in the future, in case of any changes that could affect a meaningful comparison of the KPIs between years.

1.4 Information and Feedback

Your opinions on the Group's ESG performance are highly valued. If you have any advice or suggestions, please contact the Company by referring to "Corporate Information" on pages 2 to 3 of the Annual Report for the Year.

2. ESG Management

2.1 ESG Governance

The Group believes that well-established ESG governance principles, strategies, and practices are crucial to the long-term development of its business, especially in increasing investment values and returns. Recognizing this, the Group has established a dedicated ESG Committee during the Year. The ESG Committee, under the supervision of the Board of Directors (the "Board"), is responsible for the establishment of appropriate and effective ESG risk management measures and internal control systems.

The ESG Committee governs and oversees the Group's ESG development, monitoring the Group's ESG strategies and reporting, as well as the review processes for ESG-related issues. To improve the Group's ESG governance, the committee regularly arranges independent assessments and efficiency analysis on the adequacy and effectiveness of the aforementioned system through an internal review function.

During the Year, the ESG Committee has assigned third-party ESG professionals for managing the ESG performance of the Company. The committee has also identified potential and material issues to the business and its stakeholders, with the assistance from third-party ESG professionals. The Board has also taken part in the materiality assessment as one of the key stakeholders of the company in providing constructive opinions on the materiality of ESG issues. The ESG Committee is responsible for supervising stakeholder communication channels and ensuring that stakeholders' point-of-view and expectations are properly met.

To ensure the management of ESG issues is on the right track, the Board oversees the coordination between departments according to their respective targets and will look for opportunities to set more explicit ESG goals and targets for the Group. The establishment of the ESG Committee is a significant step in this direction, further strengthening the Group's commitment to ESG governance. The Board review the ESG performance of the Group once a year during the Board meeting.

2.2 Stakeholder Engagement

The Group believes that its effort to communicate with stakeholders and address their concerns correlates with its success in environmental and social development. Therefore, the Group actively engages with its key stakeholders through multiple channels, such as meetings, announcements, company websites, and emails, to understand their expectations regarding ESG aspects, which could help the Group to integrate sustainability strategies into our business practices in the long-term.

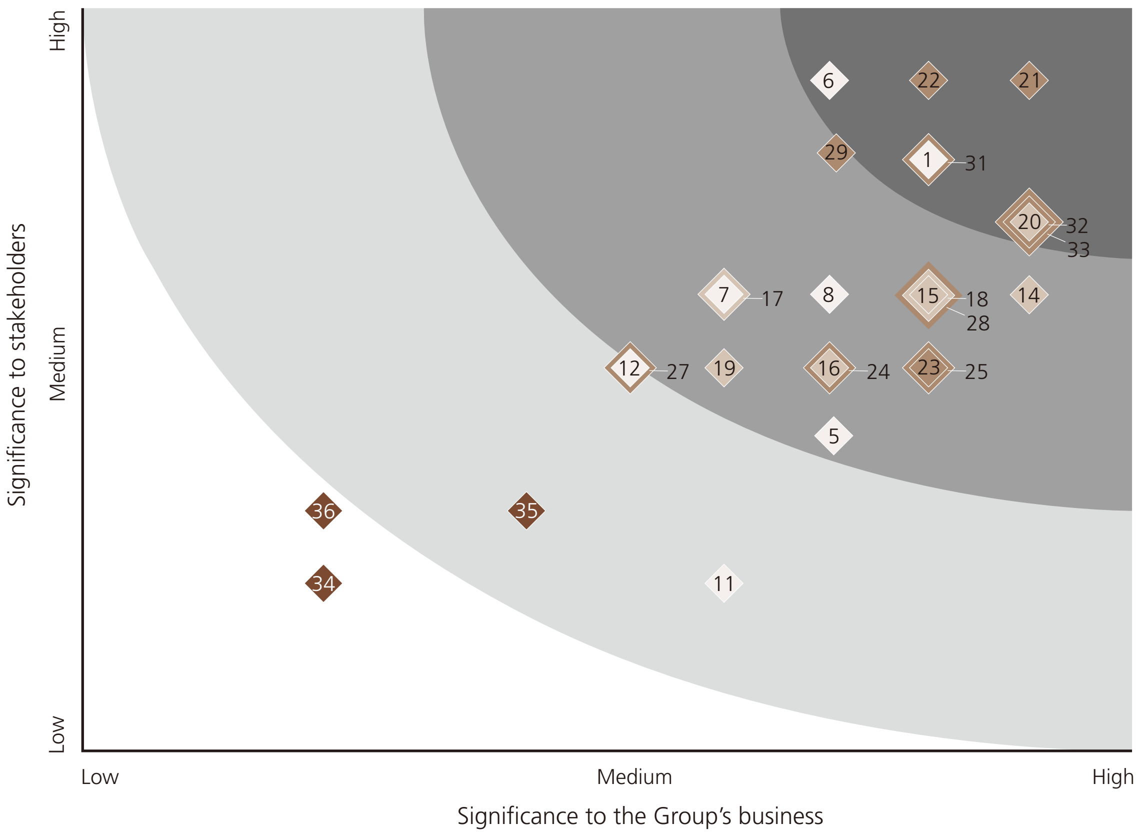
The following table sets out our key stakeholders, their requirements and expectations for the Group, and the corresponding response and communication channels.

Stakeholders	Requirements and Expectations	Response and Communication Channels
Government and Regulators	• Compliance with national policies, laws and regulation • Support for local economic growth • Contribution in local employment • Tax payment in full and on time • Production safety	• Regular information reporting • Regular meetings with regulators • Dedicated reports • Examination and inspection
Shareholders	• Returns • Compliant operations • Rise in company value • Transparency and effective communication	• General meetings • Announcements • Email, telephone conversation and company website • Dedicated reports
Business Partners	• Operation with integrity • Equal rivalry • Performance of contracts • Mutual benefits	• Review and appraisal meetings • Business communication • Discussion and exchange of opinions • Engagement and cooperation

Stakeholders	Requirements and Expectations	Response and Communication Channels
Customers	• Outstanding products and services • Health and safety • Performance of contracts • Operation with integrity	• Customer service center and hotlines • Customer satisfaction survey • Meetings with customers • Social media • Collection of feedback
Environment	• Compliance with emission regulations • Energy saving and emission reduction • Environmental protection	• Communication with local environmental departments • Communication with the communities
Industry	• Establishment of industry standards • Enhancement of industry development	• Participation in industry forums • Field visits
Employees	• Protection of rights • Occupational health • Remunerations and benefits • Career development • Humanity cares	• Meetings with employees • House journal and intranet • Employee mailbox • Training and workshops • Employee activities
Community and the Public	• Enhancement of community environment • Participation in charity • Transparency	• Company website • Announcements • Interview with the media

2.3 Materiality Assessment

With the opinions and information collected from stakeholders through various channels, the Group has a better understanding on the ESG-related issues concerned by the stakeholders. During the Year, the Group conducted a comprehensive materiality assessment to identify the important ESG issues. Materiality assessment is a three-step process of identification, prioritisation, validation and review. The material sustainability topics identified by the stakeholders were based on the results of the materiality assessment surveys conducted in 2023.



Environmental, Social and Governance Report

Environmental	Labour Practices	Operating Practices	Community Investment
1. Environmental Compliance	14. Employment Compliance	21. Operational Compliance	34. Charity
2. Air Pollutant Management	15. Employees' Remuneration and Benefits	22. Managing Environmental Risks of Supply Chain	35. Promotion of Community Development
3. Fleet Emissions Management	16. Employees' Working Hours and Rest Period	23. Managing Social Risks of Supply Chain	36. Poverty Alleviation
4. Wastewater Management	17. Diversity and Equal Opportunity	24. Procurement Practices	
5. Greenhouse Gas Emission	18. Occupational Health and Safety	25. Quality Management	
6. Waste Management	19. Training and Education	26. Customer Health and Safety	
7. Energy Consumption	20. Prevention of Child Labour and Forced Labour	27. Responsible Sales and Marketing	
8. Use of Water Resources		28. Customer Service Management	
9. Green Energy Project		29. Intellectual Property Protection	
10. Use of Raw Materials and Packaging Materials		30. Research and Development	
11. Ecological Protection		31. Information Security	
12. Responding to Climate Change		32. Customer Privacy Protection	
13. Prevention and Handling of Environmental Incidents		33. Anti-corruption	

According to the result, 9 out of 36 topics were identified as the most important to the Group and our stakeholders. The following table lists the major ESG issues determined through materiality assessment. This assessment could help us prioritise our corresponding sustainability activities and programmes to address their needs, as well as monitor our sustainability progress.

Aspects	Material Issues
Environmental	Environmental Compliance Waste Management
Labour Practices	Prevention of Child Labour and Forced Labour
Operating Practices	Operational Compliance Managing Environmental Risks of Supply Chain Managing Social Risks of Supply Chain Information Security Customer Privacy Protection Anti-corruption

3. Environmental Protection

As a responsible corporation, the Group protects the environment at the area where it operates while striving to develop its business. The Group endeavours to promote sustainable development by adopting numerous measures on reducing resources consumption, as well as raising employee's environmental awareness and encouraging them to take part in environmental protection. The Group strictly abides by relevant laws and regulations concerning wastes, exhaust gases and wastewater, including but not limited to the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste, the Environmental Protection Law of the PRC, and the Energy Conservation Law of the PRC. During the Year, the Group was not aware of any material non-compliance with relevant laws and regulations relating to environmental issues.

The Group's sustainability performance was recognised by various institutions and associations. In the future, the Group will continue to target best practices in the industry to promote its sustainable development. During the Year, the Group received the prestigious B Corp Certification, signifying its dedication to social and environmental responsibility. Additionally, the Group earned a commendable B grade for CDP, further reinforcing its commitment to addressing critical global challenges. These accolades demonstrate the Group's ongoing efforts to align with best practices in the industry and drive positive change for a more sustainable future.

As a supply chain solutions provider, the Group is not directly involved in manufacturing processes and thus direct air and water pollutants were not emitted from its main business operations during the Year. All packaging activities are carried out in the facilities of our contracted manufactures. Despite this, the Group has put in place multiple policies regarding waste management, water saving and energy conservation, which act as guidance for the business to deliver its long-standing commitment to environmental protection.

3.1 Climate Resilience and Mitigation

The Group understands the importance of reducing greenhouse gas ("GHG") emissions in business operations and strives to reduce our products' carbon footprint. To this end, the Group has been implementing an assortment of measures ranging from resources management to energy saving. In addition, we are a signatory to the United Nations Framework Convention on Climate Change's Fashion for Global Climate Action to demonstrate our commitment to low carbon future. We have obtained ISO14064-1:2018 Greenhouse Gas Verification statement on organization level for quantification and reporting of greenhouse gas (GHG) emissions and removals.

GHG emissions are mainly generated from office operation. There are no direct emissions emitted from the Group's operation, and thus, GHG emissions can be classified into two scopes: scope 2 – energy indirect emissions from purchased electricity; and scope 3 – other indirect emissions from electricity used for fresh water and sewage processing, outbound business air travel by employees and methane gas generation in landfills due to the disposal of paper waste. The Group will continue to reduce GHG emissions in the future. As a short term target, we are exploring potential means to offset our carbon emission and aim at achieving "Net Zero" in the long run. During the Year, the GHG emission maintain at stable level as compared with 2022.

Greenhouse gas emissions from the Shenzhen office during the Year are as follows:

GHG Emissions	**2023**	2022
Total GHG emissions (tonnes CO_2e)[1]	**477.1**	404.9
Scope 1 – Direct emissions (tonnes CO_2e)	**0**	0
Scope 2 – Energy indirect emissions (tonnes CO_2e)[2]	**332.4**	313.3
Scope 3 – Other indirect emissions (tonnes CO_2e)[3]	**144.7**	91.6
Intensity (tonnes CO_2e/employee)	**1.39**	1.23

1 Greenhouse gas emission is presented in tonnes of carbon dioxide equivalent, and includes carbon dioxide, methane and nitrous oxide as its inventory.

2 Calculated based on the "2011 and 2012 China Regional Power Grid Average Carbon Dioxide Emission Factors" (《2011年和2012年中國區域電網平均二氧化碳排放因子》) issued by the National Development and Reform Commission of the PRC.

[3] Calculated based on the International Civil Aviation Organisation Carbon Emissions Calculator, data from the Shenzhen Water Group, and the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" issued by the Electrical and Mechanical Services Department and the Environmental Protection Department.

During the Year, the Group is officially accredited by the Science-Based Targets initiative (SBTi), as displayed on the SBTi global website. The SBTi provides a framework for companies to set science-based targets that align with the goals of the Paris Agreement. The Group's dedication to reducing carbon footprint can be reflected by various measures, targeting at a number of sources of emission. For example, employees who are engaged actively in overseas meetings are encouraged to substitute phone or video conferences for overseas business travels to avoid unnecessary outbound travels, while direct flights are prioritized for unavoidable business trips. For measures relating to energy-saving, please refer to the Energy Conservation section.

To enhance our resilience on climate change, the Group has identified several climate change related risks that may affect the Group's operations and development, such as the risk of shifting consumer preferences due to climate change, where the growing environmental awareness from the public is engaging a transition to a more sustainable lifestyle, which may lead to increased input costs and change of revenue mix. The Group is also exposed to the risk from enhanced emissions reporting obligations and additional regulations and mandates on existing products and services, which may lead to more resources being required to be devoted to such areas, potentially increasing operational costs. The Group is closely monitoring the development of climate change trends and will respond promptly to whenever impacts due to climate-related risk arise. Meanwhile, enhance the Group's understanding of the impacts of climate-related risks on its operation through training and communicate with stakeholders regarding climate-related impacts and the Group's climate change strategies. In addition, the Group also works closely with the factories to enhance climate resilience and reduce embodied carbon in products through capacity building.

The Group is highly aware that extreme weather events led by climate change may severely hinder the Group's operations. Therefore, with the principle of "prevention in advance, handling in the process, and improvement after the event" as its basis, the Group has formulated a climate change events response policy, effectively reduce the impact and loss on the Group due to abnormally bad weather through streamlining the procedures of disaster prevention and control. A working group for severe weather disaster prevention is subsequently formed, governing the responsibilities of monitoring and reporting on extreme weather-related information, as well as supervising the implementation of safety prevention and emergency response measures.

3.2 Energy Conservation

The consumption of electricity is the major sources of energy consumption of the Group. The Group, being aware of the possible impacts resulted from the use of energy such as the emission of greenhouse gases, shouldered the burden of emission reduction and dedicated considerable efforts to reducing energy consumption in our office operation. As a short term goal, the Group aims at diverting the energy source from fossil fuels to renewable energy and strive to improve energy efficiency through process optimization. The energy consumption of the Shenzhen office during the Year is as follows:

Energy Consumption	**2023**	2022
Total energy consumption (MWh)	**630.5**	594.4
Direct energy consumption – fuel used for vehicles (MWh)	**0**	0
Indirect energy consumption – purchased electricity (MWh)	**630.5**	594.4
Intensity (MWh/employee)	**1.84**	1.80

The Group has implemented multiple measures to effectively lower energy consumption. In terms of lighting systems, the Group ensures all light fixtures and lamps are cleaned regularly to maximize their efficiency and has installed energy-efficient lighting in office. In addition, we encourage employees to turn off lights during lunch hours and have separated the office area into different lighting zones so that the lighting system can be used more flexibly.

In addition, the Group ensures filters and fan coil units of the air conditioning system are cleaned regularly to maintain high efficiency. Employees are allowed to wear light clothes every Friday so that energy for air conditioning can be saved. The Group also sets the minimum temperature of air-conditioning system to around 26 degrees Celsius and seal the doors and windows to avoid leakage of cool air and maintain indoor temperature efficiently. By means of regular checking and maintenance, the possibility of refrigerant leakage is significantly reduced. The Group strives to prevent any form of energy wastage, and therefore we use timers to switch off printers completely and set all computers to sleeping mode when idle. The Group will continue to strengthen its energy-saving measures in an effort to become an energy-efficient enterprise.

3.3 Green Raw Materials

The Group is highly aware that the use of chemical and synthetic dyes derived from petroleum may cause severe pollution to the environment due to its potentially harmful properties. In order to create a pollution and toxic free environment, the Group has included natural dyes derived from plants and fruit for garment and apparel production. The non-toxic and non-polluting nature of natural dyes means it can be put on the compost and will not cause harm to the environment. Besides, the Group actively responded to the Greenpeace Detox Campaign, which aims to remove toxic chemical usage in apparel. To demonstrate our commitments to using sustainable materials, we are certified to Global Organic Textile Standard (GOTS), Global Recycled Standard (GRS), Responsible Down Standard (RDS), OCS (Organic Content Standard), Responsible Wool Standard (RWS) and Recycled Claimed Standard.

We also extensively source sustainable and circular materials including organic cotton, BCI cotton, recycled polyester & rayon fabrics, and degradable plastics and polybags. Strict measures such as control on toxic chemical usage in production lines and conducting stringent chemical management audits at production sites were implemented. To know more about sustainable sourcing practices, please refer to the Supply Chain Management section.

3.4 Waste Management

General office waste is the major non-hazardous waste of the Group, which is recycled as far as possible, and is collected and processed collectively by the property management. Hazardous waste, such as toner cartridges, are returned to venders for recycling to avoid detrimental impacts to the environment. Though we do not generate significant quantity of waste in our operations, we aim at continuously advocating the importance of 3R (reducing, reusing, and recycling) principles among our employees and assess waste management performance of our partnered production facilities. To this end, the Group ensures that both non-hazardous waste and hazardous waste are disposed, collected, and processed in a proper and legal manner. As for office wastes, the Group purchases products with improved recyclability, higher recycled content, reduced packaging materials and greater durability. The Group also encourages its employees to reduce the usage of disposable and non-recyclable products and reuse stationery items as much as possible to achieve waste reduction. Employees are also reminded to recycle old computer products and other electrical or electronic products as far as possible. Also, the Group proactively avoids or reduces the amount of paper waste generated by using electronic means to disseminate information internally, setting printers to default duplex and monitoring printing volume regularly.

Waste generated by the Shenzhen office during the Year are as follows:

Wastes	2023	2022
Non-hazardous waste (tonnes)[1]	**114.2**	63.2
Intensity (tonnes/employee)	**0.33**	0.19
Hazardous waste (kg)	**21.0**	13.3
Intensity (kg/employee)	**0.06**	0.04

1 The amount of non-hazardous is calculated with conversion factor provided by the Shenzhen Urban Management and Comprehensive Law Enforcement Bureau.

3.5 Water Conservation

Water is a precious resource therefore conservation of water is of great importance from the Group's perspective. The Group recognizes the importance of water conservation and aims at increasing our water consumption efficiency through raising employees' awareness and deployment of water-efficient equipment in our future operations. To this end, we continuously promote water saving awareness and practices to employees, such as using water-efficient equipment including dual-flush toilets, water taps and other equipment with water efficiency labels. The Group also regularly checks for hidden water leakage and will fix dripping tips immediately once problems are found.

In terms of wastewater discharge, as a supply chain solutions provider, the Group does not produce or discharge any industrial wastewater in our business operation. To minimise wastewater impacts, we deployed water-efficient and zero-discharge washing machines in the development centre to make sure no adverse impacts is posed to the environment. Besides, all domestic sewage generated in daily office use is discharged into the municipal sewage pipe network for treatment.

During the Year, the Group did not face any issue in sourcing water. The water consumption of our Shenzhen office in this Year is as follows:

Water Consumption	2023	2022
Total water consumption (m^3)	**3,372**	3,530.0
Intensity (m^3/employee)	**9.83**	10.70

4. Employee-focused

The dedication and contributions of employees are essential to the long-term and sustainable development of the Group. The Group understands that well-established employment policies enable us to attract and retain talents. Therefore, apart from complying with the laws and regulations concerning employment, occupational safety and labour standards, the Group strives to provide employees with a positive working environment and safeguard their well-being and health. The Group has also put in place human resources policies which guide employment and termination, salary review and promotion, as well as employee welfare and equal opportunities.

4.1 Health and Safety

The Group always puts priority on employees' health and safety, and thus we are devoted to providing and maintaining a healthy and safe workplace for its staff and other persons likely to be affected by its business operations through abiding by relevant laws such as the Occupational Safety and Health Ordinance of Hong Kong, Law of the PRC on the Prevention and Control of Occupational Diseases and Law of the PRC on Work Safety. Health and safety standards are given prime consideration in our operations and regulatory compliance is strongly upheld by the Group.

Employees at all levels, particularly the management and the Health and Safety Committee, are accountable for maintaining a rigorous and injury-free working environment by following safety initiatives.

The Group has implemented safety guidelines and organise educational training for promoting the prevention of occupational diseases on a regular basis, such as reminding employees to keep the workplace clean at all times and providing training in respect of first aid and preventive measures to strengthen employees' safety awareness. The Group also participates in annual fire and evacuation drills to raise awareness among employees. Employees are required to strictly comply with the working and operational procedures and the laws and regulations in respect of occupational health and safety to prevent accidents and occupational diseases consciously.

In case of any occurrence of work-related injuries or illness, or reports on unsafe and unhealthy work practices, the Group will make corresponding responses promptly by investigating the cases, planning for remedial measures, and providing necessary assistance to the persons involved. During the Year, the number of work injuries and the number of loss days due to work injuries recorded by the Group was 0 (the number of work injuries in 2022: 0). There were no work-related fatalities in the past three years.

4.2 Remuneration and Welfare

As a way to deliver care to employees, and at the same time stimulate their working initiative, the Group offers all employees a wide range of welfare and benefits. All employees are entitled to a number of leaves according to laws such as public holidays, annual leave, and maternity leave. If the day-off falls on a statutory holiday, compensatory time off is offered on the following day. Meanwhile, according to the requirements of the local government such as the Social Insurance Law of the PRC, we also make contributions to the Social Insurances and Housing Provident Fund for our employees. The Group also offers benefits to employees including discretionary bonus, training, and provident funds.

The Group firmly believes that its employees are the cornerstone of the Group's success. Therefore, to retain talents and build a high caliber, highly motivated team, the Group reviews and adjusts the salary structure of employees annually and offers employees with a competitive remuneration package which take reference from both internal and external benchmarks as incentives. In addition, good work-life balance is essential to maintaining employees' motivation and efficiency at work. During the Year, the Group continued to organise various leisure activities to strengthen the staff relation and provide employees with the opportunity to relax and interact, for example monthly birthday parties, monthly gatherings, annual dinner and festival-related celebrations.

4.3 Career Development

It is the Group's conviction that business success is highly dependent on the continuous improvement in employees' performance and productivity. As such, the Group recognises the importance in improving our employees' knowledge and skills, as well as fostering their long-term career development and growth with the Group.

During the Year, the Group conducted a variety of training programmes for employees at different levels and from different departments. For instance, during the Year, regular training on different apparel categories were organised to keep employees updated with the latest trends. Hard skills training like the usage of Microsoft Office tools were also provided to better equip employees with optimal skills for work. The Group also offered case studies on topics such as serving new customers, enterprise mobility and information security, trade terms and sustainability programs for fast retailing. Moreover, the Group organised new employee orientation in order to let new-joined staff to get familiarised with the Group's businesses, operation and culture. During the Year, the average training hours per employee and percentage of trained employees of the Group are as follows:

Average Training Hours per Employee (Percentage of Trained Employees)	**2023**	2022
By Employee Category		
Senior	**0.5 (18%)**	0.6 (15%)
Intermediate	**7.7 (53%)**	32.3 (78%)
Junior	**7.4 (44%)**	3.8 (96%)
By Gender		
Female	**8.9 (54%)**	7.0 (72%)
Male	**3.1 (24%)**	9.7 (95%)

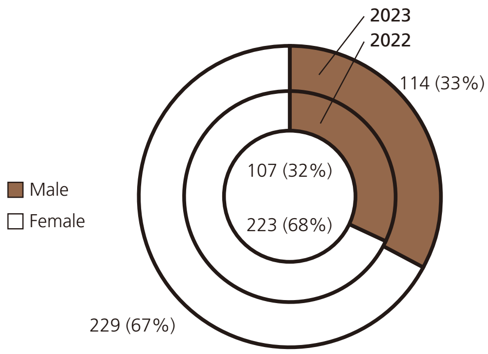
While education acts as the foundation for the growth and development of our employees, we also strive to provide diverse promotion opportunities and clear career pathways to our employees. Appraisal review for employees is conducted regularly so that employees who have met the expectations and achieved strong performance can be considered for promotion. It is hoped that every employee can advance their career by working in the Group.

4.4 Diversity and Inclusion

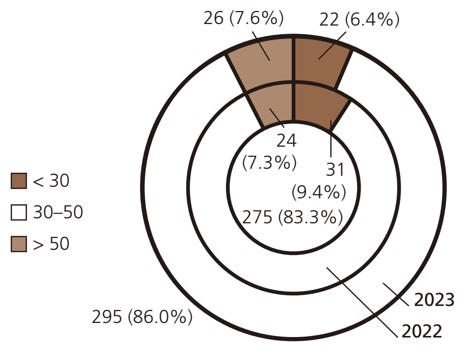
As an equal opportunity employer, the Group assures all candidates of a fair and open recruitment process. We strictly follow the Employment Ordinance of Hong Kong, Labour Law of the PRC and Labour Contract Law of the PRC. The Group highly values anti-discrimination and does not tolerate any form of discrimination on the grounds of race, color, sex, age, religion, national origin, sexual orientation, marital or veteran status, ancestry, citizenship, disability, or any other characteristics protected by law, during the selection of candidates, as well as the consideration of promotion, training and reward provision of employees. Only employee contribution, job performance, qualifications and skills are taken into account during employee assessment processes. Employees who are believed to be subject to discrimination or harassment can report the cases to supervisors, managers or the human resources department for investigation.

As of 31 December 2023, the Group employed a total of 343 employees. The distributions of employees by different categories of the Group are as follows:

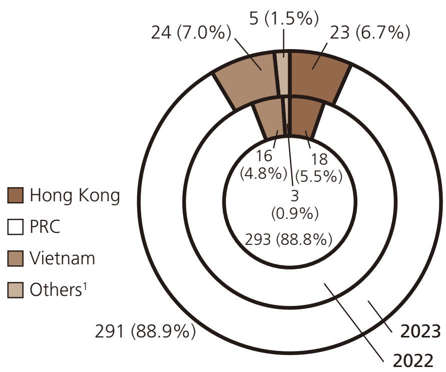
By Gender



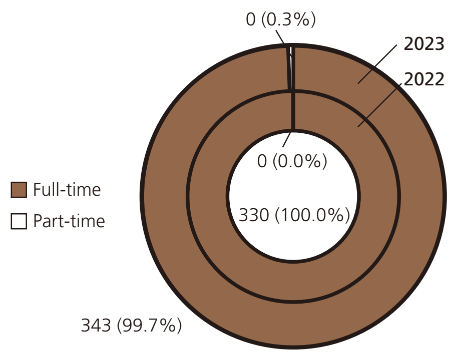
By Age



By Geographical Location



By Type of Employment



[1] Others include the USA, Japan and Cambodia.

As of 31 December 2023, the turnover rates of employees of the Group by different categories are as follows:

	2023	2022
By Gender		
Female	**29%**	23%
Male	**33%**	31%
By Age		
Below 30	**55%**	55%
30–50	**28%**	25%
Above 50	**42%**	29%
By Geographical Location		
Hong Kong	**31%**	50%
Shenzhen	**39%**	25%
Vietnam	**25%**	56%
Others[1]	**0%**	133%

1 Include the USA, Japan and Cambodia.

4.5 Employee's Rights and Interests

The Group strictly prohibits the employment of child labour in accordance with the relevant laws and regulations such as the Employment of Children Regulations of Hong Kong and the Provision on the Prohibition of Using Child Labour of the PRC. The Group ensures that no child labour is employed by verifying the identity of new employees before the commencement of work. Whenever such practice is discovered, the Group would investigate the case thoroughly and dismiss relevant employees immediately. The Group follows relevant regulations to define working duration for employees and adopt a five-day working week arrangement so as to assure employees of sufficient rest time and prevent forced labour. Upon receipt of resignation from an employee, the Group will conduct an exit interview to understand his/her reason for resignation.

5. Business Optimisation

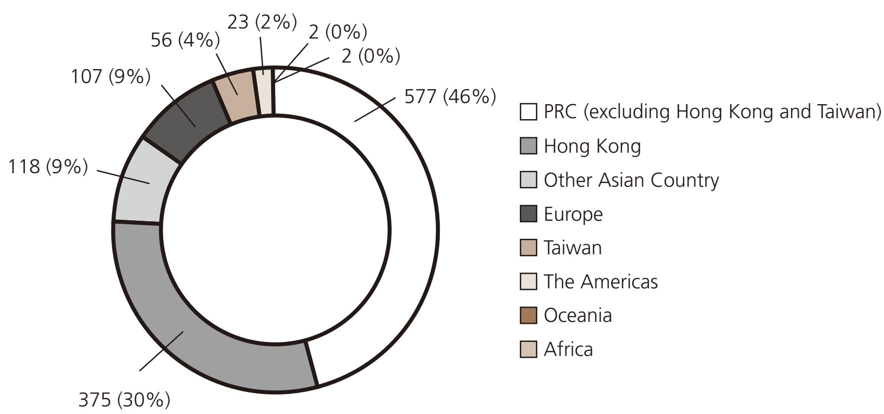
The sustainable development of an enterprise highly hinges on the quality and efficiency of its business operations. On top of complying with relevant laws and regulations concerning product quality and safety, advertising, including but not limited to the Product Quality Law of the PRC, Copyright Law of the PRC, Patent Law of the PRC, and Advertising Law of the PRC, the Group strictly manages supply chain and oversee the quality of raw materials and products, earnestly serving its customers and behaving ethically in the market.

5.1 Supply Chain Management

With the aim to thoroughly fulfill the Group's environmental and social responsibility, comprehensive management of business operations including the supply chain management cannot be neglected. To ensure that qualified products and services of quality are provided upon request of the Group, the Group works closely with supply chain partners to oversee its supply chain practices thoroughly.

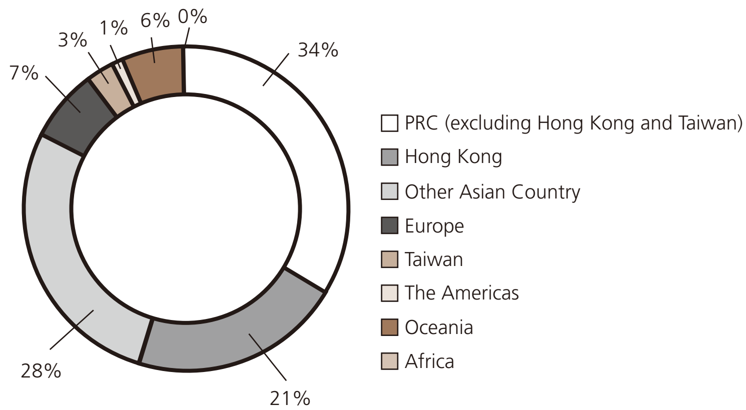
During the Year, the number of suppliers by geographical location are as follows:

Records of Suppliers 2023



During the Year, supplier purchase amount by geographical location are as follows:

Supplier Purchase Amount Percentage by Geographical Location



Strict procedures for the selection of suppliers have been set up. The Group will evaluate suppliers' product quality, delivery, production capacity, compliance and other factors during the supplier selection process. Only suppliers that meet the criteria may be added to the list of qualified suppliers. For example, suppliers should have established a written policy which regulates personal conduct and behaviour of their employees or provide an open and transparent report on their material environmental, social and governance risks and the measures taken to address those risks. In addition, the Group also conducts annual supplier evaluation and eliminate suppliers that do not meet the standards for cooperation from the list of qualified suppliers.

The Group has implemented a supplier scorecard system which helps identify potential risks of the supply chain, including environmental and social risks. The Group reviews the updates of supply chain-related global and local policies to identify potential environmental and social risks associated with its supply chains that may cause financial impacts on the Group's business. Meanwhile, the Group will consult risk management and supply chain sustainability specialists to identify and understand the environmental and social risks, and assign specific personnel to handle it.

The Group also aims to attain responsible purchasing and build up a competitive advantage through green procurement. Raw material sourcing plays a significant part in the Group's supply chain, hence the Group puts great emphasis on promoting responsible and environmentally-friendly raw material sourcing. Throughout its raw material selection process, the Group actively prioritises suppliers that conform with standards regarding responsible raw material sourcing, such as Global Organic Textile Standard (GOTS), Global Recycled Standard (GRS), Responsible Down Standard (RDS), OCS (Organic Content Standard), Responsible Wool Standard (RWS) and Recycled Claimed Standard, which ensures that the textiles and other raw materials used are from organic and recyclable sources, and do not involve harming animal welfare.

In addition to setting requirements for suppliers, the Group also work closely with suppliers to help improve their environmental performance. For example, as the garment and apparel industry is highly water-dependent and may pose high wastewater concerns to the surrounding environment, in view of such, the Group has dedicated multiple technological advancements for apparel production facilities to reduce the water resource required and the wastewater induced during apparel production processes, such as implementing green wash processes and waterless enzyme stone washing cycle, which significantly lowers water usage and wastewater discharge.

5.2 Product Quality

In the pursuit of excellence in products quality, the Group makes every effort to strive for the complete provision of products in accordance with customers' needs and expectations. We have operated in compliance with product quality-related laws and regulations, including but not limited to the Product Quality Law of the PRC.

The Group has put in place a system for quality management, aiming at ensuring that our products meet the relevant health and safety requirements and the service that we provide are of high quality. The responsible quality control personnel conducts quality inspection on each batch of raw materials upon receipt. Only raw materials that has passed our quality control tests are admitted into inventory, while flawed items will be returned to the suppliers or be replaced. Work-in-progress is examined after each production process, among which only those passing quality control tests are allowed to proceed to the next production stage. To ensure the quality and reliability of our products, finished products are examined to ensure that the quality of products meets the requirements of customers. All work-in-progress and finished products are labeled for future traceability.

In addition, the Group has specific packaging and delivery instructions in place for each category of product to ensure the safety and quality of products during transportation. In case of any unqualified products, reasons would be tracked and identified via labeling and production record keeping system. If the unqualified products are identified with quality issues, they will be reworked where possible and those unable to be processed will be treated as waste. During the Year, the Group did not record any products sold or shipped that are subject to recalls for safety and health reasons.

5.3 Customer Services

The Group is devoted to achieving the highest customer satisfaction by providing professional and client-oriented services. To understand clients' needs, the Group communicates with clients before service provision. The management holds regular meetings with employees to review operations in various aspects to ensure that clients' expectations can be met. Clients' feedback on service quality, environmental and workplace safety performance and application of material and tools is also collected as a source for making corresponding improvement. In response to client complaints, the Group will investigate the root cause and carry out remedial and preventive action promptly. During the Year, the Group received one complaint related to product quality. The issue has been resolved and duly investigated to avoid recurrence.

6. Business Ethics

6.1 Anti-corruption

Ethics and professionalism are the Group's core values in conducting business, so the Group is dedicated to running the business with integrity and cultivating an ethical corporate culture. The Group strictly conforms to relevant laws and regulations, such as the Anti-Money Laundering Law of the PRC and the Prevention of Bribery Ordinance of Hong Kong. To raise employees' awareness against corruption, we organised nine training to both existing employees and new employees during the Year. The training covers anti-corruption guidelines and common corruption pitfalls in the listed company and the roles of staff in corruption prevention. Whistle-blowing policy and guidelines are included in the employee handbook which embodies the principles of integrity, respect, trust and judgment. Employees can report any irregularities to the designated personnel and the Group will investigate the improper behaviors and take corresponding remedial measures against the irregularities. The Group under no circumstances allows any bribery, corruption, extortion, money-laundering or other fraudulent activities. Employees are required to possess high ethical standards and demonstrate professional conduct in all business dealings with our stakeholders.

During the Year, the Group was not involved in any legal cases or breach of laws and regulations that have a significant impact on the Group in relation to bribery, corruption, extortion, fraud and money laundering.

6.2 Intellectual Property Rights

The Group understands the importance of protecting and enforcing our intellectual property rights. To show respect towards others' intellectual property rights, the Group strictly abides by the laws and regulations relating to intellectual property rights such as the intellectual property laws in Hong Kong. The Group requires employees to keep confidential all information relating to the transactions, operation, management, technology and skills, etc. during their employment, in order to safeguard the Group's intellectual property rights. In addition, prior approval shall be obtained from the Group before other party intends to use the Group's trademark to avoid any infringement of the exclusive right of the Group's trademarks.

6.3 Information Security and Privacy

With regard to information security and confidentiality, the Group also plays a vital role in handling information of customers, employees and other stakeholders with the highest degree of carefulness. To safeguard the information security and protect the customers' privacy and data, employees are required to use designated anti-virus software and shall not use any unauthorised software or hardware or bring any company's information away from their workplace. Employees shall encrypt files that contain sensitive information of the Group as well for better data protection.

Furthermore, the Group's employees are required to sign a confidentiality agreement before employment to undertake that they will not disclose any customers' information to any third party. The Group only collects personal data which are necessary for conducting business, and the data will not be used for any purposes without the consent of the related persons. Transferring and disclosing the Group's personal data to entities not of the Group is strictly prohibited. The confidentiality obligations of employees persist for a certain period even after the termination of the employment with the Group.

7. Community Contribution

The Group utilised our expertise and resources to support the communities in which it operates, focusing on supporting people in need, collaborating with local charities. Support from society and community has long been an important element for the growth and development of the Group, the Group therefore recognises the importance of serving the community with love and care.

The Group works with a number of local charities to build a harmonious community. Our partners include The Salvation Army, Crossroads, Binyang Red Cross and Nanning Charity Federation. During the Year, the Group has initiated 'Sponsor Poor Student' to support the poor students who were studying in the high school in Guizhou province with donation amount of RMB12,000.

Apart from material donations, the Group also takes a firm stance in safeguarding the rights, health and well-being of underprivileged women. Since 2019, the Group has been supporting the HERhealth project organised by Business for Social Responsibility (BSR), which takes place in one of our factories in Vietnam. The purpose of the project is to improve female workers' awareness and ability to take better care of their health through peer-to-peer education. The ongoing project addresses the health-related needs of female workers and provides education to enrich their knowledge towards female healthcare.

Appendix: KPI Reporting Guide

ESG Indicators	Overview	Sections	Page Number/ Explanation/ Reasons for Omissions
Environmental			
A1 Emissions	General disclosure	Climate Resilience and Mitigation; Waste Management	32-33, 35-36
A1.1	The types of emissions and respective emissions data.	No air emissions or other type of pollutants are directly emitted by the Group.	
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total and, where appropriate, intensity.	Climate Resilience and Mitigation	32
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Waste Management	36
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Waste Management	36
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Climate Resilience and Mitigation	32
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management	35

ESG Indicators	Overview	Sections	Page Number/ Explanation/ Reasons for Omissions
A2 Use of Resources	General disclosure	Energy Conservation; Water Conservation	34,36
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Energy Conservation	34
A2.2	Water consumption in total and intensity.	Water Conservation	36
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Conservation	34
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.	Water Conservation	36
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	The Group is not involved in the use of any packaging materials for all its businesses.	
A3 The Environment and Natural Resources	General disclosure	Environmental Protection	35
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection	35
A4 Climate Change	General disclosure	Climate Resilience and Mitigation	32-33
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Resilience and Mitigation	33

ESG Indicators	Overview	Sections	Page Number/ Explanation/ Reasons for Omissions
Social			
B1 Employment	General disclosure	Remuneration and Welfare; Career Development; Diversity and Inclusion	38-41
B1.1	Total workforce by gender, employment type, age group and geographical region.	Diversity and Inclusion	40
B1.2	Employee turnover rate by gender, age group and geographical region.	Diversity and Inclusion	41
B2 Health and Safety	General disclosure	Health and Safety	37
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety	37
B2.2	Lost days due to work injury.	Health and Safety	37
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety	37
B3 Development and Training	General disclosure	Career Development	38-39
B3.1	The percentage of employees trained by gender and employee category.	Career Development	39
B3.2	The average training hours completed per employee by gender and employee category.	Career Development	39
B4 Labour Standards	General disclosure	Employee's Rights and Interests	41
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employee's Rights and Interests	41
B4.2	Description of steps taken to eliminate such practices when discovered.	Employee's Rights and Interests	41

ESG Indicators	Overview	Sections	Page Number/ Explanation/ Reasons for Omissions
B5 Supply Chain Management	General disclosure	Supply Chain Management	42-44
B5.1	Number of suppliers by geographical region.	Supply Chain Management	42
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management	43
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	43
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	44
B6 Product Responsibility	General disclosure	Product Quality; Customer Service; Intellectual Property Rights; Information Security and Privacy	44-46
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality	45
B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Service	45
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights	46
B6.4	Description of quality assurance process and recall procedures.	Customer Service	45
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Information Security and Privacy	46

ESG Indicators	Overview	Sections	Page Number/ Explanation/ Reasons for Omissions
B7 Anti-corruption	General disclosure	Anti-corruption	45-46
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.	Anti-corruption	46
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption	45
B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption	45
B8 Community Investment	General disclosure	Community Contribution	47
B8.1	Focus areas of contribution.	Community Contribution	47
B8.2	Resources contributed to the focus area.	Community Contribution	47

Directors and Senior Management

Executive Directors

Mr. SZETO Chi Yan Stanley ("Mr. SZETO"), aged 49, is the Chairman of our Group. He joined the Group in 2000 as Chief Executive Officer and was appointed as an executive Director of the Company on 13 March 2019. Mr. SZETO is primarily responsible for the corporate strategic planning, overall business development and management of our Group.

Mr. SZETO was a winner of the EY (Ernst & Young) Entrepreneur of the Year China 2018 award. He also received the 2009 Young Industrialist Award of Hong Kong from the Federation of Hong Kong Industries.

Mr. SZETO served as Chairman of Hong Kong Textile Council in 2015 to 2020, and he is Honorary Chairman of Hong Kong General Chamber of Textiles. He has been representing the Textiles and Garment sector as an Election Committee member to select the Chief Executive of Hong Kong in 2017 and 2022.

Mr. SZETO currently serves as board member of the Baker Retailing Center, an interdisciplinary research center and innovation think tank at the Wharton School of University of Pennsylvania. Mr. SZETO is a member of the Small and Medium Enterprises Committee of the Hong Kong Government's Trade and Industry Department. He is also Chairman of the Hong Kong Garment Manufacturers Association, and Director of the Federation of Hong Kong Garment Manufacturers. Mr. SZETO was a member of the Hong Kong Government's Textiles Advisory Board and the Hong Kong Polytechnic University's Advisory Committee on Textile and Clothing Industries from 2014 to 2015 and from 2015 to 2017 respectively.

Before joining the Group, Mr. SZETO worked at JP Morgan's (now known as JP Morgan Chase and Co.) Global Investment Banking Department from 1996 to 1998 and then at Prudential Asset Management Asia Limited from 1998 to 2000.

Mr. SZETO graduated magna cum laude from the Wharton School of University of Pennsylvania with a Bachelor of Science in Economics degree in 1996. He majored in Finance, Entrepreneurial Management, and Legal Studies.

Directors and Senior Management

Dr. CHAN Yuk Mau Eddie ("Dr. CHAN"), aged 65, was appointed as an executive Director of our Company on 13 March 2019. Dr. CHAN was appointed as the chief operation officer and president in January 2015 and as the chief executive officer of our Group in January 2017 respectively and is responsible for the overall operation, strategic planning and overall business management of our Group.

Dr. CHAN has nearly 40 years of experience in the textiles and apparel industry. Prior to re-joining our Group in January 2015, Dr. CHAN was appointed as director (Technical Development Centre) and later as director (Operations Management Office), sales director (Apparel Division) and group director (Operational Excellence) of Esquel Group from January 2004 to September 2014, a vertically integrated textile and apparel manufacturing company with its headquarters in Hong Kong. From May 1988 to December 2003, Dr. CHAN worked as marketing manager and later as assistant general manager, general manager and finally as the chief operation officer & director of Lever Shirt, a wholly-owned subsidiary of our Group. Dr. CHAN started his career by gaining experience at TAL Group, Laws Group, and Mast Industries.

Dr. CHAN graduated with a Diploma in Woven Fabric Manufacture and a Higher Diploma in Textile Technology from the Hong Kong Polytechnic University in November 1982 and November 1986 respectively. Dr. CHAN later obtained a Master of Commerce in Marketing from the University of Strathclyde in the United Kingdom in November 1987 and a Doctor of Business Administration from the Hong Kong Polytechnic University in November 2003. Dr. CHAN then obtained a Bachelor of Business in Accountancy from the Royal Melbourne Institute of Technology University in Australia in September 2007 (a distant learning course) and a Master of Science in Financial Analysis from the Hong Kong University of Science and Technology in November 2009.

Dr. CHAN was admitted as a member of the Hong Kong Institution of Textile and Apparel in October 2003, a chartered member of the Textile Institute of the United Kingdom in June 2004 and a member of the Hong Kong Institute of Marketing in November 2004. Dr. CHAN had been the chairman of the Hong Kong Institution of Textile and Apparel from 2017 to July 2019. Dr. CHAN was appointed as non-executive director of GS1 HK during April 2018 to April 2021. Dr. CHAN has been the appointed committee member of Clothing Industry Training Authority since September 2019.

Mr. LEE Yiu Ming ("Mr. LEE"), aged 59, was appointed as an executive Director of our Company on 13 March 2019. Mr. LEE was appointed as the chief financial officer of our Group in January 2015 and is primarily responsible for the financial planning and corporate management of our Group.

Mr. LEE has over 15 years of experience in the manufacturing industry with expertise in financial management. From 1996 to 2014, Mr. LEE was under the employment of Pegasus International Holdings Limited (stock code: 676), a company listed on the Main Board of the Stock Exchange where he had worked in several managerial, compliance financial positions including company secretary and chief financial officer. From July 1988 to May 1996, Mr. LEE was an audit manager at Deloitte Touche Tohmatsu, a provider of audit and tax services.

Mr. LEE graduated from the Hong Kong Polytechnic University with a Higher Diploma in Textile Technology in November 1986. Later, he graduated from the Queen's University of Belfast in the United Kingdom with a Masters of Business Administration degree in December 1987.

Mr. LEE has been an associate member of the Hong Kong Institute of Certified Public Accountants since October 1991. Mr. LEE has also been an associate member and fellow member of the Association of Chartered Certified Accountants since January 1992 and January 1997 respectively.

Independent Non-executive Directors

Mr. SEE Tak Wah ("Mr. SEE"), aged 60, joined our Company as an independent non-executive Director on 12 October 2019. His appointment as the chairman of the audit committee and a member of each of the nomination committee and remuneration committee of our Company was effected on 13 November 2019.

Mr. SEE has over 35 years of experience in financial and general management. Mr. SEE worked at Mobil Oil Hong Kong Limited from July 1990 to June 1992 in which he held the positions of MIS Accountant, System/MIS Accountant and Accountant Operations. He later worked as the regional business controller of Nokia Mobile Phones (HK) Ltd in July 1992 and was promoted to the managing director in October 1995 until he left in December 1997. From January 1998 to March 1999, Mr. SEE was the general manager of Philips. He later joined Siemens as the general manager, North Asia in March 1999 until he joined First Mobil Group Holdings Limited as its chief operating officer in October 2000. Mr. SEE currently runs his own boutique management consultancy practice focusing on business strategy formulation and transformation consultation.

Mr. SEE graduated from the Management School of Waikato University in New Zealand with first class honours in Bachelor of Management Studies in April 1988. He has been a member of the Institute of Chartered Accountants of New Zealand since May 1990, a member of the Hong Kong Institute of Certified Public Accountants since January 1991 and a fellow member of the Hong Kong Institute of Directors since February 2006.

Mr. SEE is currently an independent non-executive director and chairman of the audit committee and a member of the remuneration committee, the nomination committee and the internal control committee of Tesson Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1201).

Mr. ANDERSEN Dee Allen ("Mr. ANDERSEN"), aged 72, was appointed as an independent non-executive director of the Company on 10 December 2021. His appointment as a member of the audit committee, a member of the remuneration committee, and a member as the nomination committee was effected on 10 December 2021.

Mr. ANDERSEN has over 40 years of experience in the commercial and corporate industry and also in business development and general management. Mr. ANDERSEN began his career at General Mills in 1977 and Continental Grain Company in 1989, managing their Asian agriculture industrial businesses. Mr. ANDERSEN was then promoted to senior vice president and general manager of the Asian Industries Division of Continental Grain Company in 1992.

Mr. ANDERSEN then joined Sun Hung Kai Real Estate Agency Limited as consultant and was responsible for its private equity investment activities. Mr. ANDERSEN later set up his own company, Peace Field Limited, in July 2013, a financial advisory firm and has since been the senior managing director.

Mr. ANDERSEN graduated from Brigham Young University, the U.S., with a Bachelor's degree with majors in Accounting and Chinese in April 1975 and obtained a Master in Business Administration degree from the Harvard Business School, U.S., in June 1977.

Ms. KESEBI Lale ("Ms. KESEBI"), aged 55, was appointed as an independent non-executive director of the Company on 3 May 2022. Her appointment as a member of the audit committee, a member of the remuneration committee, and a member as the nomination committee was effected on 3 May 2022.

Ms. KESEBI is currently the founder and chief executive officer of Human at Work, providing advisory services to other chief executive officers to help them build breakthrough transformation for their organisations. Ms. KESEBI is also currently a member of the advisory board of Unified Commerce Group, a company whose principal business is running tech-enabled, DTC retail operations platform fueling growth and scale for purpose-driven fashion retail brands. Ms. KESEBI has been an independent non-executive director, the chairperson of the nomination committee and a member of each of the audit committee and remuneration committee of Pacific Legend Group Limited, a company listed on GEM (stock code: 8547) since June 2019. Before founding her own business at Human at Work in February 2018, Ms. KESEBI was a member of the executive team and the chief communications officer and head of strategic engagement for Li & Fung Limited, a company previously listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), from 2003 to February 2018.

Ms. KESEBI holds a Bachelor of Laws degree from Schulich School of Law of Dalhousie University, Halifax, Nova Scotia, Canada.

Mr. LIU Gary ("Mr. LIU"), aged 40, was appointed as an independent non-executive director of the Company on 1 August 2022. His appointment as a member of the audit committee, a member of the remuneration committee, and a member as the nomination committee was effected on 1 August 2022.

Mr. LIU is the CEO and founder of Terminal 3, a Web3 enterprise technology company. He is also founder of Artifact Labs, which creates non-fungible token technology for historical assets. Mr. LIU was the chief executive officer of South China Morning Post Publishers Limited from January 2017 to July 2022.

Mr. LIU graduated from Harvard University with a Artium Baccalaureus in June 2006.

Senior Management

Mr. TAN William ("Mr. TAN"), aged 47, has extensive experience in the apparel and trading industry. Before joining the Group as Chief Operation Officer, he worked at Li & Fung (Trading) Limited from 2013 to 2018 where his last position was Vice President – Business Development and Strategy. From 2018 to 2021, he was the General Manager for private brands retail of Shijie Fashions Co., Ltd, an indirectly wholly-owned subsidiary of Parkson Retail Group Limited (stock code: 3368). He then joined garment technology company, Browzwear (BW Global (HK) Limited), as Managing Director (China and Hong Kong) from 2021 to 2022.

Mr. TAN obtained a Bachelor of Arts from the National University of Singapore in 2001, Master of Architecture from Cornell University in 2007, and later obtained a Master of Business Administration from the University of Oxford in 2014.

Mr. YAO Haowen ("Mr. YAO"), aged 41, joined our Group in May 2019 as the vice president human resources. He is primarily responsible for people strategies and workforce planning, organization development and transformation, talent acquisition and international mobility, executive remuneration, organization culture and core value.

Mr. YAO has over 15 years of experience in human resources management. Prior to joining our Group, Mr. YAO was deputy director, total rewards & performance management, in S.F. Express Co., Ltd., which is the largest logistics and supply chain service provider in the PRC (SZSE stock code: 002352), between September 2015 and February 2019. From March 2015 to August 2015, Mr. YAO held the role as total rewards business partner for Asia Pacific in W. L. Gore & Associates, which is a privately owned company with head office in Delaware, the U.S., spanning four main sectors: medical, electronics, industrial and fabrics products. From September 2007 to February 2015, Mr. YAO was human resources manager in Shenzhen Mindray Bio-Medical Electronics Co., Ltd., which is one of leading medical device, life science, and healthcare solution providers worldwide (SZSE stock code: 300760).

Mr. YAO received his Bachelor of Arts in International Business English from the Guangdong University of Finance & Economics in the PRC in 2005, and subsequently his Master of Science in Resource Management from the University of Edinburgh, in the United Kingdom in 2007.

Directors' Report

Principal Activities

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2023.

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 4 to 10 of this Annual Report. The outlook of the Company's business is discussed throughout this Annual Report.

Results and Dividends

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 78 of this report.

Final dividend of HK6 cents per ordinary share was proposed by the directors of the Company for the year ended 31 December 2023.

Closure of Register of Members

The AGM will be held on Friday, 19 April 2024. Notice of the AGM will be sent to shareholders in due course. For the purpose of determining shareholder's eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 16 April 2024 to Friday, 19 April 2024 both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 15 April 2024.

Plant and Equipment

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

Share Capital

Details of movements in the share capital of the Company during the year are set out in Note 27 to the consolidated financial statements.

During the year, (i) neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities; and (ii) 4 million Shares had been purchased by the Trustee under the Co-ownership Share Award Scheme.

Distributable Reserves of the Company

At 31 December 2023, the Company's reserves available for distribution to shareholders consisted of share premium, capital reserve and retained profits, totalling approximately US$26,664,501.

Directors

The Directors of the Company during the year under review and up to the date of this report were:

Executive directors

Mr. SZETO Chi Yan Stanley *(Chairman)*
Dr. CHAN Yuk Mau Eddie
Mr. LEE Yiu Ming

Independent non-executive directors

Mr. SEE Tak Wah
Mr. ANDERSEN Dee Allen
Ms. KESEBI Lale
Mr. LIU Gary

Further information about the Directors are set out from pages 55 to 56 of this report.

In accordance with article 84(1) of the Company's Articles of Association, Mr. SEE Tak Wah, Mr. ANDERSEN Dee Allen, Ms. KESEBI Lale and Mr. TAN William will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

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

Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing 13 November 2019 and continuing thereafter until terminated by either party giving to the other party a period of advance two months' notice in writing.

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.

Equity-linked Agreements

Save for the share option scheme and co-ownership share award scheme set out below, no equity-linked agreement was entered into by the Group, or existed during the year ended 31 December 2023.

Share Option Scheme

The Company operates a share option scheme (the "Share Option Scheme"), which was adopted on 12 October 2019 (the "Adoption Date"), for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the Adoption Date.

Eligible participants of the Share Option Scheme include the following:

(i) any employee (whether full time or part time) of the Group or any entity (the "Invested Entity") in which any member of the Group holds any shareholding (including any executive director but excluding any non-executive director of the Group or any Invested Entity);

(ii) any non-executive directors (including independent non-executive directors) of the Group or any Invested Entity;

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

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

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

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

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

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

As at 31 December 2023, the total number of Shares available for issue under the Share Option Scheme is 64,000,000, representing 10.00% of the issued share capital of the Company as at 13 November 2019. The maximum number of Shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, where any grant of share options to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, in a 12-month period up to and including the date of grant, such grant of share options are subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of:

(i) the closing price of Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and

(iii) the nominal value of the Shares.

Details of movements in the Share Option Scheme of the Company during the year are set out in Note 28 to the consolidated financial statements.

Co-ownership Share Award Scheme

The Company operates a co-ownership share award scheme (the "Share Award Scheme"), which was adopted on 27 October 2021 (the "Share Award Scheme Adoption Date") and amended on 13 June 2023, for the purpose of recognizing and rewarding the contributions of certain eligible persons for the growth and development of the Group and providing them with incentives in order to retain them for the continual operation, development and long term growth of the Group and to attract suitable personnel for further development of the Group. Subject to any early termination as may be determined by the award committee pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of ten years commencing from Share Award Scheme Adoption Date.

Individuals eligible to be granted awards include the following:

(i) any director (whether executive or non-executive);

(ii) any employee (whether full time or part time) of the Group or any advisor (professional or otherwise);

(iii) consultant to or expert in any area of business or business development of any member of the Group but excluding any person who is treated as a tax resident of a place where an Award (as defined under the Share Award Scheme) and/or the vesting and transfer of Shares pursuant to the terms of the Share Award Scheme is not permitted under the laws and regulations of such place or where in the view of the Award Committee or the Trustee (as the case may be) (as defined under the Share Award Scheme) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such person (each an "Eligible Person").

The Award Committee may, from time to time, select any eligible person(s) for participation in the Share Award Scheme by sending to such eligible person(s) an invitation to participate on the basis of the Award Committee's (as defined under the Share Award Scheme) opinion as to such eligible person's contribution and/or future contribution to the development and growth of the Group. The invitation to participate shall set out the conditions for receiving an award and for participation in the Share Award Scheme as a Selected Participant, including but not limited to the following conditions:

(a) that the selected Eligible Person must have purchased and retained certain number of Shares in the Company on or prior to the date stated on each Invitation to Participate which is the last date the selected Eligible Person may submit the required information to the Award Committee in order to be eligible to an Award in accordance with the rules of the Share Award Scheme ("Cut Off Date"), on the basis that the Award Committee would consider the granting of an award of one (1) Share to every two (2) Qualifying Shares (or other number of Qualifying Shares as determined by the Award Committee and as set out in particular Invitation to Participant) held by the selected Eligible Person where the Invitation to Participate is sent on or after the Amendment Date;

(b) the number of Shares held or to be held by each selected Eligible Person which would be accepted and recognised by the Award Committee as Qualifying Shares for the purpose of determination of an Award shall:

   (i) be in multiples of three (3); and

   (ii) have an aggregate purchase value (based on the value at the date of purchase of the Shares as shown on the bank/broker statement submitted) of not less than the aggregate value of 2 months of Base Salary of the Eligible Person but not more than the aggregate value of 24 months of such Base Salary of the Eligible Person; and

(c) the selected Eligible Person must be able to produce evidence as required by the Award Committee as set out in such Invitation to Participate.

On or before the Cut Off Date, the selected Eligible Person shall further send to the Award Committee the requisite information together with the second reply slip attached to the Invitation to Participate (including evidence of holding of the Qualifying Shares by valid statements of brokers; and the due diligence documents required by the Trustee as stated on the reply slip). The Award Committee shall then verify and decide on the making of a provisional Award to such Eligible Person of such number of issued Shares, fully paid or credited as fully paid, as the Award Committee shall determine pursuant to the rules of the Scheme and calculated based on the number of acceptable Qualifying Shares held by the selected Eligible Person. Upon such determination by the Award Committee to make a provisional Award, such Eligible Person shall then become a Selected Participant of the Scheme entitled to an Award once his Awarded Shares have been provisionally set aside by the Trustee under the Trust as constituted by the Trust Deed. On the other hand, any Eligible Person who has received an Invitation to Participate but who has failed to return the reply slip or the requisite information on or before the Cut Off Date shall be deemed to have declined to participate and shall therefore receive no Award and shall no longer continue to participate in the Scheme (unless and until further Invitation to Participate, if any, is received by that person), and shall have no rights or claims against the Company or the Trustee as a Selected Participant under the Scheme.

The Award Committee shall issue an Award Notice to the Trustee in writing upon the making of a provisional Award under the Scheme and provide, amongst other things, the following information: (i) the names of the selected Eligible Persons(s) and whether any selected Eligible Person is a connected person; (ii) the number of Shares provisionally awarded to the relevant selected Eligible Persons pursuant to such provisional Award; (iii) the vesting timetable and the Vesting Dates on which the Trustee should vest the legal and beneficial ownership of the Awarded Shares in the relevant selected Eligible Persons once they have become Selected Participants; and (iv) any other conditions as may be imposed by the Award Committee.

Upon the receipt of an Award Notice and satisfactory review of the due diligence documents provided, the Trustee shall set aside the appropriate number of Awarded Shares provisionally awarded to each of the selected Eligible Person pending the vesting and transfer of the Awarded Shares to such selected Eligible Person. The selected Eligible Person shall then become a Selected Participant of the Scheme entitled to an Award. The Trustee shall hold the Awarded Shares so set aside during the Vesting Period for the benefit of the Selected Participants pursuant to the terms of the Trust Deed.

The Award Committee shall then issue Grant Notice(s) to the Selected Participants once the Trustee has notified the Award Committee that the Awarded Shares have been set aside by the Trustee. The Grant Notice shall contain substantially the same information as that set out in the Award Notice referable to each particular Selected Participant. An Award shall be deemed to be irrevocably accepted by a Selected Participant unless the Selected Participant shall within five (5) Business Days after the Reference Date notify the Company in writing that he declines to accept such Award by signing and returning to the Award Committee the reply slip attached to the Grant Notice.

An Award shall be personal to the Selected Participant and shall not be transferable or assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any security or adverse interest whatsoever in favour of any third party over or in relation to an Award or any part thereof or enter or purport to enter into any agreement to do so on or before any Vesting Dates.

Where any grant of Awarded Shares is proposed to be made to any person who is a connected person of the Company, the Company shall comply with such provisions of the Listing Rules as may be applicable unless otherwise exempted under the Listing Rules.

The Company may from time to time pay or cause to be paid funds to the Trust as directed by the Board which shall constitute part of the funds held under the Trust and managed by the Trustee for the benefit of the Eligible Persons, for the purchase or subscription (as the case may be) of Shares and other purposes set out in the Scheme and the Trust Deed.

The Trustee shall, pursuant to the directions of the Award Committee, apply such funds towards the purchase of Shares. The directions given by the Award Committee shall include matters such as the price range for the purchase of Shares, the number of Shares to be purchased at any particular time or during any particular period, and the timing of each purchase.

Unless approved by the Board, the Award Committee shall not make further award of Shares under the Scheme, and the Trustee shall not make any further purchase of Shares, if this will result in the aggregate number of Awarded Shares (whether held by the Trustee or already vested or transferred to the Selected Participants) together with the aggregate number of Shares (other than the Awarded Shares) held by the Trustee taken as a whole exceeding ten (10) per cent of the total issued Shares of the Company at any time (the "Max Shares Threshold"). The Award Committee shall not instruct the Trustee to purchase and/or subscribe for any Shares for the purpose of the Scheme if such purchase and/or subscription of Shares will result in the Max Shares Threshold being exceeded.

Unless approved by the Board, the Award Committee shall not grant any Awarded Shares to any Selected Participant if the granting of such Awarded Shares would result in the total number of Shares vested or to be vested in that Selected Participant during any twelve (12) month period exceeding 1 per cent of the total Shares then in issue (save and except that any grant of Awarded Shares to an independent non-executive director of the Company should not result in the total number of Shares vested or to be vested in that person (under this Scheme or otherwise) during any twelve (12) month period exceeding 0.1 per cent of the total Shares then in issue).

The Group granted in respect of 377,332 company shares on 28 February 2022 to two eligible employees, having a vesting period of one to four years from 2022 to 2026. There are 94,333 award shares vested during the year of 2023.

The Group granted special Share Award Scheme to an eligible person on 13 June 2022, who will be granted Award Share of 3 million company shares upon subscribing equivalent 3 million company shares. There are 3 million award shares vested during the year of 2023.

The Group granted in respect of 5,590,000 company shares on 31 August 2023 to six Selected Participant, having a vesting period of one to four years from 2024 to 2027. Out of the six Selected Participants, one Selected Participant is an executive Director of the Company whereas the other Selected Participants are each not a director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them, nor a connected Person of the Company as at the date of granting. No award shares were vested during the year of 2023.

No award shares were forfeited or lapsed during the year. Movements of the number of awarded shares outstanding during the year ended 31 December 2023 are as follows:

For the year ended 31 December 2023

Name of category of grantee	Date of grant	Fair value per share HK$	Balance as at 1 January 2023	Granted during the year	Vested during the year	Balance as at 31 December 2023	Vesting period	Closing price per share before the vesting date HK$
Director								–
Mr. Szeto	31 August 2023	0.85	–	960,000	–	960,000	September 2023–August 2024	–
	31 August 2023	0.85	–	960,000	–	960,000	September 2024–August 2025	–
	31 August 2023	0.85	–	960,000	–	960,000	September 2025–August 2026	–
	31 August 2023	0.85	–	960,000	–	960,000	September 2026–August 2027	–
Sub-total			–	3,840,000	–	3,840,000		
Employees (other than Directors)	28 February 2022	0.385	94,333	–	94,333	–	March 2022–February 2023	0.76
	28 February 2022	0.385	94,333	–	–	94,333	March 2022–February 2024	–
	28 February 2022	0.385	94,333	–	–	94,333	March 2022–February 2025	–
	28 February 2022	0.385	94,333	–	–	94,333	March 2022–February 2026	–
	13 June 2022	0.37	3,000,000	–	3,000,000	–	June 2022–May 2023	0.71
	31 August 2023	0.85	–	437,500	–	437,500	September 2023–August 2024	–
	31 August 2023	0.85	–	437,500	–	437,500	September 2023–August 2025	–
	31 August 2023	0.85	–	437,500	–	437,500	September 2023–August 2026	–
	31 August 2023	0.85	–	437,500	–	437,500	September 2023–August 2027	–
Sub-total			3,377,332	1,750,000	3,094,333	2,032,999		
Total			3,377,332	5,590,000	3,094,333	5,872,999		

	Number of awarded shares	
	2023	2022
At beginning of the year		
Number of awarded shares held by the trustee	**3,500,000**	–
Number of awarded shares granted but not yet vested	**3,377,332**	–
Maximum number of awarded shares available for grant	**60,532,668**	63,910,000
At end of the year		
Number of awarded shares held by the trustee	**4,405,667**	3,500,000
Number of awarded shares granted but not yet vested	**5,872,999**	3,377,332
Maximum number of awarded shares available for grant	**58,037,001**	60,532,668
Granted during the year	**5,590,000**	3,377,332
Vested during the year	**3,094,333**	–
Purchased during the year	**4,000,000**	3,500,000

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2023, the interests and short positions of the Directors and/or chief executives of the Company in any shares of the Company (the "Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (cap. 571) (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors (the "Model Code") are as follows:

Interests in Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding in the Company (Note 2)
Mr. SZETO Chi Yan Stanley ("Mr. SZETO")	Interest of controlled corporation (Note 3)	339,582,000 (L)	53.13%
Ms. Che Huey Sze Denise	Interest of controlled corporation (Note 4)	339,582,000 (L)	53.13%
Dr. CHAN Yuk Mau Eddie ("Dr. CHAN")	Beneficial owner	22,000,000 (L)	3.44%
Ms. Lee Wing Yuen Ida	Beneficial owner (Note 5)	22,000,000 (L)	3.44%
Mr. LEE Yiu Ming ("Mr. LEE")	Beneficial owner	14,400,000 (L)	2.25%
Ms. Yiu Chui Ping	Beneficial owner (Note 6)	14,400,000 (L)	2.25%

Notes:

1. The Letter "L" denotes the person's long position in the relevant Shares.

2. This is calculated based on the 639,100,000 Shares in issue as at 31 December 2023.

3. Lever Style Holdings is wholly-owned by Imaginative Company Limited. Imaginative Company Limited is wholly-owned by Mr. SZETO. Accordingly, Mr. SZETO, Imaginative Company Limited are interested in 339,582,000 Shares.

4. Ms. Che Huey Sze Denise is the spouse of Mr. SZETO and was therefore deemed to be interested in the 339,582,000 shares held by Mr. SZETO in note 2 above.

5. Ms. Lee Wing Yuen Ida is the spouse of Dr. CHAN and was therefore deemed to be interested in the 22,000,000 shares held by Dr. CHAN.

6. Ms. Yiu Chui Ping is the spouse of Mr. LEE and was therefore deemed to be interested in the 14,400,000 Shares held by Mr. LEE.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2023, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company), who have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, are as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding in the Company (Note 2)
Imaginative Company Limited	Interest of controlled corporation (Note 3)	339,582,000 Shares (L)	53.13%
Lever Style Holdings	Beneficial owner (Note 3)	339,582,000 Shares (L)	53.13%
Fung Trinity Holdings Limited	Beneficial owner (Note 4)	45,000,000 Shares (L)	7.04%
KCI Limited	Interest of controlled corporation (Note 4)		
Fung Capital Limited	Interest of controlled corporation (Note 4)	45,000,000 Shares (L)	7.04%
Fung Investments Limited	Interest of controlled corporation (Note 4)	45,000,000 Shares (L)	7.04%
King Lun Holdings Limited	Interest of controlled corporation (Note 4)	45,000,000 Shares (L)	7.04%

Notes:

1. The Letter "L" denotes the person's long position in the relevant Shares.

2. This is calculated based on the 639,100,000 Shares in issue as at 31 December 2023.

3. Lever Style Holdings is wholly owned Imaginative Company Limited. Imaginative Company Limited is in turn wholly-owned by Mr. SZETO. Accordingly, Mr. SZETO and Imaginative Company Limited are interested in 339,582,000 Shares for the purpose of SFO.

4. Fung Trinity Holdings Limited is wholly-owned by KCI Limited. The entire voting rights of KCI Limited is owned by Fung Capital Limited. Fung Capital Limited is wholly-owned by Fung Investments Limited which is wholly-owned by King Lun Holdings Limited, which is legally owned as to 50.0% and 50.0% by Dr. William Fung Kwok Lun and HSBC Trustee (CI) Limited respectively, being the trustee of a family trust established for the family of Dr. Victor Fung Kwok King.

Save as disclosed above, no other interest or short position in the Shares and underlying Shares of the Company were recorded in the register required to be kept under section 336 of the SFO as at 31 December 2023.

Management Contracts

Other than the Directors' service contracts, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at 31 December 2023 or at any time during the year ended 31 December 2023.

Directors' Interest in Competing Business

During the year, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interests (other than their interest in the Company or its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

Arrangements to Purchase Shares or Debentures

Save as disclosed above, 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.

Bank Borrowings

The Group had no borrowings as at 31 December 2023. Particulars are disclosed in Note 25 to the financial statements.

Directors' Interests in Transactions, Arrangements and Contracts of Significance

Other than as disclosed in Note 33 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.

Major Customers and Suppliers

For the year ended 31 December 2023, the Group's largest customer accounted for approximately 16.2% of the Group's total revenue. The five largest customers accounted for approximately 44.6% of the Group's revenue. For the year ended 31 December 2023, the Group's largest supplier accounted for approximately 11.0% of the Group's total purchases. The five largest suppliers comprised 31.5% of the Group's total purchases.

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

Emolument Policy

The emolument policy for the employees of the Group is set up by the Board 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.

Continuing Connected Transaction

The Company confirms that the related party transaction as disclosed in Note 33(a) (Related party disclosures) to the financial statements in this report falls under the de minimis transactions exemption and is fully exempt under Rule 14A.76 of the Listing Rules.

Save as disclosed above, there were no other connected transactions/continuing connected transactions which are required to be disclosed in this annual report in accordance with the requirements of Chapter 14A of the Listing Rules.

Retirement Benefits Scheme

Details of contributions to the retirement benefits scheme of the Group are set out in Note 2.4 to the consolidated financial statements.

Contracts of Significance

Save as disclosed in the section headed "Continuing Connected Transaction" in this report and Note 33(a) (Related party disclosures) to the financial statements, no contracts of significance in relation to the Company's business to which the Company, or its subsidiaries was a party and in which a Director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries and no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in the financial summary section on page 174 of this annual report.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2023.

Pre-Emptive Rights

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

Tax Relief and Exemption

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

Permitted Indemnity Provision

Pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. The relevant provisions in the Articles of Association were in force during the year ended 31 December 2023.

Auditor

Ernst & Young was appointed as the auditor of the Company with effect from 26 September 2023 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu. For details, please refer to the Company's announcement dated 26 September 2023.

The consolidated financial statements for the year ended 31 December 2023 were audited by Ernst & Young who will retire at the forthcoming Annual General Meeting and offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company and to authorize the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board
Lever Style Corporation

Szeto Chi Yan Stanley
CHAIRMAN

Hong Kong, 11 March 2024

Independent Auditor's Report

TO THE SHAREHOLDERS OF LEVER STYLE CORPORATION
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Lever Style Corporation (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 173, which comprise the consolidated statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Key audit matters (Continued)

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
As at 31 December 2023, the Group had trade receivables amounted to US$38,698,894, representing approximately 43% of the Group's total assets. Significant management estimates were required in assessing the expected credit losses ("ECLs") of trade receivables, including the assessment of the collectability from individual customers after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest or principal payments, ageing analysis and forecast of future events and economic conditions. Management judgements and estimates have a significant impact on the level of loss allowance required for trade receivables. The accounting policies and disclosures in relation to the recoverability of trade receivables are included in note 2.4, 3 and 18 to the consolidated financial statements.	Our audit procedures to assess the ECLs of trade receivables included the following: • understanding of management control over the collection and the impairment assessment of the trade receivables; • obtaining and reviewing management's calculation on the ECL, including the assessment of internal credit ratings and the basis of the estimated loss rates applied in individual trade debtors with reference to historical default rates and forward-looking information; • in respect of material trade receivable balances, inspecting relevant sales contracts, delivery notes and correspondence with the customers, and assessing their creditworthiness with reference to publicly available information, where applicable; • testing, on a sample basis, the ageing of trade receivables at year end; and • testing, on a sample basis, the subsequent settlements of material trade receivable balances.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. CHUNG, Ho Ling.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong
11 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Notes	2023 US$	2022 US$
REVENUE	4	**208,529,489**	217,209,081
Cost of sales		**(148,646,874)**	(155,633,800)
Gross profit		**59,882,615**	61,575,281
Other income	5	**892,011**	563,549
Other gains and losses, net	6	**(4,898)**	(41,755)
Impairment losses on trade receivables, net		**(251,756)**	(1,752,560)
Impairment loss on intangible assets	16	**–**	(2,846,406)
Fair value change on contingent consideration	16	**–**	1,590,734
Selling and distribution expenses		**(21,875,946)**	(22,307,915)
Administrative expenses		**(20,123,331)**	(17,915,251)
Finance costs	7	**(246,009)**	(1,280,139)
PROFIT BEFORE TAX	8	**18,272,686**	17,585,538
Income tax expense	9	**(2,659,826)**	(3,072,199)
PROFIT FOR THE YEAR		**15,612,860**	14,513,339
OTHER COMPREHENSIVE LOSS			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		**(128,804)**	(550,950)
Total comprehensive income for the year		**15,484,056**	13,962,389
Profit/(loss) for the year attributable to:			
Owners of the parent		**15,618,972**	14,517,391
Non-controlling interests		**(6,112)**	(4,052)
		15,612,860	14,513,339
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**15,490,953**	13,966,315
Non-controlling interests		**(6,897)**	(3,926)
		15,484,056	13,962,389
Earnings per share attributable to ordinary equity holders of the parent	13		
– Basic		**US2.45 cents**	US2.28 cents
– Diluted		**US2.45 cents**	US2.28 cents

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 US$	31 December 2022 US$
NON-CURRENT ASSETS			
Plant and equipment	14	**1,887,866**	1,862,520
Right-of-use assets	15	**1,475,393**	2,091,250
Intangible assets	16	**1,732,107**	1,830,273
Deposits and other receivables	20	**1,275,649**	1,409,027
Deferred tax assets	26	**40,479**	135,847
Total non-current assets		**6,411,494**	7,328,917
CURRENT ASSETS			
Inventories	17	**16,289,093**	14,464,428
Trade receivables	18	**38,698,894**	25,046,126
Trade receivables at fair value through other comprehensive income	19	**–**	1,036,043
Deposits, prepayments and other receivables	20	**9,555,976**	19,631,739
Derivative financial instruments	24	**20,648**	–
Bank balances and cash	21	**18,120,388**	23,523,515
Total current assets		**82,684,999**	83,701,851
CURRENT LIABILITIES			
Trade payables	22	**18,892,797**	18,398,121
Other payables and accruals	23	**8,078,264**	6,292,726
Contract liabilities	23	**2,653,247**	2,991,529
Lease liabilities	15	**975,865**	857,544
Tax payable		**4,173,299**	2,483,393
Derivative financial instruments	24	**–**	42,051
Bank borrowings	25	**–**	10,727,160
Total current liabilities		**34,773,472**	41,792,524
NET CURRENT ASSETS		**47,911,527**	41,909,327
TOTAL ASSETS LESS CURRENT LIABILITIES		**54,323,021**	49,238,244

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 US$	31 December 2022 US$
NON-CURRENT LIABILITIES			
Lease liabilities	15	**689,167**	1,469,439
Deferred tax liabilities	26	**76,784**	9,870
Total non-current liabilities		**765,951**	1,479,309
NET ASSETS		**53,557,070**	47,758,935
EQUITY			
Share capital	27	**820,640**	820,640
Shares held under share award scheme	27	**(471,956)**	(171,023)
Reserves	29	**53,208,386**	47,070,169
Equity attributable to owners of the parent		**53,557,070**	47,719,786
Non-controlling interests		**–**	39,149
TOTAL EQUITY		**53,557,070**	47,758,935

Szeto Chi Yan Stanley
Director

Lee Yiu Ming
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Notes	Attributable to owners of the parent											
		Share capital US$	Shares held under share award scheme US$	Share premium US$	Merger reserve US$	Statutory reserve US$	Share-based payments reserve US$	Awarded shares compensation reserve US$	Exchange reserve US$	Retained profits US$	Sub-total US$	Non-controlling interests US$	Total US$
At 1 January 2022		820,640	–	26,393,444	(13,295,621)	337,764	35,865	–	(215,531)	21,766,909	35,843,470	–	35,843,470
Profit/(loss) for the year		–	–	–	–	–	–	–	–	14,517,391	14,517,391	(4,052)	14,513,339
Exchange differences arising on translation of foreign operations		–	–	–	–	–	–	–	(551,076)	–	(551,076)	126	(550,950)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	(551,076)	14,517,391	13,966,315	(3,926)	13,962,389
Capital contribution from a non-controlling interest of a subsidiary		–	–	–	–	–	–	–	–	–	–	43,075	43,075
Transfer to statutory reserve		–	–	–	–	97,071	–	–	–	(97,071)	–	–	–
Purchase of shares for the purpose of share award scheme	28	–	(171,023)	–	–	–	–	–	–	–	(171,023)	–	(171,023)
Recognition of share-based payment expense	28	–	–	–	–	–	31,980	85,360	–	–	117,340	–	117,340
Lapse of share options		–	–	–	–	–	(67,845)	–	–	67,845	–	–	–
Dividends recognised as distribution	12	–	–	–	–	–	–	–	–	(2,036,316)	(2,036,316)	–	(2,036,316)
At 31 December 2022		820,640	(171,023)	26,393,444*	(13,295,621)*	434,835*	–*	85,360*	(766,607)*	34,218,758*	47,719,786	39,149	47,758,935

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Notes	Attributable to owners of the parent											
		Share capital US$	Shares held under share award scheme US$	Share premium US$	Merger reserve US$	Statutory reserve US$	Capital reserve US$	Awarded shares compensation reserve US$	Exchange reserve US$	Retained profits US$	Sub-total US$	Non-controlling interests US$	Total US$
At 1 January 2023		820,640	(171,023)	26,393,444	(13,295,621)	434,835	–	85,360	(766,607)	34,218,758	47,719,786	39,149	47,758,935
Profit/(loss) for the year		–	–	–	–	–	–	–	–	15,618,972	15,618,972	(6,112)	15,612,860
Exchange differences arising on translation of foreign operations		–	–	–	–	–	–	–	(128,019)	–	(128,019)	(785)	(128,804)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	(128,019)	15,618,972	15,490,953	(6,897)	15,484,056
Acquisition of non-controlling interests of a subsidiary		–	–	–	–	–	5,559	–	–	–	5,559	(32,252)	(26,693)
Purchase of shares for the purpose of share award scheme	28	–	(451,494)	–	–	–	–	–	–	–	(451,494)	–	(451,494)
Recognition of share-based payment expense	28	–	–	–	–	–	–	174,618	–	–	174,618	–	174,618
Vesting of shares under share award scheme		–	150,561	–	–	–	–	(150,561)	–	–	–	–	–
Dividends recognised as distribution	12	–	–	–	–	–	–	–	–	(9,382,352)	(9,382,352)	–	(9,382,352)
At 31 December 2023		820,640	(471,956)	26,393,444*	(13,295,621)*	434,835*	5,559*	109,417*	(894,626)*	40,455,378*	53,557,070	–	53,557,070

* These reserve accounts comprise the consolidated reserves of US$53,208,386 (2022: US$47,070,169) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 US$	2022 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**18,272,686**	17,585,538
Adjustments for:			
Finance costs	7	**246,009**	1,280,139
Interest income	5	**(513,657)**	(88,546)
Depreciation of plant and equipment		**479,146**	528,460
Depreciation of right-of-use assets		**889,100**	876,881
Amortisation of intangible assets		**98,166**	442,351
Net gain on disposals/write-off of plant and equipment		**–**	(19,691)
Gain on lease modification		**(17,704)**	(82,942)
Impairment losses on trade receivables under the expected credit loss model		**251,756**	1,752,560
Impairment loss on intangible assets		**–**	2,846,406
Fair value change on contingent consideration		**–**	(1,590,734)
Share-based payment expenses	28	**174,618**	117,340
Fair value loss/(gain) on derivative financial instruments		**(62,699)**	370,439
		19,817,421	24,018,201
Decrease/(increase) in inventories		**(1,831,926)**	5,942,461
Increase in trade receivables		**(23,137,229)**	(33,794,536)
Decrease/(increase) in deposits, prepayments and other receivables		**10,285,571**	(2,545,377)
Decrease in trade receivables at fair value through other comprehensive income		**1,036,043**	5,333,597
Increase in trade payables		**680,402**	2,335,091
Increase in other payables and accruals		**1,803,707**	3,042,202
Increase/(decrease) in contract liabilities		**(337,371)**	1,180,295
Cash generated from operations		**8,316,618**	5,511,934
Income taxes paid		**(806,677)**	(1,320,637)
Payment arising from net settlement of foreign currency forward contracts		**(170,022)**	(273,706)
Net cash flows from operating activities		**7,339,919**	3,917,591

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 US$	2022 US$
Net cash flows from operating activities		**7,339,919**	3,917,591
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		**(497,201)**	(306,933)
Deposit paid for investment		**–**	(277,466)
Deposit paid for plant and equipment		**(167,703)**	(22,827)
Interest received	5	**513,657**	88,546
Proceeds from disposal of plant and equipment		**675**	22,101
Net cash flows used in investing activities		**(150,572)**	(496,579)
CASH FLOWS FROM FINANCING ACTIVITIES			
New factoring loans		**3,133,198**	24,896,767
Addition of import loans		**8,051,451**	74,773,483
Repayment of import loans		**(12,679,714)**	(93,740,313)
Dividend paid	12	**(9,382,352)**	(2,036,316)
Interest paid		**(246,009)**	(1,280,139)
Repayment of bank borrowings		**–**	(1,004,469)
Principal portion of lease payments		**(905,633)**	(804,096)
Purchase of shares held for share award scheme	28	**(451,494)**	(171,023)
Capital contribution from a non-controlling interest of a subsidiary		**–**	43,075
Net cash flows (used in)/from financing activities		**(12,480,553)**	676,969
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(5,291,206)**	4,097,981
Cash and cash equivalents at beginning of year		**23,523,515**	19,866,056
Effect of foreign exchange rate changes, net		**(111,921)**	(440,522)
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and bank balances		**18,120,388**	23,523,515

Notes to the Consolidated Financial Statements

31 December 2023

1. Corporate Information

Lever Style Corporation (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is Room 76, Flat A, 7/F, Wing Tai Centre, 12 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong.

In the opinion of the directors, the immediate holding company and ultimate holding company are Lever Style Holdings Limited and Imaginative Company Limited, respectively. The ultimate controlling shareholder of the Company is Mr. Szeto Chi Yan Stanley ("Mr. Szeto").

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in providing supply chain solutions in multiple apparel categories for notable brands.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Lever Style Inc.	British Virgin Islands ("BVI")	US$11,428	100	–	Investment holding
Lever Shirt Holdings Limited	BVI	US$50,000	–	100	Investment holding
TTL Manufacturing Limited	BVI	US$1	–	100	Investment holding
Lever Garment Limited	Hong Kong	HK$2	–	100	Inactive
Lever Style Limited	Hong Kong	HK$10,100,000	–	100	Trading of garments
Levertex Company Limited	Hong Kong	HK$100,000	–	100	Trading of garments
Euford Enterprise Company Limited	Hong Kong	HK$10,000	–	100	Inactive
Plazzo Limited	Hong Kong	HK$2	–	100	Inactive
Lever Apparel Limited	Hong Kong	HK$10,000,000	–	100	Trading of garments
LeverSing Limited	Hong Kong	HK$2,000,000	–	100	Investment holding
Topsun Garment Limited	Hong Kong	HK$1,500,000	–	100	Trading of garments
Champion System International Limited	Hong Kong	HK$1	–	100	Trading of garments

1. Corporate Information (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
卓富智造(深圳)有限公司(i)	People's Republic of China ("PRC")/Chinese Mainland	Renminbi ("RMB") 200,000	–	100	Trading of garments
利華服飾智造(深圳)有限公司(i)	PRC/Chinese Mainland	HK$12,000,000	–	100	Trading of garments
利華設計院(深圳)有限公司(i)	PRC/Chinese Mainland	US$1,300,000	–	100	Design and trading of garments
利星服飾設計(廣州)有限公司(i)	PRC/Chinese Mainland	RMB4,000,000	–	100	Trading of garments
利勝服飾設計(廣州)有限公司(i)	PRC/Chinese Mainland	RMB1,000,000	–	100	Trading of garments
Lever Style PTE Ltd.	Singapore	Singapore dollar 10,000	–	100	Trading of garments
Lever Style LLC	The United States of America	Nil	–	100	Trading of garments

(i) These entities are registered as wholly-foreign-owned enterprises under PRC law

None of the subsidiaries of the Group had issued any debt securities at the end of the year or at any time during the year.

2. Accounting Policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, contingent consideration receivable and trade receivables at fair value through other comprehensive income which have been measured at fair value. These consolidated financial statements are presented in US$, and all values are rounded to the nearest dollar except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Basis of consolidation (Continued)

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

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

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

2.2 Changes in Accounting Policies and Disclosures (Continued)

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the consolidated financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any material impact on the Group's financial statements.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

The revised HKFRSs are not expected to be applicable to the Group, except for those mentioned below.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (Continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Material Accounting Policies

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2.4 Material Accounting Policies (Continued)

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or gain on bargain purchase.

Fair value measurement

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

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

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

2.4 Material Accounting Policies (Continued)

Fair value measurement (Continued)

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

2.4 Material Accounting Policies (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 Material Accounting Policies (Continued)

Plant and equipment and depreciation

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

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the relevant lease term or 20%
Furniture, fixtures and equipment	20%
Computer equipment	20%
Motor vehicles	20%

Where parts of an item of plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 Material Accounting Policies (Continued)

Intangible assets (Continued)

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

Club membership

The club membership of the Group represents a golf club membership with indefinite useful lives which is carried at cost less any subsequent accumulated impairment losses.

Trademarks, patents, customer list and purchase orders

Trademarks, patents, customer list and purchase orders are stated at cost less any impairment losses and are amortised on the straight-line basis over the following periods:

Trademarks	15 years
Patents	5 years
Customer list	10 years
Purchase orders	Less than 1 year

Leases

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

Group as a lessee

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

2.4 Material Accounting Policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

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

Offices	Over the lease term of 1 to 5 years

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

(b) Lease liabilities

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

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

2.4 Material Accounting Policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

2.4 Material Accounting Policies (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

2.4 Material Accounting Policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

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

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

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

Financial assets at fair value through profit or loss

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 Material Accounting Policies (Continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 Material Accounting Policies (Continued)

Impairment of financial assets (Continued)

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 Material Accounting Policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and trade receivables at fair value through other comprehensive income that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group assesses the trade receivables individually and recognises a loss allowance based on lifetime ECLs at each reporting date. The Group estimates the amount of loss allowance for trade receivables based on the internal credit ratings and historical credit loss experience, adjusted for factors that are specified to the debtors and general economic conditions of the industry in which the debtors operate.

2.4 Material Accounting Policies (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or financial liabilities at amortised cost as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, derivative financial instruments and bank borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

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

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

2.4 Material Accounting Policies (Continued)

Derecognition of financial liabilities

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

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Shares held under share award scheme

Own equity instruments which are reacquired and held by the subsidiaries of the Group are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of the Group's own equity instruments.

Inventories

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

2.4 Material Accounting Policies (Continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 Material Accounting Policies (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

2.4 Material Accounting Policies (Continued)

Income tax (Continued)

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

2.4 Material Accounting Policies (Continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

Sales of garments

Revenue from the sales of garment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the garments.

2.4 Material Accounting Policies (Continued)

Revenue recognition (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e., the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. It recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group engages in the trading of garments. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk.

Other income

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

Contract liabilities

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

2.4 Material Accounting Policies (Continued)

Share-based payments

The Company operates a share option scheme and a co-ownership share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 Material Accounting Policies (Continued)

Other employee benefits

Pension scheme

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

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 Material Accounting Policies (Continued)

Foreign currencies

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

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

The functional currencies of certain subsidiaries are currencies other than the United States dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into United States dollars at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into United States dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular operation is recognised in profit or loss.

3. Significant Accounting Judgements and Estimates

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

Estimation uncertainty

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

Provision of ECLs for trade receivables

Management estimates the amount of loss allowance for trade receivables based on the internal credit ratings and historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of credit risk of trade receivables involves a high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may need to be adjusted in the year of revision accordingly. As at 31 December 2023, the carrying amount of trade receivables was US$38,698,894 (2022: US$25,046,126), net of allowance for ECLs of US$2,111,304 (2022: US$1,862,920). Details are disclosed in note 18 to financial statements.

4. Revenue and Segment Information

(a) Revenue

An analysis of revenue is as follows:

	2023 **US$**	2022 US$
Revenue from contracts with customers	**208,529,489**	217,209,081

The Group is principally engaged in the trading of garments. The Group's revenue represents the amounts received and receivable from the sales of garments to external customers. All revenue is recognised at the point in time when the customers obtains control of the goods delivered.

The Group sells garment products to notable digitally native and conventional customers. Revenue is recognised when control of goods has been transferred, that is, when the goods have been shipped to the customers' specific location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The contracts for sales of garment products are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied contract is not disclosed.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023 **US$**	2022 US$
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of garment products	**2,991,529**	1,811,234

4. Revenue and Segment Information (Continued)

(b) Segment information

Information reported to Mr. Szeto, being the chief operating decision maker of the Company, in order to allocate resources and to assess performance, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is reviewed. Accordingly, no operating segment information is presented and only entity-wide disclosures as below are presented.

Geographical information

Information about the Group's revenue from external customers is presented based on the home country (location of customers' headquarters) of customers' brands.

	2023	2022
	US$	US$
United States of America	**125,534,273**	136,417,763
Europe	**42,953,111**	41,610,985
Oceania	**25,849,028**	16,665,860
Greater China#	**2,217,246**	8,705,122
Others	**11,975,831**	13,809,351
Total revenue	**208,529,489**	217,209,081

Greater China primarily includes the Chinese Mainland, Hong Kong, Macau and Taiwan.

All of the Group's identifiable non-current assets are located in Chinese Mainland and Hong Kong.

Information about major customers

All of the Group's revenue is made directly with the customers and the contracts with the Group's customers are mainly short-term and at fixed price.

Revenue from an individual customer contributing over 10% of the total revenue of the Group is as follows:

	2023	2022
	US$	US$
Customer A	**33,885,018**	41,886,067

5. Other Income

	2023 US$	2022 US$
Claims received	**167,143**	174,215
Government grants (note)	**182,808**	140,758
Interest on bank deposits	**513,657**	88,546
Service income	**–**	28,582
Others	**28,403**	131,448
	892,011	563,549

Note: During the year ended 31 December 2022, the Group recognised government grants in respect of Covid-19-related subsidies, including subsidies from the Employment Support Scheme provided by the Hong Kong Government of US$74,511. No Covid-19-related subsidies were recognised during the year ended 31 December 2023.

6. Other Gains and Losses, Net

	2023 US$	2022 US$
Gain on lease modification	**17,704**	82,942
Net gain on disposals/write-off of plant and equipment	**–**	19,691
Net exchange (loss)/gain	**(75,037)**	225,918
Fair value gain/(loss) on derivative financial instruments	**62,699**	(370,439)
Others	**(10,264)**	133
Total other gains and losses, net	**(4,898)**	(41,755)

7. Finance Costs

	2023 US$	2022 US$
Interest on bank borrowings	**140,429**	1,120,931
Interest expense on lease liabilities (note15(b))	**105,580**	159,208
	246,009	1,280,139

8. Profit before Tax

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

	Notes	2023 US$	2022 US$
Directors' remuneration*	10	**3,193,931**	1,873,295
Other staff costs*			
– Salaries and other allowances		**15,141,274**	14,388,486
– Share-based payment expense		**102,247**	117,340
– Redundancy cost		**131,361**	299,368
– Retirement benefit scheme contributions		**1,872,442**	1,777,783
Total staff costs		**20,441,255**	18,456,272
Auditor's remuneration		**246,198**	308,092
Cost of inventories sold		**148,646,874**	155,633,800
Depreciation of plant and equipment	14	**479,146**	528,460
Depreciation of right-of-use assets	15(a)	**889,100**	876,881
Amortisation of intangible assets (included in selling and distribution expenses)	16	**98,166**	442,351
Expense relating to short-term leases	15(c)	**186,138**	217,544

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

9. Income Tax Expense

Hong Kong profits tax has been provided at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group, which is a qualifying entity under the two-tiered profits tax rates regime. For this subsidiary, the first HK$2,000,000 (2022: HK$2,000,000) of assessable profits are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Tax on profits assessable in Chinese Mainland has been calculated at the applicable PRC corporate income tax rate of 25% (2022: 25%) during the year, except for two subsidiaries of the Group. One is qualified as a small low-profit enterprise with annual taxable income less than RMB3,000,000 for both current and prior years. The portion of annual taxable income amount of a Small Low-profit enterprise which does not exceed RMB1,000,000 shall be computed at a reduced rate of 12.5% (2022: 12.5%) of the taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1,000,000 but does not exceed RMB3,000,000 million shall be computed at a reduced rate of 25% (2022: 25%) of taxable income amount, and be subject to enterprise income tax at 20% tax rate. The other subsidiary is eligible for income tax rate of 15% (2022: 15%) under the corporate income tax policy, *Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone Enterprise Income Tax Preferential Catalogue (2021 Edition)* for both current and prior years.

The income tax expense for the year comprises:

	2023	2022
	US$	US$
Hong Kong profits tax		
– Current tax	**2,343,880**	3,039,800
– Underprovision/(overprovision) in prior years	**33,973**	(47,032)
	2,377,853	2,992,768
PRC Enterprise Income Tax (“EIT”)		
– Current tax	**119,691**	147,074
– Underprovision in prior years	**–**	5,440
	119,691	152,514
Deferred tax (note 26)	**162,282**	(73,083)
Total	**2,659,826**	3,072,199

9. Income Tax Expense (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2023 **US$**	2022 US$
Profit before tax	**18,272,686**	17,585,538
Tax at the statutory tax rate	**3,014,993**	2,901,614
Lower tax rate for specific provinces or enacted by local authority	**(45,327)**	(11,671)
Income not subject to tax	**(83,319)**	(281,370)
Expenses not deductible for tax	**101,760**	585,610
Underprovision/(overprovision) in prior years	**33,972**	(41,592)
Tax concession	**–**	(85,625)
One-off tax reduction	**(106)**	(1,531)
Tax effect of taxable temporary difference not recognised	**94,231**	96,788
Tax losses utilised from previous periods	**(487,620)**	(103,397)
Tax losses not recognised	**31,242**	13,373
Income tax expense for the year	**2,659,826**	3,072,199

For the year ended 31 December 2023, the weighted average applicable tax rate was 14.6% (2022: 17.5%). The change in the weighted average applicable tax rate was caused by changes in the profitability of the Group in the respective jurisdictions.

10. Directors' and Chief Executive's Remuneration

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

	2023 **US$**	2022 US$
Fees	**82,000**	90,961
Other emoluments:		
Salaries, allowances and benefits in kind	**1,000,000**	1,070,179
Performance related bonuses	**2,031,867**	703,965
Equity-settled share awards	**72,371**	–
Pension scheme contributions	**7,693**	8,190
Subtotal	**3,111,931**	1,782,334
Total fees and other emoluments	**3,193,931**	1,873,295

During the year, a director was granted restricted shares, in respect of his service to the Group, under the co-ownership share award scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such share award arrangement, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount recognised in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

10. Directors' and Chief Executive's Remuneration (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023	2022
	US$	US$
Mr. See Tak Wah	**32,000**	32,000
Mr. Andersen Dee Allen	**20,000**	18,750
Ms. Kesebi Lale	**15,000**	9,925
Mr. Liu Gary	**15,000**	6,250
Mr. Anyang Pak Hong Bernard[1]	**–**	6,753
Mr. Lee Shing Tung Tommy[2]	**–**	11,667
Total	**82,000**	85,345

1 Resigned on 3 May 2022

2 Resigned on 1 August 2022

10. Directors' and Chief Executive's Remuneration (Continued)

(b) Executive directors and a non-executive director

	Fees US$	Salaries, allowances and benefits in kind US$	Performance related bonuses US$	Pension scheme contributions US$	Equity settled share awards US$	Total remuneration US$
2023						
Executive directors:						
Mr. Szeto	**–**	**369,231**	**870,800**	**3,077**	**72,371**	**1,315,479**
Mr. Chan Yuk Man Eddie[1] ("Dr. Chan")	**–**	**353,846**	**725,667**	**2,308**	**–**	**1,081,821**
Mr. Lee Yiu Ming ("Mr. Lee")	**–**	**276,923**	**435,400**	**2,308**	**–**	**714,631**
	–	**1,000,000**	**2,031,867**	**7,693**	**72,371**	**3,111,931**
2022						
Executive directors:						
Mr. Szeto	–	374,400	262,699	3,120	–	640,219
Dr. Chan	–	358,800	218,916	2,340	–	580,056
Mr. Lee	–	280,800	131,350	2,340	–	414,490
	–	1,014,000	612,965	7,800	–	1,634,765
Non-executive director:						
Mr. Jonathan Lee Seliger[2] ("Mr. Jonathan")	5,616	56,179	91,000	390	–	153,185
	5,616	1,070,179	703,965	8,190	–	1,787,950

1 Dr. Chan is also the chief executive of the Company.

2 Mr. Jonathan was appointed as an executive director on 26 August 2021 with emoluments, re-designated as a non-executive director on 28 February 2022 with director fees, and resigned on 15 July 2022, Share options were granted to Mr. Jonathan, which had been forfeited in prior year.

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

The non-executive director's and independent non-executive directors' emoluments shown above were for their services as directors of the Group.

Performance related bonuses were determined with reference to the Group's revenue, operating results, individual performance and comparable market statistics.

10. Directors' and Chief Executive's Remuneration (Continued)

(b) Executive directors and a non-executive director (Continued)

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to any of the directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors or the chief executive of the Company waived or agreed to waive any emoluments during the years ended 31 December 2023 and 2022.

11. Five Highest Paid Employees

The five highest paid employees during the year included three directors (2022: three directors), one of whom is also the chief executive, details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining two (2022: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 US$	2022 US$
Salaries and other allowances	**445,726**	318,369
Performance related bonuses	**349,224**	66,341
Pension scheme contributions	**15,717**	17,755
Equity-settled share awards	**92,078**	83,624
	902,745	486,089

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK$1,500,001 to HK$2,000,000	**–**	2
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
	2	2

11. Five Highest Paid Employees (Continued)

During the year, certain non-director highest paid employees were granted share awards, in respect of their services to the Group under the share award scheme of the Company. Details of the share award scheme are set out in note 28 to the financial statements.

Performance related bonuses were determined with reference to the Group's revenue, operating results, individual performance and comparable market statistics.

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Dividends

	2023 **US$**	2022 US$
2023 interim dividend of HK3 cents (2022: Nil) per ordinary share	**2,445,111**	–
2022 final dividend of HK8.5 cents per ordinary share (2022: 2021 final HK2.5 cents)	**6,937,241**	2,036,316
	9,382,352	2,036,316

Subsequent to the end of the reporting period, a final dividend of HK6 cents per ordinary share was proposed by the directors of the Company for the year ended 31 December 2023.

13. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2023	2022
	US$	US$
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**15,618,972**	14,517,391
Number of shares		
Weighted average number of ordinary shares in issue less shares held for share award scheme during the year used in the basic earnings per share calculation	**637,003,326**	636,389,271
Effect of dilution – weighted average number of ordinary shares:		
Share award scheme	**1,308,372**	994,466
Number of shares used in diluted earnings per share calculation	**638,311,698**	637,383,737

Shares purchased under the share award scheme are deducted from the total number of shares in issue for the purpose of calculating earnings per share.

14. Plant and Equipment

	Leasehold improvements US$	Furniture, fixtures and equipment US$	Computer equipment US$	Motor vehicles US$	Total US$
Cost					
At 1 January 2022	1,292,893	390,592	2,255,128	478,625	4,417,238
Additions	25,122	128,476	81,226	93,784	328,608
Disposals/written off	–	–	(131,645)	(70,623)	(202,268)
Exchange realignment	(107,040)	(31,961)	(84,454)	–	(223,455)
At 31 December 2022	1,210,975	487,107	2,120,255	501,786	4,320,123
Additions	108,189	50,070	253,665	108,104	520,028
Disposals/written off	–	–	(1,082)	–	(1,082)
Exchange realignment	(19,552)	(6,360)	(16,252)	–	(42,164)
At 31 December 2023	1,299,612	530,817	2,356,586	609,890	4,796,905
Depreciation					
At 1 January 2022	842,131	131,528	968,535	309,448	2,251,642
Provided for the year	119,946	44,005	285,347	79,162	528,460
Eliminated on disposals/written off	–	–	(129,235)	(70,623)	(199,858)
Exchange realignment	(74,869)	(8,900)	(38,872)	–	(122,641)
At 31 December 2022	887,208	166,633	1,085,775	317,987	2,457,603
Provided for the year	124,463	53,897	232,483	68,303	479,146
Eliminated on disposals/written off	–	–	(407)	–	(407)
Exchange realignment	(14,537)	(2,000)	(10,766)	–	(27,303)
At 31 December 2023	997,134	218,530	1,307,085	386,290	2,909,039
Net carrying amount					
At 31 December 2023	302,478	312,287	1,049,501	223,600	1,887,866
At 31 December 2022	323,767	320,474	1,034,480	183,799	1,862,520

15. Leases

The Group as a lessee

(a) Right-of-use assets

For both years, the Group leases offices for its operations. Lease contracts are entered into for a fixed term of 1 to 5 years. 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.

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

	Leased properties US$
As at 1 January 2022	3,211,860
Additions	20,054
Modification	(25,613)
Depreciation charge	(876,881)
Exchange realignment	(238,170)
As at 31 December 2022 and 1 January 2023	2,091,250
Additions	312,151
Modification	(9,187)
Depreciation charge	(889,100)
Exchange realignment	(29,721)
As at 31 December 2023	1,475,393

The Group regularly entered into short-term leases for staff quarters. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is related as disclosed in note 8 to the financial statements.

15. Leases (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2023	2022
	US$	US$
Carrying amount at 1 January	**2,326,983**	3,482,334
New leases	**312,151**	20,054
Accretion of interest recognised during the year	**105,580**	159,208
Payments	**(1,011,213)**	(963,304)
Lease modification	**(26,891)**	(108,555)
Exchange realignment	**(41,578)**	(262,754)
Carrying amount at 31 December	**1,665,032**	2,326,983
Analysed into:		
Current portion	**975,865**	857,544
Non-current portion	**689,167**	1,469,439

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

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

	2023	2022
	US$	US$
Interest on lease liabilities	**105,580**	159,208
Depreciation charge of right-of-use assets	**889,100**	876,881
Expense relating to short-term leases	**186,138**	217,544
Gain on lease modification	**(17,704)**	(82,942)
Total amount recognised in profit or loss	**1,163,114**	1,170,691

(d) The total cash outflow for leases is disclosed in notes 30(c) to the financial statements.

16. Intangible Assets

	Club membership US$	Trademarks US$	Patents US$	Customer list US$	Purchase orders US$	Total US$
Cost						
At 31 December 2021 and 31 December 2022	752,202	800,000	182,931	3,493,093	5,976	5,234,202
Written off during the year	–	–	–	–	(5,976)	(5,976)
At 31 December 2023	752,202	800,000	182,931	3,493,093	–	5,228,226
Amortisation and impairment						
At 1 January 2022	–	35,555	7,278	69,486	2,853	115,172
Amortisation for the year	–	53,333	36,586	349,309	3,123	442,351
Impairment	–	–	120,078	2,726,328	–	2,846,406
At 31 December 2022	–	88,888	163,942	3,145,123	5,976	3,403,929
Amortisation for the year	–	53,334	4,884	39,948	–	98,166
Written off during the year	–	–	–	–	(5,976)	(5,976)
At 31 December 2023	–	142,222	168,826	3,185,071	–	3,496,119
Net carrying amount						
At 31 December 2023	752,202	657,778	14,105	308,022	–	1,732,107
At 31 December 2022	752,202	711,112	18,989	347,970	–	1,830,273

The club membership represents a golf club membership with indefinite useful lives in Hong Kong. Management considers that no impairment is identified with reference to the market price of the club membership.

The Group acquired trade receivables, inventories, trademarks and employed one employee of the vendors in February 2021 (the "February 2021 Acquisition"), and acquired purchase orders, customer list and patents and employed several employees of another vendor in October 2021 (the "October 2021 Acquisition"). The directors of the Company assess that both acquisitions were not business combinations and therefore were accounted for as acquisitions of assets, because the respective acquired assets and transferred employees were not a business given that no substantive process had been acquired.

16. Intangible Assets (Continued)

According to the relevant agreement of the transaction dated 12 October 2021, during the period from the transaction closing date to December 2026 (“the Relevant Period”), the Group is required to pay an amount of US$500,000 at any time upon the profits generated from the customers in the customer list reaching US$2,000,000, which is calculated on the basis of the formula in the agreement (“the Defined Profits”), and an another amount of US$500,000 if the Defined Profits reach a further US$1,200,000 thereafter. The maximum aggregate amount of additional payments is US$1,000,000. If the Defined Profits during the Relevant Period are less than the sum of US$3,200,000 and additional payments (if any), the vendors will repay the Group the difference in cash on or before 30 September 2027. Such contingent consideration was measured at fair value as at 31 December 2021 and a contingent liability amounting to US$482,000 was included in other payables. At 31 December 2023, the directors of the Company remeasured the fair value of the contingent consideration with reference to an independent valuation report, and a contingent receivable of US$1,108,734 (2022: US$1,108,734) is resulted due to the poor performance during the year and the management estimation for the Relevant Period, and such amount was classified as a non-current asset as the expected settlement date was more than twelve months from the date of the reporting period.

Impairment assessment

In view of the deteriorating profitability derived from the products under the trademarks acquired in the February 2021 Acquisition, the directors of the Company conducted impairment review on the trademarks with reference to the valuation reports prepared by an independent valuer.

The recoverable amount of the trademarks has been determined based on a value in use calculation, which is based on the cash flow forecast derived from the financial budgets approved by management covering the remaining useful life of the trademarks. Such income approach is an appropriate valuation method that can reflect the value of cash flows generated by the continuous operation of the assets, which is consistent with the requirements under HKAS 36 in determining the value in use of cash generating units. The discount rate is 16.0% (2022: 16.5%) and cash flows beyond the five-year period are extrapolated using a 2.5% growth rate (2022: 2.5%). The key assumptions for the value in use calculations are discount rate and growth rate. Based on the assessments, the recoverable amount is higher (2022: higher) than the carrying amount, no impairment loss was charged to profit or loss for the trademarks.

In view of the loss of customers in the list acquired in the October 2021 Acquisition, the directors of the Company conducted impairment review on the customer list with reference to the valuation report prepared by an independent valuer.

16. Intangible Assets (Continued)

Impairment assessment (Continued)

The recoverable amount of the customer list has been determined based on a value in use calculation, which is based on the cash flow forecast derived from the financial budgets approved by management covering the remaining useful life of the customer list. Such income approach is an appropriate valuation method that can reflect the value of cash flows generated by continuous operation of the assets, which is consistent with the requirements under HKAS 36 in determining the value in use of cash-generating units. The discount rate is 15.5% (2022: 17.0%) and the cash flows beyond the five-year period are extrapolated using a 2.5% growth rate (2022: 2.5%). The key assumptions for the value in use calculations are discount rate and growth rate. Based on the assessments, the recoverable amount is higher (2022: lower) than the carrying amount, no impairment loss (2022: an impairment loss of US$2,726,328) was charged to profit or loss during the year ended 31 December 2023.

17. Inventories

	2023	2022
	US$	US$
Raw materials	**1,560,596**	2,265,653
Work in progress	**12,627,191**	9,973,809
Finished goods	**2,101,306**	2,224,966
	16,289,093	14,464,428

18. Trade Receivables

	2023	2022
	US$	US$
Trade receivables	**40,810,198**	26,909,046
Less: allowance for expected credit losses	**(2,111,304)**	(1,862,920)
	38,698,894	25,046,126

The Group allows credit periods of 30 to 60 days to its customers.

18. Trade Receivables (Continued)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. The majority of the Group's trade receivables that are neither past due nor impaired have no history of default on repayment.

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

	2023 **US$**	2022 US$
0 to 30 days	**20,715,215**	17,871,336
31 to 60 days	**15,457,440**	4,676,576
Over 60 days	**2,526,239**	2,498,214
Total	**38,698,894**	25,046,126

As at 31 December 2023, included in the Group's trade receivable balances are receivables with an aggregate carrying amount of US$10,476,007 (2022: US$5,645,303), which are past due at the end of the reporting period. Out of the past due balances, carrying amount of US$1,253,425(2022: US$831,184) has been past due for 90 days or more and is not considered as credit-impaired, based on the good repayment records for those customers and their continuous business with the Group.

The Group applies the simplified approach to provide for ECLs. For trade receivables, they are assessed individually for impairment allowance based on the historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, including time value of money where appropriate.

The Group rebutted the presumption of default under the ECL model for trade receivables over 90 days past due based on the good repayment records for those customers and their continuous business with the Group. The grouping is regularly reviewed by the management of the Group to ensure the relevant information about specific debtors is updated.

Further details of impairment assessment of trade receivables are set out in note 36 to the financial statements.

18. Trade Receivables (Continued)

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

	2023 **US$**	2022 US$
At beginning of year	**1,862,920**	177,490
Impairment losses	**251,756**	1,752,560
Amount written off as uncollectible	**(3,369)**	(66,837)
Exchange realignment	**(3)**	(293)
At end of year	**2,111,304**	1,862,920

An impairment analysis is performed at each reporting date using a loss rate method to measure expected credit losses. The loss rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

As at 31 December 2023

		Past due		
	Current	**1 to 90 days**	**Over 90 days**	**Total**
Expected credit loss rate	**0.00%**	**0.00%**	**62.75%**	**5.17%**
Gross carrying amount	**28,222,887**	**9,222,582**	**3,364,729**	**40,810,198**
Expected credit loss	**–**	**–**	**2,111,304**	**2,111,304**

As at 31 December 2022

		Past due		
	Current	1 to 90 days	Over 90 days	Total
Expected credit loss rate	0.00%	11.30%	60.06%	6.92%
Gross carrying amount	19,400,823	5,427,284	2,080,939	26,909,046
Expected credit loss	–	613,165	1,249,755	1,862,920

18. Trade Receivables (Continued)

Transfer of financial assets

The followings were the Group's financial assets at 31 December 2022 that were transferred to a bank by discounting those receivables on a recourse basis for securing borrowings. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as secured bank borrowings (note 25). These financial assets were carried at amortised cost in the Group's consolidated statement of financial position.

	2023 **US$**	2022 US$
Carrying amount of trade receivables discounted	–	6,098,897
Carrying amount of associated liabilities	–	(6,098,897)
Net position	–	–

19. Trade Receivables at Fair Value through Other Comprehensive Income

As part of the Group's cash flow and risk management, the Group has the practice of factoring certain trade receivables to financial institutions before the receivables are due for repayment. The factored trade receivables are derecognised on the basis that the Group has transferred substantially all the risks and rewards to the relevant counterparties. Accordingly, such trade receivables were under a business model which is held to collect contractual cash flows and to sell, and had been reclassified to trade receivables at fair value through other comprehensive income.

The following is an ageing analysis of trade receivables at fair value through other comprehensive income (trade receivables at "FVTOCI") presented based on the invoice dates at 31 December 2022.

	2023 **US$**	2022 US$
0 to 30 days	–	1,036,043

19. Trade Receivables at Fair Value through Other Comprehensive Income (Continued)

As at 31 December 2022, the Group does not hold any collateral over the above balances.

Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 35 to the financial statements.

Details of impairment assessment of trade receivables at FVTOCI are set out in note 36 to the financial statements.

20. Deposits, Prepayments and Other Receivables

	2023	2022
	US$	US$
Deposits	**367,350**	471,620
Contingent consideration receivable (note)	**1,108,734**	1,108,734
Prepayments to suppliers	**8,667,744**	19,035,791
Other receivables	**687,797**	424,621
	10,831,625	21,040,766
Less: non-current assets	**(1,275,649)**	(1,409,027)
Current portion	**9,555,976**	19,631,739

Note: The amount represents the contingent consideration related to the acquisition of intangible assets as disclosed in note 16 to the financial statements.

21. Bank Balances and Cash

	2023 US$	2022 US$
Cash and bank balances	**1,995,963**	18,515,118
Time deposits	**16,124,425**	5,008,397
Cash and cash equivalents	**18,120,388**	23,523,515

Bank balances carry interest at market interest rates of 0.75% to 5.15% (2022: 0.001% to 5.15%) per annum at 31 December 2023.

At the end of the reporting period, the bank balances and cash of the Group denominated in RMB amounted to US$1,277,706 (2022: US$2,521,038). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. Trade Payables

	2023 US$	2022 US$
Trade payables	**18,892,797**	18,398,121

The credit period on trade payables was up to 60 days.

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of each reporting period.

	2023 US$	2022 US$
0 to 30 days	**14,672,813**	18,007,390
31 to 60 days	**3,286,878**	43,055
Over 60 days	**933,106**	347,676
Total	**18,892,797**	18,398,121

23. Contract Liabilities, Other Payables and Accruals

	2023 US$	2022 US$
Contract liabilities (note)	**2,653,247**	2,991,529
Accrued staff costs	**4,727,614**	4,679,752
Other payables and accruals	**3,350,650**	1,612,974
	8,078,264	6,292,726
	10,731,511	9,284,255

Note: Contract liabilities represent receipts in advance from customers for unsatisfied performance obligations and are recognised as revenue when the Group performs its obligations under the contracts. At contract inception, performance obligation is expected to be satisfied within one year.

24. Derivative Financial Instruments

	2023 US$	2022 US$
Forward currency contracts		
Assets	**20,648**	–
Liabilities	**–**	42,051
	20,648	(42,051)

24. Derivative Financial Instruments (Continued)

Major terms of the currency forward contracts as at 31 December 2023 and 2022 are as follows:

2023

Notional amount	Maturity	Exchange rates
Buy RMB4,000,000	09 January 2024	US$1:RMB7.29
Buy HKD1,000,000	16 January 2024	US$1:HKD7.81
Buy RMB4,000,000	02 February 2024	US$1:RMB7.12
Buy HKD1,000,000	02 February 2024	US$1:HKD7.81
Buy HKD1,000,000	28 March 2024	US$1:HKD7.79
Buy RMB4,000,000	28 March 2024	US$1:RMB7.10

2022

Notional amount	Maturity	Exchange rates
Sell HKD15,609,600	02 March 2023	US$1:HKD7.80
Sell HKD15,617,600	22 February 2023	US$1:HKD7.81
Sell EUR100,000	23 February 2023	US$1:EUR1.02
Sell HKD7,822,000	17 February 2023	US$1:HKD7.82
Buy RMB4,000,000	10 February 2023	US$1:RMB6.80
Buy RMB4,000,000	13 January 2023	US$1:RMB6.81

25. Bank Borrowings

	2023			2022		
	Effective interest rate (%)	**Maturity**	**US$**	Effective interest rate (%)	Maturity	US$
Current						
Trust receipt loans – unsecured	–	–	–	5.34–6.48	2024	4,628,263
Trust receipt loans – secured	–	–	–	5.34–6.48	2024	6,098,897
Total – current			–			10,727,160
Total			–			10,727,160

As at December 2022, bank borrowing of US$6,098,897 was secured by trade receivables. The remaining balances are unsecured.

As at 31 December 2022, all the bank borrowings bear interest at floating rates.

26. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

	2023			
	Tax loss US$	**Accelerated tax depreciation US$**	**ECL provision US$**	**Total US$**
At 31 December 2022 and 1 January 2023	**135,847**	**(116,099)**	**106,229**	**125,977**
Deferred tax (charged)/ credited to profit or loss during the year (note 9)	**(95,368)**	**23,398**	**(90,312)**	**(162,282)**
At 31 December 2023	**40,479**	**(92,701)**	**15,917**	**(36,305)**

26. Deferred Tax (Continued)

	2022			
	Tax loss US$	Accelerated tax depreciation US$	ECL provision US$	Total US$
At 31 December 2021 and 1 January 2022	161,298	(134,818)	26,414	52,894
Deferred tax (charged)/ credited to profit or loss during the year (note 9)	(25,451)	18,719	79,815	73,083
At 31 December 2022	135,847	(116,099)	106,229	125,977

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

	2023 **US$**	2022 US$
Deferred tax assets	**40,479**	135,847
Deferred tax liabilities	**(76,784)**	(9,870)
Net deferred tax assets/(liabilities)	**(36,305)**	125,977

As at 31 December 2023, the Group has unused tax losses of US$3,455,635 (2022: US$6,462,334) available for offsetting against future profits. A deferred tax asset has been recognised in respect of approximately US$245,326 (2022: US$823,315) of such losses. No deferred tax asset has been recognised in respect of the tax losses of approximately US$3,210,309 (2022: US$5,639,019) due to the unpredictability of future profit streams. These unrecognised tax losses may be carried indefinitely.

At the end of the reporting period, the Group has deductible temporary differences arising from impairment losses on trade receivables under the ECL model of US$2,111,304 (2022: US$1,247,811). A deferred tax asset has been recognised in respect of approximately US$94,647 (2022: US$643,812) of such deductible temporary differences. No deferred tax asset has been recognised in relation to the remaining deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

26. Deferred Tax (Continued)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately US$4,879,869 (2022: US$4,295,925) for the year ended 31 December 2023 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

27. Share Capital

	2023 **HK$**	2022 HK$
Authorised: 1,000,000,000 ordinary shares of HK$0.01 each	**10,000,000**	10,000,000
Issued and fully paid: 639,100,000 (2022: 639,100,000) ordinary shares	**6,391,000**	6,391,000

	2023 **US$**	2022 US$
At 1 January 2021, 31 December 2022 and 31 December 2023	**820,640**	820,640

	2023 **US$**	2022 US$
Shares held under share award scheme 4,405,667 (2022: 3,500,000) ordinary shares	**(471,956)**	(171,023)

27. Share Capital (Continued)

A summary of movement in the Company's shares held under share award scheme:

	Number of shares	Shares held under share award scheme US$
At 1 January 2022	–	–
Shares purchased for the purpose of share award scheme	3,500,000	(171,023)
At 31 December 2022 and 1 January 2023	3,500,000	(171,023)
Shares vested under share award scheme	(3,094,333)	150,561
Shares purchased for the purpose of share award scheme	4,000,000	(451,494)
At 31 December 2023	4,405,667	(471,956)

Apart from the Company's shares purchased under the share award scheme of the Company as mentioned in note 28 to the financial statements, neither the Company nor any of the Company's subsidiaries purchased, repurchased, sold or redeemed any of the Company's shares during the years ended 31 December 2023 and 2022.

28. Share-based Payment

Share option scheme

The Company operates a share option scheme (the "Share Option Scheme"), which was adopted on 12 October 2019 (the "Adoption Date"), for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the Adoption Date.

Eligible participants of the Share Option Scheme include the following:

(a) any employee (whether full time or part time) of the Group or any entity (the "Invested Entity") in which any member of the Group holds any shareholding (including any executive director but excluding any non-executive director of the Group or any Invested Entity);

(b) any non-executive directors (including independent non-executive directors) of the Group or any Invested Entity;

28. Share-based Payment (Continued)

Share option scheme (Continued)

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

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

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

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

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

At 31 December 2023, the total number of shares available for issue under the Share Option Scheme is 64,000,000 (2022: 64,000,000), representing approximately 10.00% of the issued share capital of the Company as at the date of this annual report. The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive directors (excluding independent non-executive director who is the grantee of the options). In addition, where any grant of share options to a substantial shareholder or an independent non-executive director, or to any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5 million, in a 12-month period up to and including the date of grant, such grant of share options is subject to shareholders' approval in a general meeting.

28. Share-based Payment (Continued)

Share option scheme (Continued)

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the board of directors of the Company, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for shares under the Share Option Scheme shall be a price determined by the board of directors, but shall not be less than the highest of (a) the closing price of shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (c) the nominal value of the shares.

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

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at 31 December 2023 and 2022, there were no share options outstanding under the Share Option Scheme. No share options were granted, forfeited or exercised, or expired during the year ended 31 December 2023.

Movement of the Share Option Scheme for the year ended 31 December 2022 is as follows:

	Number of shares
Outstanding as at 1 January 2022	6,400,000
Vested and lapsed during the year	(1,600,000)
Forfeited during the year	(4,800,000)
Outstanding as at 31 December 2022	–

28. Share-based Payment (Continued)

Co-ownership share award scheme

The Company adopted a co-ownership share award scheme (the "Share Award Scheme") on 27 October 2021 for the purpose of recognising and rewarding the contributions of certain eligible persons for the growth and development of the Group and providing personnel, including (a) any director (whether executive or non-executive); (b) any employee (whether full-time or part-time) of any member of the Group; and (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group, but excluding any person who is treated as a tax resident of a place where an award and/or the vesting and transfer of shares pursuant to the terms of the Share Award Scheme is not permitted under the laws and regulations of such place, or where in the view of the Award Committee or the trustee (as the case may be) compliance with applicable laws and regulations in such places make it necessary or expedient to exclude such person ("Eligible Person"), with incentives in order to retain them for the continual operation, development and long term growth of the Group and to attract suitable personnel for further development of the Group. A trustee, as an independent third party, was appointed by the Company for the administration of the Share Award Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold such shares in trust until they are vested to the participants in accordance to the rules of the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of ten years commencing from the adoption date.

Eligible participants of the Share Award Scheme include the following:

(a) the selected Eligible Person must have purchased and retained a certain number of shares in the Company on or prior to the cut off date, on the basis that the Award Committee would consider the granting of an award of one share to every three qualifying shares held by the selected Eligible Person;

(b) the number of shares held or to be held by each selected Eligible Person which would be accepted and recognised by the Award Committee as qualifying shares for the purpose of determination of an award shall: (i) be in multiples of three; and (ii) have an aggregate purchase value (based on the value at the date of purchase of the Shares as shown on the bank/broker statement submitted) of not less than the aggregate value of 2 months of Base Salary of the Eligible Person but not more than the aggregate value of 24 months of such Base Salary of the Eligible Person; and

(c) the selected Eligible Person must be able to produce evidence as required by the Award Committee as set out in such invitation to participate.

28. Share-based Payment (Continued)

Co-ownership share award scheme (Continued)

On 13 June 2023, the Company approved the amendments to the rules of the Share Award Scheme, the amendments are as follows:

(a) the granting of an award of one share to every two qualifying shares (or other number of qualifying shares as determined by the Award Committee and set out in the particular invitation to participate to the selected Eligible Person) held by the selected Eligible Person where the invitation to participate is sent on or after the amendment date instead of granting an award of one share to every three qualifying shares where the invitation to participate was sent prior to the amendment date;

(b) the number of shares held or to be held by each selected Eligible Person which would be accepted and recognised by the Award Committee as qualifying shares for the purpose of determination of an award shall be in multiples of three where the award was made prior to the amendment date; or in multiples of two (or such other number as determined by the Award Committee and as set out in the relevant invitation to participate) where the award is made on or after the amendment date; and

(c) all references to which any award is proposed to be satisfied by an allotment and issue of new shares to the trustee and other relevant provisions in this respect as stated in the rules to the scheme are to be deleted in its/their entirety.

28. Share-based Payment (Continued)

Co-ownership share award scheme (Continued)

As at 31 December 2023, 4,000,000 shares have been purchased from the open market pursuant to the Share Award Scheme during the year (2022: 3,500,000 shares). The details of purchase from the Stock Exchange as follows:

Year ended 31 December 2023

Month of purchase	**No. of ordinary shares of HK$0.01 each**	**Price per share**		**Aggregate consideration paid**
		Highest HK$	**Lowest HK$**	**HK$**
September 2023	**1,000,000**	**0.88**	**0.82**	**853,419**
November 2023	**3,000,000**	**0.90**	**0.87**	**2,681,354**
				3,534,773
				US$
				451,494

Year ended 31 December 2022

Month of purchase	No. of ordinary shares of HK$0.01 each	Price per share		Aggregate consideration paid
		Highest HK$	Lowest HK$	HK$
April 2022	1,000,000	0.45	0.42	441,938
October 2022	1,000,000	0.34	0.35	344,508
December 2022	1,500,000	0.35	0.38	549,462
				1,335,908
				US$
				171,023

28. Share-based Payment (Continued)

Co-ownership share award scheme (Continued)

The awarded shares granted to the employees would be vested over a period of eleven months to four years. Movements of the number of awarded shares outstanding during the year are as follows:

For the year ended 31 December 2023

Name of category of grantee	Date of grant	Fair value per share HK$	Balance as at 1 January 2023	Granted during the year	Vested during the year	Balance as at 31 December 2023	Vesting period	Closing price per share before the vesting date HK$
Director								–
Mr. Szeto	31 August 2023	0.85	–	960,000	–	960,000	September 2023–August 2024	–
	31 August 2023	0.85	–	960,000	–	960,000	September 2024–August 2025	–
	31 August 2023	0.85	–	960,000	–	960,000	September 2025–August 2026	–
	31 August 2023	0.85	–	960,000	–	960,000	September 2026–August 2027	–
Sub-total			–	3,840,000	–	3,840,000		
Employees (other than Directors)	28 February 2022	0.385	94,333	–	94,333	–	March 2022–February 2023	0.76
	28 February 2022	0.385	94,333	–	–	94,333	March 2022–February 2024	–
	28 February 2022	0.385	94,333	–	–	94,333	March 2022–February 2025	–
	28 February 2022	0.385	94,333	–	–	94,333	March 2022–February 2026	–
	13 June 2022	0.37	3,000,000	–	3,000,000	–	June 2022–May 2023	0.71
	31 August 2023	0.85	–	437,500	–	437,500	September 2023–August 2024	–
	31 August 2023	0.85	–	437,500	–	437,500	September 2023–August 2025	–
	31 August 2023	0.85	–	437,500	–	437,500	September 2023–August 2026	–
	31 August 2023	0.85	–	437,500	–	437,500	September 2023–August 2027	–
Sub-total			3,377,332	1,750,000	3,094,333	2,032,999		
Total			3,377,332	5,590,000	3,094,333	5,872,999		

28. Share-based Payment (Continued)

Co-ownership share award scheme (Continued)

For the year ended 31 December 2022

Date of grant	Fair value per share HK$	Balance as at 1 January 2022	Granted during the year	Vested during the year	Balance as at 31 December 2022	Vesting period
28 February 2022	0.385	–	94,333	–	94,333	March 2022 – February 2023
28 February 2022	0.385	–	94,333	–	94,333	March 2022 – February 2024
28 February 2022	0.385	–	94,333	–	94,333	March 2022 – February 2025
28 February 2022	0.385	–	94,333	–	94,333	March 2022 – February 2026
13 June 2022	0.37	–	3,000,000	–	3,000,000	June 2022 – May 2023
		–	3,377,332	–	3,377,332	

The following awarded shares were outstanding during the year:

	Number of awarded shares	
	2023	2022
At beginning of the year		
Number of awarded shares held by the trustee	**3,500,000**	–
Number of awarded shares granted but not yet vested	**3,377,332**	–
Maximum number of awarded shares available for grant	**60,532,668**	63,910,000
At end of the year		
Number of awarded shares held by the trustee	**4,405,667**	3,500,000
Number of awarded shares granted but not yet vested	**5,872,999**	3,377,332
Maximum number of awarded shares available for grant	**58,037,001**	60,532,668
Granted during the year	**5,590,000**	3,377,332
Vested during the year	**3,094,333**	–
Purchased during the year	**4,000,000**	3,500,000

28. Share-based Payment (Continued)

Co-ownership share award scheme (Continued)

The date of grant refers to the dates on which the selected employees agree to undertake to hold the awarded shares on the terms on which they are granted and agree to be bound by the rules of the Share Award Scheme. The fair value of the awarded shares are based on the fair value at the grant date.

The Group recognised the total expenses of approximately US$174,618 (2022: US$85,360) for the year ended 31 December 2023 in relation to the shares granted under the Share Award Scheme by the Company.

29. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 81 to 82 of the financial statements.

Merger reserve

The merger reserve represents the difference between the total equity of Lever Style Inc. and its subsidiaries and the nominal value of share capital issued by the Company pursuant to the reorganisation on 8 April 2020, in which the Company became the holding company of the companies then comprising the Group.

Statutory reserve

According to the relevant laws of the PRC, the Company's subsidiaries established in the PRC have to transfer 10% of their profits after taxation to the statutory reserve. The transfer to this reserve must be made before the distribution of a dividend to the equity owners. The transfer can cease when the balance of the reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can be applied either to set off accumulated losses or to increase capital.

Share premium

The share premium mainly represents the difference between the par value of the shares issued and the consideration received. Under the Companies Law of the Cayman Islands, the funds in the share premium and retained profits of the Company are distributable to the parent of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Capital reserve

Capital reserve represents the difference between the amounts of net consideration and the carrying values of non-controlling interests acquired or disposed of.

30. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year ended 31 December 2023, the Group modified a lease for the use of offices and the Group recognised a reduction of right-of-use assets of US$9,187 and lease liabilities of US$26,891 and a gain on lease modification of US$17,704.

During the year ended 31 December 2022, the Group modified a lease for the use of offices and the Group recognised a reduction of right-of-use assets of US$25,613 and lease liabilities of US$108,555 and a gain on lease modification US$82,942.

During the year, the Group discounted trade receivables to banks with recourse amounting to US$3,133,198 (2022: US$24,896,767). The relevant cash inflows from banks have been presented under financing activities.

During the year, settlements of the relevant trade receivables by the customers to the banks directly amounting to US$9,232,095 (2022: US$18,797,870) represent non-cash transactions and have not been reflected in the consolidated statement of cash flows.

(b) Changes in liabilities arising from financing activities

2023

	Bank borrowings US$	Lease liabilities US$	Dividend payable US$	Total US$
At 1 January 2023	**10,727,160**	**2,326,983**	**–**	**13,054,143**
Changes from financing cash flows	**(1,635,494)**	**(1,011,213)**	**(9,382,352)**	**(12,029,059)**
New leases	**–**	**312,151**	**–**	**312,151**
Foreign exchange movement	**–**	**(41,578)**	**–**	**(41,578)**
Interest expense	**140,429**	**105,580**	**–**	**246,009**
Lease modification	**–**	**(26,891)**	**–**	**(26,891)**
2022 final dividend and 2023 interim dividend	**–**	**–**	**9,382,352**	**9,382,352**
Settlement of factoring of trade receivables with recourse (note 30(a))	**(9,232,095)**	**–**	**–**	**(9,232,095)**
At 31 December 2023	**–**	**1,665,032**	**–**	**1,665,032**

30. Notes to the Consolidated Statement of Cash Flows (Continued)

(b) Changes in liabilities arising from financing activities (Continued)

2022

	Bank borrowings US$	Lease liabilities US$	Dividend payable US$	Total US$
At 1 January 2022	24,599,562	3,482,334	–	28,081,896
Changes from financing cash flows	3,804,537	(963,304)	(2,036,316)	804,917
New leases	–	20,054	–	20,054
Foreign exchange movement	–	(262,754)	–	(262,754)
Interest expense	1,120,931	159,208	–	1,280,139
Lease modification	–	(108,555)	–	(108,555)
2021 final dividend and 2022 interim dividend	–	–	2,036,316	2,036,316
Settlement of factoring of trade receivables with recourse (note 30(a))	(18,797,870)	–	–	(18,797,870)
At 31 December 2022	10,727,160	2,326,983	–	13,054,143

(c) Total cash outflow for leases

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

	2023 US$	2022 US$
Within operating activities	**186,138**	217,544
Within financing activities	**1,011,213**	963,304
Total	**1,197,351**	1,180,848

30. Notes to the Consolidated Statement of Cash Flows (Continued)

(d) An asset acquisition included in operating activities

On 12 September 2023, the Group entered into an asset purchase agreement with an independence third party to acquire certain assets at an aggregated consideration of US$4,800,000. Details of assets acquired are as follows:

	US$
Inventories	2,915,932
Trade receivables	1,884,068
	4,800,000
Satisfied by:	
Cash	3,360,000
Other payables	1,440,000
Total	4,800,000

Further details are set out in the Company's announcement dated 12 September 2023.

31. Pledge of Assets

As at 31 December 2023, no trade receivable was transferred to a bank by discounting those receivables on a recourse basis for securing borrowings.

As at 31 December 2022, trade receivables of US$6,098,897 were transferred to a bank by discounting those receivables on a recourse basis for securing borrowings.

32. Commitments

	2023 **US$**	2022 US$
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**128,543**	8,275

33. Related Party Transactions

(a) During the year, the Group entered into the following transactions with a related party:

	2023 US$	2022 US$
Calman Limited*		
Short-term lease expenses	**76,569**	76,618

* A company controlled by Mr. Bernard Szeto and Ms. Fong Tong, both are close family members of Mr. Szeto.

(b) Compensation of key management personnel of the Group

	2023 US$	2022 US$
Salaries and other allowances	**1,000,000**	1,014,000
Performance related bonuses	**2,031,867**	612,965
Equity-settled share awards	**72,371**	–
Pension scheme contributions	**7,693**	7,800
Total compensation paid to key management personnel	**3,111,931**	1,634,765

Performance related bonuses were determined with reference to the Group's revenue, operating results, individual performance and comparable market statistics.

The remuneration of directors is determined according to the performance of individuals and market trends.

Further details of directors' and the chief executives remunerations are included in note 10 of the financial statements.

34. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets

	Financial assets designated at fair value through profit or loss upon initial recognition US$	Financial assets at amortised cost US$	Total US$
Trade receivables	–	38,698,894	38,698,894
Derivative financial instruments	20,648	–	20,648
Financial assets included in deposits, prepayments and other receivables	1,108,734	1,055,147	2,163,881
Bank balances and cash	–	18,120,388	18,120,388
Total	1,129,382	57,874,429	59,003,811

Financial liabilities

	Financial assets at amortised cost US$
Trade payables	18,892,797
Financial liabilities included in other payables and accruals	3,350,650
Total	22,243,447

34. Financial Instruments by Category (Continued)

2022

Financial assets

	Financial assets at fair value through other comprehensive income US$	Financial assets designated at fair value through profit or loss upon initial recognition US$	Financial assets at amortised cost US$	Total US$
Trade receivables	1,036,043	–	25,046,126	26,082,169
Financial assets included in deposits, prepayments and other receivables	–	1,108,734	896,241	2,004,975
Bank balances and cash	–	–	23,523,515	23,523,515
Total	1,036,043	1,108,734	49,465,882	51,610,659

Financial liabilities

	Financial liabilities designated at fair value through profit or loss upon initial recognition US$	Financial assets at amortised cost US$	Total US$
Trade payables	–	18,398,121	18,398,121
Derivative financial instruments	42,051	–	42,051
Financial liabilities included in other payables and accruals	–	1,612,974	1,612,974
Bank borrowings	–	10,727,160	10,727,160
Total	42,051	30,738,255	30,780,306

35. Fair Value and Fair Value Hierarchy of Financial Instruments

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2023

	Fair value measurement using		
	Significant observable inputs (Level 2) US$	Significant unobservable inputs (Level 3) US$	Total US$
Derivative financial instruments (Note b)	**20,648**	**–**	**20,648**
Contingent consideration receivable (Note c)	**–**	**1,108,734**	**1,108,734**
Total	**20,648**	**1,108,734**	**1,129,382**

As at 31 December 2022

	Fair value measurement using		
	Significant observable inputs (Level 2) US$	Significant unobservable inputs (Level 3) US$	Total US$
Trade receivables at fair value through other comprehensive income (Note a)	1,036,043	–	1,036,043
Contingent consideration receivable (Note c)	–	1,108,734	1,108,734
Total	1,036,043	1,108,734	2,144,777

35. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value

As at 31 December 2022

	Fair value measurement using Significant observable inputs (Level 2) US$	Total US$
Derivative financial instruments (Note b)	42,051	42,051
Total	42,051	42,051

Notes:

a. The discounted cash flow method is used to assess the present value of the cash flows to be derived from the receivables using the discount rates from the factoring arrangements.

b. Mark-to-market values are provided by the financial institution, which uses the discounted cash flow method with future cash flows being estimated based on forward exchange rates and contracted exchange rates, discounted at market interest rates.

c. The discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate of 25% (2022: 25%) and the Defined Profits defined in note 16 to the financial statements. An increase in the Defined Profits used in isolation would result in an increase in the fair value measurement of the contingent consideration receivables, and vice versa. An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration, and vice versa. No sensitivity is presented as the directors of the Company considered that the slight change in relation inputs would not have a significant impact to the fair value.

There were no transfers between Level 2 and Level 3 during the year. The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

36. Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade receivables, trade receivables at FVTOCI, deposits and other receivables, bank balances and cash, trade payables, other payables, lease liabilities, bank borrowings, contingent consideration receivable/payable and derivative financial instruments. The risk associated with these financial instruments include interest rate risk, foreign currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The board of directors manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (note 15). The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 21). The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

In the opinion of the directors of the Company, the Group does not have material interest rate risk exposure and hence no sensitivity analysis is presented.

Foreign currency risk

The Group has monetary assets and liabilities that are denominated in foreign currencies. The Group currently uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. The management of the Group closely monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner.

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

	Assets		**Liabilities**	
	2023 **US$**	2022 US$	**2023** **US$**	2022 US$
HK$	**89,443**	6,501,307	**920,078**	347,461
RMB	**1,449,653**	2,858,155	**1,260,467**	838,540
EUR	**153,792**	620,138	**73,397**	37,764

36. Financial Risk Management Objectives and Policies (Continued)

Foreign currency risk (Continued)

Other than the above, several subsidiaries of the Group have the following intra-group payables denominated in HK$ and RMB, which are foreign currencies of the relevant group entities.

	Amounts due from group entities		Amounts due to group entities	
	2023	2022	**2023**	2022
	US$	US$	**US$**	US$
HK$	**62,412,436**	47,361,006	**62,522,089**	35,355,650
RMB	**4,364,139**	86,048	**4,258,511**	5,634,926
EUR	**65,259**	39,522	**65,255**	389,767

Sensitivity analysis

Management consider the Group does not expose to HK$ currency risk due to the pegged rate system of HK$ against US$. The Group is mainly exposed to material foreign currency risk on fluctuations of RMB and EUR during the year.

The following table details the Group's sensitivity to a 5% increase in the functional currency of the Group against RMB and EUR. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in RMB and EUR. The sensitivity analysis includes only outstanding RMB and EUR monetary items and adjusts their translation at the end of the reporting period. for a 5% change. A positive number below indicates an increase in post-tax profit where 5% increases of RMB and EUR against the functional currency of the Group. For a 5% weakening of RMB and EUR against the functional currency of the Group, there would be an equal and opposite impact on the post-tax profit.

	2023	2022
	US$	US$
RMB	**(62,760)**	(145,832)
EUR	**2,257**	9,691

36. Financial Risk Management Objectives and Policies (Continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under the ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised below:

Trade receivables at amortised cost and FVTOCI

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In order to minimise the credit risk, the management of the Group continuously monitor the credit quality of the debtors and the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

There was certain concentration risk. The total trade receivables from the five largest customers at 31 December 2023 presented 55.7% (2022: 67.6%) of the Group's trade receivables, while 23.5% (2022: 34.1%) of the Group's trade receivables were due from the largest customer.

In addition, the Group performs impairment assessment under the ECL model on trade receivables individually and the impairment loss of US$251,756 (2022: US$1,752,560) has been recognised during the year ended 31 December 2023. Details of the quantitative disclosures are set out below in note 18 to the financial statement.

Bills receivable

The credit risk on bills receivable is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. For the years ended 31 December 2023 and 2022, the Group has assessed the impairment of bills receivable and has concluded that the probability of defaults of the counterparty banks is insignificant and accordingly, no allowance for credit losses is provided.

36. Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

Bank balances

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. For the years ended 31 December 2023 and 2022, the Group has assessed the impairment of bank balances and has concluded that the probability of defaults of the counterparty banks is insignificant and accordingly, no allowance for credit losses is provided.

Deposits and other receivables

For deposits and other receivables, management makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECLs. For the years ended 31 December 2023 and 2022, the Group assessed the ECLs for deposits and other receivables are insignificant and thus no loss allowance is recognised.

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

Category	Description	Trade receivables/ trade receivables as FVTOCI	Other financial assets
Performing	The counterparty has a low risk of default and has no default records	Lifetime ECLs – not credit-impaired	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs – not credit-impaired	Lifetime ECLs – not credit-impaired
In default	There is evidence indicating that the asset is credit-impaired	Lifetime ECLs – credit-impaired	Lifetime ECLs – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

36. Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

Deposits and other receivables (Continued)

The estimated loss rates are estimated based on internal crediting ratings and historical observed default rates over the expected lives of the debtors and are adjusted for forward-looking information, including but not limited to general economic conditions of the industry in which the debtors operate, that is available without undue cost or effort.

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and trade receivables at FVTOCI.

Management assessed the expected loss on trade receivables at amortised cost and FVTOCI individually by estimation based on historical credit loss experience, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

In addition, the directors of the Company are of the opinion that except for certain debtors which are credit-impaired, no default has occurred on trade receivables that are past due for 90 days based on the good repayment records for those customers and their continuous business with the Group.

In determining the ECLs for bills receivable, deposits and other receivables, management has taken into account the historical default experience and forward-looking information, as appropriate. For example, the Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding balances in bills receivable, deposits and other receivables is insignificant.

36. Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

Deposits and other receivables (Continued)

Management considers the bank balances that are deposited with the financial institutions with high credit ratings to be low credit risk financial assets. Management considers the bank balances are short term in nature and the probability of default is negligible in the view of the high-credit-rating issuers, and accordingly, the loss allowance was considered as insignificant.

	Notes	**Internal credit rating**	**12-month or lifetime ECLs**	**Gross carrying amount**	
				2023 US$	2022 US$
Trade receivables	18	Performing	Lifetime ECLs – not credit-impaired	**37,493,402**	23,728,238
		Doubtful	Lifetime ECLs – not credit-impaired	**2,742,686**	2,612,930
		In default	Lifetime ECLs – credit-impaired	**574,110**	567,878
				40,810,198	26,909,046
Trade receivables at FVTOCI	19	Performing	Lifetime ECLs – not credit-impaired	**–**	1,036,043
Deposits and other receivables	20	Performing	12-month ECLs	**888,232**	595,948
Bank balances and cash	21	Performing	12-month ECLs	**18,120,388**	23,523,515

36. Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

The following table shows the movements in lifetime ECLs that have been recognised for trade receivables.

	Lifetime ECLs (not credit-impaired) US$	Lifetime ECLs (credit-impaired) US$	Total US$
As at 1 January 2022	159,003	18,487	177,490
Impairment losses recognised	1,184,683	567,878	1,752,561
Write-off	(48,350)	(18,487)	(66,837)
Exchange realignment	(294)	–	(294)
As at 31 December 2022	1,295,042	567,878	1,862,920
Impairment losses recognised	(322,354)	574,110	251,756
Write-off	(3,369)	–	(3,369)
Exchange realignment	(3)	–	(3)
As at 31 December 2023	969,316	1,141,988	2,111,304

Changes in the loss allowance for trade receivables are mainly due to:

	2023		2022	
	(Decrease)/increase in lifetime ECLs		Increase in lifetime ECLs	
	(not credit-impaired) US$	**(credit-impaired) US$**	(not credit-impaired) US$	(credit-impaired) US$
Trade debtors with a gross carrying amount of US$3,316,796 (2022: US$3,180,808) with significant increase in credit risk	**322,354**	**574,110**	1,184,683	567,878

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

36. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk

The ultimate responsibility for liquidity risk management rests with the management of the Group, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities and continuously monitoring forecast and actual cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

36. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month US$	1 to 3 months US$	3 months to 1 year US$	1 to 5 years US$	Total undiscounted cash flows US$	Carrying amount US$
As at 31 December 2023							
Trade payables	**–**	**14,672,813**	**3,545,354**	**674,630**	**–**	**18,892,797**	**18,892,797**
Lease liabilities	**5.7%**	**102,253**	**190,119**	**756,514**	**672,007**	**1,720,893**	**1,665,032**
		14,775,066	**3,735,473**	**1,431,144**	**672,007**	**20,613,690**	**20,557,829**
Derivatives gross – settlement							
Foreign currency forward contracts							
– inflow		**15,177**	**5,471**	**–**	**–**	**20,648**	**20,648**
– outflow		–	**–**	**–**	**–**	**–**	**–**
		15,177	**5,471**	**–**	**–**	**20,648**	**20,648**
As at 31 December 2022							
Trade payables	–	18,007,390	46,760	343,971	–	18,398,121	18,398,121
Bank borrowings	6.09	10,781,611	–	–	–	10,781,611	10,727,160
Lease liabilities	5.50	78,348	156,696	669,675	1,596,431	2,501,150	2,326,983
		28,867,349	203,456	1,013,646	1,596,431	31,680,882	31,452,264
Derivatives gross – settlement							
Foreign currency forward contracts							
– inflow		–	–	–	–	–	–
– outflow		(12,713)	(29,338)	–	–	(42,051)	(42,051)
		(12,713)	(29,338)	–	–	(42,051)	(42,051)

36. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2022, the aggregate carrying amount of these bank borrowings was US$10,727,160. Details of which are set out in the table below:

	Maturity analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments		
	Less than 1 year	**Total undiscounted cash outflows**	**Carrying amount**
	US$	US$	US$
31 December 2023	**–**	**–**	**–**
31 December 2022	10,781,611	10,781,611	10,727,160

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

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

36. Financial Risk Management Objectives and Policies (Continued)

Capital management (Continued)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022. The gearing ratio as at 31 December 2023 and 31 December 2022 were as follows:

	2023 **US$**	2022 US$
Bank borrowings	**–**	10,727,160
Trade payables	**18,892,797**	18,398,121
Other payables and accruals	**8,078,264**	6,292,726
Less: Bank balances and cash	**(18,120,388)**	(23,523,515)
Net debt	**8,850,673**	11,894,492
Equity attributable to owners of the parent	**53,557,070**	47,719,786
Capital and net debt	**62,407,743**	59,614,278
Gearing ratio	**14%**	20%

The directors of the Company review the capital structure on a regular basis. As a 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 of the Company, the Group will balance its overall capital structure through the payment of dividends, new shares issued as well as the issue of new debts or the redemption of existing debts.

37. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 US$	2022 US$
NON-CURRENT ASSET		
Investment in a subsidiary	**14,449,563**	14,344,150
CURRENT ASSETS		
Deposits, prepayments and other receivables	**121,660**	56,094
Amounts from subsidiaries	**12,621,865**	12,835,166
Bank balances and cash	**8,156**	159,223
Total current assets	**12,751,681**	13,050,483
CURRENT LIABILITIES		
Other payables and accruals	**78,642**	61,577
Total current liabilities	**78,642**	61,577
NET CURRENT ASSETS	**12,673,039**	12,988,906
TOTAL ASSETS LESS CURRENT LIABILITIES	**27,122,602**	27,333,056
Net assets	**27,122,602**	27,333,056
EQUITY		
Share capital	**820,640**	820,640
Shares held for share award scheme	**(471,956)**	(171,023)
Reserves (note)	**26,773,918**	26,683,439
TOTAL EQUITY	**27,122,602**	27,333,056

37. Statement of Financial Position of the Company (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium	Capital reserve (note)	Share-based payments reserve	Awarded share compensation reserve	Accumulated losses	Total
	US$	US$	US$	US$	US$	US$
At 1 January 2022	26,393,444	286,662	35,865	–	(288,439)	26,427,532
Profit and total comprehensive income for the year	–	–	–	–	2,174,883	2,174,883
Recognition of equity-settled share-based payment	–	–	31,980	85,360	–	117,340
Dividends recognised as distribution	–	–	–	–	(2,036,316)	(2,036,316)
Lapse of share options	–	–	(67,845)	–	67,845	–
At 31 December 2022	26,393,444	286,662	–	85,360	(82,027)	26,683,439
Profit and total comprehensive income for the year	–	–	–	–	9,448,774	9,448,774
Recognition of equity-settled share-based payment	–	–	–	174,618	–	174,618
Dividends recognised as distribution	–	–	–	–	(9,382,352)	(9,382,352)
Recognition of vested shares	–	–	–	(150,561)	–	(150,561)
At 31 December 2023	26,393,444	286,662	–	109,417	(15,605)	26,773,918

Note: Capital reserve represented the waiver of listing expenses by a wholly-owned subsidiary.

38. Comparative Amounts

Certain comparative amounts have been reclassified and re-presented to conform with the current year's presentation.

39. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors of the Company on 11 March 2024.

Five-Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

Results

	Year ended 31 December				
	2023	2022	2021	2020	2019
	US$	US$	US$	US$	US$
REVENUE	**208,529,489**	217,209,081	143,687,303	87,729,901	121,983,142
PROFIT BEFORE TAX	**18,272,686**	17,585,538	5,296,410	7,322	6,207,467
Income tax credit/(expense)	**(2,659,826)**	(3,072,199)	(978,533)	100,581	(1,368,502)
PROFIT FOR THE YEAR	**15,612,860**	14,513,339	4,317,877	107,903	4,838,965

Assets and Liabilities and Non-controlling Interests

	31 December				
	2023	2022	2021	2020	2019
	US$	US$	US$	US$	US$
TOTAL ASSETS	**89,096,493**	91,030,768	86,600,147	62,429,677	64,881,820
TOTAL LIABILITIES	**(35,539,423)**	(43,271,833)	(50,756,677)	(31,057,290)	(30,535,891)
TOTAL EQUITY	**53,557,070**	47,758,935	35,843,470	31,372,387	34,345,929