FORWARDFASHION
HOLDINGS

Forward Fashion (International) Holdings Company Limited

尚晉(國際)控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 2528

ANNUAL REPORT 2025

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fan Wing Ting *(Chairman)*
Ms. Chen Xingyi *(Chief Executive Officer)*
Mr. Kevin Trantallis
Mr. Fong Yat Ming
Ms. Fan Tammy

Independent Non-executive Directors

Mr. Yu Chun Kau
Mr. Ng Kam Tsun
Mr. Sze Irons, *B.B.S., J.P.*

BOARD COMMITTEES

Audit Committee

Mr. Yu Chun Kau *(Chairman)*
Mr. Ng Kam Tsun
Mr. Sze Irons, *B.B.S., J.P.*

Remuneration Committee

Mr. Yu Chun Kau *(Chairman)*
Ms. Chen Xingyi
Mr. Sze Irons, *B.B.S., J.P.*

Nomination Committee

Mr. Sze Irons, *B.B.S., J.P. (Chairman)* (appointed as Chairman of the Committee with effect from 18 July 2025)
Mr. Yu Chun Kau
Ms. Fan Tammy (appointed as a member of the Committee with effect from 18 July 2025)
Mr. Fan Wing Ting (ceased to act as Chairman of the Committee with effect from 18 July 2025)

Environmental, Social and Governance Committee

Mr. Ng Kam Tsun *(Chairman)*
Mr. Yu Chun Kau
Mr. Sze Irons, *B.B.S., J.P.*

AUTHORISED REPRESENTATIVES

Mr. Kevin Trantallis
Ms. Fan Tammy

COMPANY SECRETARY

Mr. Kevin Trantallis

AUDITOR

SHINEWING (HK) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
17/F, Chubb Tower, Windsor House
311 Gloucester Road, Causeway Bay
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

Unit 5, 10/F, Tower B
83 King Lam Street
Cheung Sha Wan, Kowloon
Hong Kong

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
Bank of China (Hong Kong) Limited
China Merchants Bank Co., Ltd.

COMPANY WEBSITE

www.forward-fashion.com

STOCK CODE

02528

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

The Group delivered improved financial performance during the period, primarily due to the rationalisation of our store network through the closure of underperforming outlets and the implementation of rigorous cost management measures across all operations. In addition, the ongoing efforts over recent years to enhance and optimise daily store operations have begun to yield meaningful results.

Despite the persistently challenging retail landscape in the region, the Group has maintained a proactive and adaptive stance. By closely monitoring market dynamics and economic developments, we have been able to make timely adjustments to our operational strategies and resource allocation, enabling us to navigate these headwinds more effectively.

Looking ahead, we will continue to vigilantly monitor evolving market conditions, consumer trends, and macroeconomic factors. The Board remains committed to refining the Group's business approach as needed, ensuring the Group stays agile, resilient, and well-positioned to capitalise on emerging opportunities while safeguarding long-term sustainability.

I would like to extend my sincere appreciation to our dedicated management team, staff, business partners, suppliers, and shareholders for their unwavering support and contributions throughout the year. Together, we are building a stronger foundation for future success.

Mr. Fan Wing Ting
Chairman

Hong Kong, 31 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group principally engages in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands in Chinese Mainland, Macau, Hong Kong and Taiwan (collectively, "**Greater China**"). The Group adopts a multi-brand and multi-store business model. As at 31 December 2025, the Group operated 119 self-operated retail stores in Greater China, of which 105 retail stores are mono-brand stores operated under the brand name of the merchandise to cater for the brand's target customers, 14 retail stores are multi-brand stores that offer a broad assortment of the Group's selected fashion apparel and lifestyle merchandise from different international brands and the Group's own brands. In addition to its fashion brands, the Group also operates the Galeries Lafayette store in Macau and runs 3 American burger chain "Five Guys" stores in Macau. As at 31 December 2025, the Group's brand portfolio had 248 brands, of which 245 brands were international brands owned by third-party brand owners or their master/authorised licensors.

In 2025, the retail environment in Greater China remained difficult amid ongoing macroeconomic uncertainties and geopolitical tensions. Despite these challenges, the Group returned to profitability through effective cost control measures and business diversification. The Group stayed alert to market changes and made timely adjustments to operations as needed. These efforts helped improve efficiency and strengthen the business.

The Group's sales have dropped with a year-on-year revenue decrease of 7.3% in 2025, out of the total revenue decrease of HKD68.1 million, Macau recorded an increase in revenue of HKD80.8 million. On the other hand, Chinese Mainland recorded a decrease in revenue of HKD104.2 million.

Looking ahead, the Group will continue to monitor market developments closely and stands ready to refine its strategy to maintain resilience and respond effectively to future conditions.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased to HKD870.2 million for 2025 (2024: HKD938.3 million), representing a yoy 7.3% decrease. Mono-brand stores recorded a decrease of 25.3% and multi-brand stores recorded an increase of 2.7% yoy respectively, while the Group's online sales recorded a decrease of 20.3%. Store management services recorded a growth of 74.8% yoy and wholesale recorded a decrease of 96.4% yoy. The Group's average sales floor area decrease from 32,156 m^2 in 2024 to 28,052 m^2 in 2025, mainly due to the closure of stores in Chinese Mainland.

MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of revenue by sales channels:

	2025		2024		
	HKD million	**% of revenue**	HKD million	% of revenue	**Change (%)**
Retail					
Mono-brand stores	**387.7**	**44.6**	519.2	55.3	**(25.3)**
Multi-brand stores	**170.4**	**19.6**	166.0	17.7	**2.7**
Online sales	**31.5**	**3.6**	39.5	4.2	**(20.3)**
	589.6	**67.8**	724.7	77.2	**(18.6)**
Store management services	**238.2**	**27.4**	136.3	14.5	**74.8**
Catering services	**40.9**	**4.7**	35.6	3.8	**14.9**
Wholesale	**1.5**	**0.1**	41.7	4.5	**(96.4)**
Total	**870.2**	**100**	938.3	100.0	**(7.3)**

Movement of number, floor area and same store growth rate of retail stores:

	No. of retail stores				Sales floor area (m^2)						
	As at 31/12/2024	**Open**	**Close**	**As at 31/12/2025**	As at 31/12/2024	**Open**	**Close**	**As at 31/12/2025**	**Average**	**No of same stores**	**Same store growth (%)**
Macau	26	**5**	**(7)**	**24**	8,448	**1,664**	**(1,458)**	**8,654**	**8,550**	**13**	**3.5**
Chinese Mainland	123	**18**	**(51)**	**90**	21,785	**3,529**	**(9,606)**	**15,708**	**18,747**	**64**	**(13.5)**
HK & others	6	**1**	**(2)**	**5**	1,226	**109**	**(1,052)**	**283**	**755**	**2**	**(16.0)**
Total/Overall	155	**24**	**(60)**	**119**	31,459	**5,302**	**(12,116)**	**24,645**	**28,052**	**79**	**(6.6)**

Revenue by geographical areas:

	2025		2024		
	HKD million	**% of revenue**	HKD million	% of revenue	**Change (%)**
Macau	**548.0**	**63.0**	467.2	49.8	**17.3**
Chinese Mainland	**285.5**	**32.8**	389.7	41.5	**(26.7)**
HK & others	**36.7**	**4.2**	81.4	8.7	**(54.9)**
Total	**870.2**	**100**	938.3	100.0	**(7.3)**

Macau

The revenue generated from Macau for 2025 increased to HKD548.0 million, representing a yoy increase of 17.3%. The Group opened 5 retail stores and closed 7 retail stores in 2025 with a positive same retail store sales growth of 3.5%.

MANAGEMENT DISCUSSION AND ANALYSIS

Chinese Mainland

The revenue generated from the Chinese Mainland recorded HKD285.5 million in 2025, representing a yoy decrease of 26.7%. The Group has streamlined the store portfolio by retaining good performance stores to prevent loss of customers. The number of retail stores decreased to 90 in 2025 comparing with 123 in 2024 and achieved a negative same retail store growth rate of 13.5%. The Group opened 18 retail stores and closed 51 retail stores in 2025 with a decrease in the average floor area of 15.9% yoy.

Hong Kong and others

The revenue generated from the sales in Hong Kong and others recorded a yoy decrease of 54.9%. The Group opened 1 retail store and closed 2 retail stores during 2025 with a decrease of average floor area of 626.6 m^2, representing 46.6% yoy decrease.

Gross profit

The Group's cost of sales consisted of cost of inventory sold for the fashion apparel and lifestyle products and the cost of store management services rendered to the brand owners. The cost of sales decreased to HKD456.3 million in 2025, or a yoy decrease of 11.8%, primarily attributable to the decrease in sales.

The gross profit in 2025 decreased by HKD6.9 million, or a yoy decrease of 1.6%, to HKD413.9 million and the gross profit margin increased from 44.8% in 2024 to 47.6% in 2025. Among the Greater China areas, the gross profit margin of sales in Macau in 2025 recorded an increase of 132 basis points to 53.5% due to the lower discount offered. The gross profit margins of sales in the Chinese Mainland recorded a decrease of 151 basis points in 2025 resulting from the higher average discount rate offered. The gross profit margin of sales in Hong Kong and Taiwan recorded an increase of 409 basis points in 2025 following the cessation of the low-margin wholesale business in Hong Kong.

Other income and gains, net

The Group recorded net other gain of HKD8.3 million in 2025, compared with net other gains of HKD1.3 million in 2024, primarily due to a net gains on the early termination of right-of-use assets and lease liabilities of HKD13.8 million and offset by net exchange losses of HKD5.8 million.

Operating expenses

Selling and marketing expenses decreased to HKD267.0 million in 2025, or a 32.3% yoy decrease, primarily due to a decrease in depreciation and amortisation of HKD68.1 million and a decrease in variable lease expenses of HKD9.6 million and a decrease in staff costs expenses of HKD24.4 million.

General and administrative expenses decreased to HKD76.1 million in 2025, or a yoy decrease of 18.5%, primarily due to a decrease in staff costs expenses of HKD11.1 million.

Finance costs

Net finance costs decreased to HK12.5 million in 2025, or a yoy decrease of 17.5%. The decrease was mainly due to a decrease of interest on lease liabilities of HKD2.0 million and the lower interest expenses on borrowing of HKD2.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expenses

There were income tax expenses of HKD6.6 million (2024: HKD4.2 million).

Profit for the year

The Group recorded a net profit of HKD60.0 million for 2025 comparing with a net loss of HKD85.1 million in 2024.

SEASONALITY

The Group's sales performance is subject to seasonal fluctuations and it normally generates higher revenue during winter season than summer season as winter apparel generally has a higher unit price than summer apparel. The Group records higher revenue in festive seasons such as Christmas and the month before Chinese New Year and the traditional peak season in Mainland China long holidays. Normally revenue recorded in the first half and the second half of the year are of equal weighting as they have similar festivals and holidays.

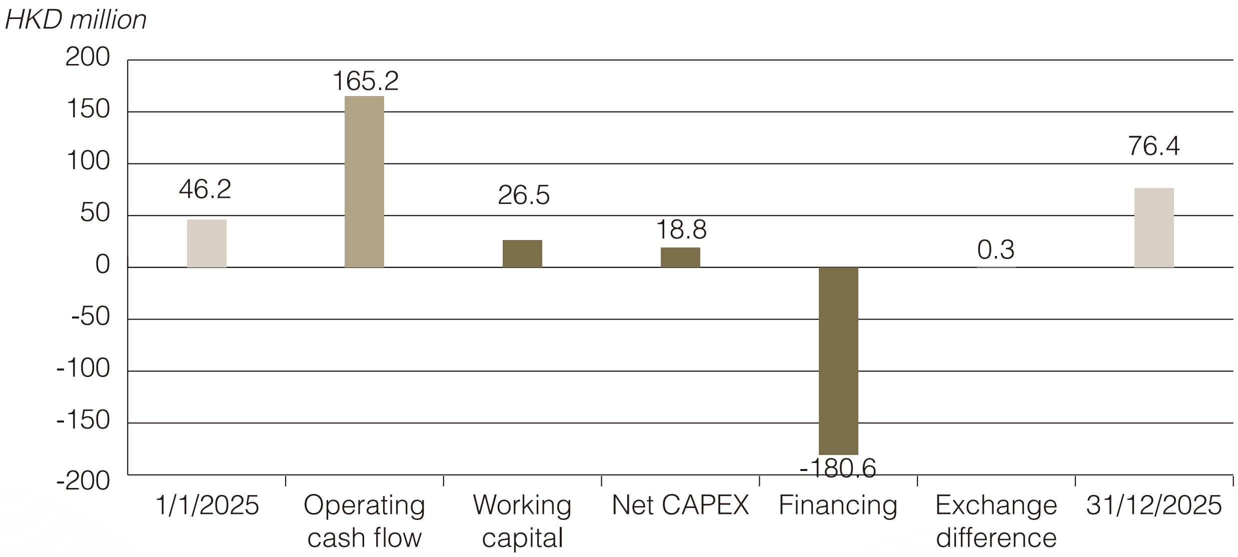
FINANCIAL

Working capital structure

The Group's net current assets amounted to HKD96.3 million as at 31 December 2025, representing an increase of HKD60.1 million from that for 31 December 2024. Such increase was primarily the result of a decrease in current liabilities of HKD106.7 million mainly resulting from a decrease in the borrowings and trade and other payables of HKD45.2 million and HKD29.6 million respectively.

Liquidity and financial management

The Group strives to maintain a healthy financial position and liquidity for its normal operation, development needs and ad hoc events. As at 31 December 2025, the cash and cash equivalents were HKD76.4 million, representing an increase of HKD30.2 million comparing with those of 31 December 2024, details are as follows:



MANAGEMENT DISCUSSION AND ANALYSIS

The Group's current ratio (calculated as total current assets divided by total current liabilities) was 1.3 times as at 31 December 2025, compared to that of 1.1 times as at 31 December 2024. The current ratio is improved mainly attributable to the fact that the decrease in current assets was smaller than the decrease in current liabilities.

The gearing ratio of the Group, which is calculated as net debt divided by total capital, was 44% as at 31 December 2025 compared to that of 74% as at 31 December 2024.

Pledge of assets

As at 31 December 2025, a building with net book value of HKD54.7 million, and pledged bank deposits of HKD18.1 million were pledged for a first mortgage, credit loans and credit facilities of bank borrowings, respectively.

CAPITAL COMMITMENT

The Group had no material capital commitment contracted, but not provided for as at 31 December 2025 (2024: Nil).

CONTINGENT LIABILITIES

As of 31 December 2024 and 2025, the Group did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK MANAGEMENT

Merchandise purchased by the Group is mainly denominated in Euros, United States Dollars (USD) and Renminbi (RMB) whereas the retail operation is mainly exposed to RMB, Macanese pataca (MOP), New Taiwan Dollars (TWD) and Hong Kong Dollars (HKD). However, the Group did not expect foreign currency fluctuations to materially impact its operation. The Group did not hedge foreign exchange fluctuation by forward contracts. The Group managed the foreign exchange risk by reviewing its net foreign exchange exposures regularly and endeavored to shrink these exposures through reviewing the exchange rates with the suppliers, the brand owners periodically.

OUTLOOK

Amid ongoing macroeconomic headwinds, the Group remains prudent and highly disciplined in evaluating new opportunities and allocating capital. We are committed to pursuing initiatives that align strictly with our core strategy and deliver sustainable, long-term potential.

Moving forward, our focus remains on strengthening our market position and generating enduring returns for our shareholders. By remaining agile and responsive to evolving market conditions, we are fully committed to driving resilient, long-term growth.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company (the "**Shares**") were listed on the The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 January 2020 (the "**Listing Date**") and the net proceeds from the global offering of its Shares (the "**Global Offering**") amounted to HKD140.0 million (the "**Net Proceeds**").

MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2025, the Company has used approximately 97.6% of the proceeds from the Global Offering and the net proceeds have been utilised in line with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 December 2019 (the "**Prospectus**").

The following sets forth a summary of the utilisation of the net proceeds from the Global Offering as of 31 December 2025:

	Percentage to total amount	**Planned use of the Net Proceeds**	**Utilised amount up to 31 December 2025**	**Unutilised balance as at 31 December 2025**	**Expected timeline for unutilised Net Proceeds**
	%	HKD million	HKD million	HKD million	
Expand the Group's retail stores	50.3	70.4	70.4	–	
Upgrade the Group's existing retail stores	9.2	12.9	12.9	–	
Explore new brands	24.0	33.6	30.2	3.4	On or before 31 December 2026
Set up and implement Centralised Retail Management System	10.8	15.1	15.1	–	
Strengthen the Group's online sales	5.7	8.0	8.0	–	
	100.0	140.0	136.6	3.4	

It was disclosed in the Prospectus that the net proceeds will be applied by the Group in an expected timetable ending 31 December 2021. However, as a result of the outbreak of the COVID-19 Pandemic and its adverse impact on the global economy which includes the apparel retail market in Greater China, the Company has proposed to adjust the estimated time of using the unutilised net proceeds by extending to on or before 31 December 2026 in order to enhance flexibility for the future development of the Group. The expected timeline for using the unutilised amount of the Net Proceeds is based on the best estimation of the business market situations made by the Board. It might be subject to changes based on the market conditions. Further announcement(s) in respect of material change in the expected timeline, if any, will be made by the Company in accordance with the requirements of the Listing Rules as and when appropriate to update its Shareholders and potential investors.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There is no major acquisition or disposal in 2025.

EMPLOYEES AND REMUNERATION POLICIES

The Group adopts a competitive emolument policy to attract, retain and motivate high quality individuals. Remuneration packages are reviewed regularly to reflect the market practice and employees' performance. As at 31 December 2025, the Group employed around 954 employees (31 December 2024: 1,138). The total staff costs for 2025 were HKD147.8 million (2024: HKD182.7 million), a yoy decrease of 19.1%.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this annual report, the Directors are not aware of any significant events related to the business or financial performance of the Group after the reporting period.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Fan Wing Ting (范榮庭), aged 70, is the founder, Chairman, Executive Director and Controlling Shareholder of the Group. He was first appointed as a Director on 16 May 2019 and was re-designated as an Executive Director on 26 July 2019. He is primarily responsible for the overall strategic planning and management, administration and overall direction of the Group's business operations.

Mr. Fan has served the Group for over 10 years. Mr. Fan is instrumental in the Group's business expansion and oversaw the integration of the Group's multi-brand store strategy such as *UM*, *UM Junior* and *WF Fashion* that showcases an assortment of high-end fashion apparel and luxury lifestyle products selected from the Group's collection of international brands, designer labels and its in-house brand *UM*, *UM • IXOX* and *IXOX* apparel products. Under his leadership, the Group continues to expand its brand portfolio and retail network to increase the Group's market presence in Mainland China, Macau, Hong Kong and Taiwan.

Mr. Fan obtained an Individual Dental Practitioner Certificate of the Guangdong Province in the PRC in April 1986. He was admitted as a member of The American Chamber of Commerce in Macau in November 2017.

Mr. Fan is the father of Ms. Fan Tammy and the uncle of Mr. Fong Yat Ming.

Ms. Chen Xingyi (陳幸儀), aged 49, was appointed as an Executive Director on 26 July 2019. Ms. Chen is also the Chief Executive Officer of the Group and a member of the Group's Remuneration Committee. She is responsible for the overall strategic planning, management and administration of the Group's business operations.

Ms. Chen has served the Group for over 10 years. She joined the Group in March 2005 as an operation manager and also as Mr. Fan Wing Ting's secretary at the Shenzhen office of Wide Spread (China) Limited. She was subsequently promoted as the general manager of Shouwei Trading (Shenzhen) Co., Ltd in January 2011 and was further promoted as the chief operating officer of the Group in January 2013. Since January 2016, she has been the Chief Executive Officer of the Group.

Ms. Chen obtained an associate college academic credential in Business English from the Shenzhen Polytechnic (深圳職業技術學院) in the PRC in June 1998. She obtained her Business English Certificate 1 and Business English Certificate 2 from the University of Cambridge Local Examinations Syndicate in October 1996 and in September 1997, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Kevin Trantallis (陳漢榮), aged 51, was first appointed as a Director on 16 May 2019 and was re-designated as an Executive Director, the Chief Financial Officer and the Company Secretary of the Group on 26 July 2019. Mr. Trantallis joined the Group in April 2015 as a finance director of World First Holdings Limited (the "**World First Holdings**"). He is responsible for financial management of the Group's business operations.

Mr. Trantallis has over 20 years of experience in the fashion industry. From May 1996 to April 1999, he was employed by Barro Group Pty. Limited as an assistant accountant in Australia. From April 1999 to April 2001, he worked as a financial analyst at 7-Eleven Stores Pty. Ltd. in Australia. He also worked at Prada Asia Pacific Limited from November 2001 to September 2004, with his last position as a treasury analyst. From September 2004 to February 2011, he worked at Christian Dior Far East Limited initially as a business analyst and was subsequently promoted as a general manager (Guam & Saipan in the United States) in December 2007. From March 2011 to July 2013, he served as an executive officer to the chairman at i.t apparels Limited, a subsidiary of I.T Limited, a company previously listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 0999). Before joining the Group, he was the head of controlling at Hugo Boss Hong Kong Ltd. from October 2013 to October 2014.

Mr. Trantallis graduated from The University of Melbourne in Australia with a Bachelor of Commerce Degree in March 1996. He subsequently obtained a Master's Degree of Business Administration from The University of Melbourne in Australia in June 2002. In 2007, he further completed his Master's Degree of Arts in Fashion and Textiles (Global Fashion Management) (with credit) from The Hong Kong Polytechnic University. He was admitted as a certified practising accountant of CPA Australia in August 2001 and was admitted as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in July 2004.

Mr. Fong Yat Ming (方日明), aged 40, was appointed as an Executive Director on 26 July 2019. He is responsible for marketing strategy of the Group's business operations.

Mr. Fong has served the Group for over 10 years. He joined the Group in August 2007 as an operation assistant of Macau Ieng Nam Limited ("**Macau Ieng Nam**") and was promoted as a senior buyer and a regional manager trainee in September 2009 and in March 2010, respectively. He was further promoted as a regional manager of Macau Ieng Nam in March 2011. Since March 2017, he serves as a regional director and acting general manager of Macau Ieng Nam.

Mr. Fong graduated from The University of Nottingham in the United Kingdom with a Bachelor of Arts Degree with honours in Finance, Accounting and Management in July 2007.

Mr. Fong is the nephew of Mr. Fan Wing Ting and the cousin of Ms. Fan Tammy.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Fan Tammy (范麗君), aged 38, was appointed as an Executive Director on 26 July 2019. She was appointed a member of the Group's Nomination Committee on 18 July 2025. She is responsible for business development of the Group's business operations.

Ms. Fan has served the Group for over 10 years. She joined the Group in July 2011 as the head of strategy of World First Holdings.

Ms. Fan completed the AEM Business Management Certificate Program from the Cornell University in the United States of America in July 2009. She subsequently obtained a Bachelor of Arts in Economics Degree from the University of Southern California in the United States of America in May 2010. Ms. Fan also studied in Fashion Marketing from the Parsons School of Design in the United States of America.

Ms. Fan is the daughter of Mr. Fan Wing Ting and the cousin of Mr. Fong Yat Ming.

Independent non-executive Directors

Mr. Yu Chun Kau (余振球), aged 53, was appointed as an Independent Non-executive Director on 17 December 2019. He is the Chairman of the Group's Audit Committee and Remuneration Committee and a member of each of the Nomination Committee and the Environmental, Social and Governance Committee. He is responsible for providing independent advice to the Board.

Mr. Yu has over 25 years of experience in the accounting, corporate finance, compliance and auditing. He started his career at a major international accounting firm in 1994 and then worked for various Hong Kong listed companies and multinational corporations as executive director, chief financial officer and company secretary. Mr. Yu serves as an independent non-executive director of BUTONG GROUP (不同集團), a company listed on the Main Board of the Stock Exchange (stock code: 6090) since September 2025. He is the chief financial officer of Jacobson Pharma Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2633) since January 2019 and has been appointed as the company secretary since April 2021. Mr. Yu is the company secretary of JBM (Healthcare) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2161) since November 2023. Mr. Yu also served as an independent non-executive director of Ruifeng Power Group Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2025) from December 2017 to June 2025.

Mr. Yu graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree with first class honour in December 1994. In June 2005, he also obtained a Master of Corporate Governance Degree from the Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong). Mr. Yu was admitted as a fellow member of The Association of Chartered Certified Accountants in November 2002. He was admitted as a fellow member and registered as a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in July 2005 and in October 2002, respectively. In March 2007, he was admitted as a senior international finance manager of the International Financial Management Association. In April 2015, he was also admitted as a fellow member of The Institute of Chartered Accountants in England and Wales. In September 2016, he was admitted as both a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and as a fellow member of The Chartered Governance Institute.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Kam Tsun (伍鑑津), aged 52, was appointed as an Independent Non-executive Director on 19 November 2021. He is the Chairman of the Group's Environmental, Social and Governance Committee and a member of the Audit Committee.

Mr. Ng has over 25 years of experience in finance and accounting. He has served in various listed companies in Hong Kong and was responsible for financial management, corporate financing, mergers and acquisitions, investor relations management and corporate governance, through which he accumulated extensive experience. Mr. Ng served as (i) the chief financial officer, the company secretary and the authorised representative of Fulum Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1443) from September 2015 to December 2021; (ii) an independent non-executive director, the chairman of the audit committee, a member of the remuneration committee and a member of the nomination committee of Wan Leader International Limited, a company listed on the GEM of the Stock Exchange (stock code: 8482) during the period from August 2018 to June 2021; and (iii) an independent non- executive director, the chairman of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of Hao Bai International (Cayman) Limited, a company listed on the GEM of the Stock Exchange (stock code: 8431) from September 2021 to December 2022.

Mr. Ng became a member of CPA Australia and The Hong Kong Institute of Certified Public Accountants (HKICPA) since July 2002 and December 2002, respectively. Furthermore, he was admitted as a fellow member of CPA Australia and the HKICPA in December 2010 and September 2009, respectively. Mr. Ng graduated from the Monash University in Australia with a Bachelor of Business in January 2003. He subsequently obtained a Master of Management Degree from the Shanghai University of Finance and Economics in March 2006. In November 2014, Mr. Ng further completed his Master of Laws Degree from The Chinese University of Hong Kong.

Mr. Sze Irons (施榮懷), ***B.B.S., J.P.***, aged 64, was appointed as an Independent Non-executive Director on 1 July 2022. He is the Chairman of the Group's Nomination Committee and a member of each of the Audit Committee, the Remuneration Committee, and the Environmental, Social and Governance Committee of the Group.

Mr. Sze graduated from the University of Wisconsin – La Crosse in the United States of America with a Bachelor of Science Degree in May 1985.

Mr. Sze was appointed as a Justice of the Peace in 2011 and awarded a Bronze Bauhinia Star and Gold Bauhinia Star (a medal awarded to persons who have given outstanding service to the Hong Kong SAR Government over a long period of time) by the Government of the Hong Kong Special Administrative Region ("**HKSAR**") in 2011, 2015 and 2025 respectively. He is a member of the Standing Committee of The 14th National Committee of the Chinese People's Political Consultative Conference* ("**CPPCC**") (中國人民政治協商會議全國委員會); a Standing Committee member of the Beijing Municipal Committee of the CPPCC* (中國人民政治協商會議北京市委員會常務委員); Convenor of the Hong Kong Region; the Permanent Honorary President of the HKCPPCC (Provincial) Members Association Limited* (港區省級政協委員聯誼會永遠名譽會長); a member of the Labour Advisory Board of the Government of the HKSAR; the Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong; the chairman of the Mainland Business Advisory Committee of the Hong Kong Trade Development Council; a council member of the Hong Kong Repertory Theatre; a member of the University of Hong Kong Council; the President of the Federation of Hong Kong Beijing Organisations; and the Vice President and Secretary of Friends of Hong Kong Association. Mr. Sze was also elected as a member of the Election Committee of the Chief Executive of the HKSAR in 2016.

* *For identification purposes only*

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sze has extensive experience in investment and corporate management. He serves as an independent non-executive director in various listed companies in Hong Kong. He serves as (i) an independent non-executive director, a member of the audit committee and a member of the remuneration committee of Continental Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 513) since October 2008; (ii) an independent non-executive director of Chevalier International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 25) since November 2016 and has been appointed as a member of the audit committee since February 2019; (iii) an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of Best Mart 360 Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2360) since December 2018; (iv) an independent non-executive director, a member of the audit committee, a member of the remuneration committee and a member of the nomination committee of Redco Healthy Living Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2370) since March 2022; (v) an independent non-executive director of Tongda Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0698) since May 2023; (vi) an independent non-executive director, the chairman of the nomination committee and a member of the audit committee of WebX International Holdings Company Limited (formerly known as ST International Holdings Company Limited), a company listed on the GEM of the Stock Exchange (stock code: 8521) from April 2018 to December 2023; (vii) an independent non-executive director, the chairman of the nomination committee, a member of the audit committee and a member of the remuneration committee of Jianzhong Construction Development Limited, a company listed on the Main Board of the Stock Exchange (stock code: 589) from February 2020 to November 2023.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure.

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Company so as to achieve effective accountability.

The Company has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix C1 to the Listing Rules issued by Stock Exchange.

The Company had complied with the code provisions in the CG Code for the year ended 31 December 2025. The Company is committed to the objective that the Board should include a balanced composition of Executive Directors and Independent Non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 of the Listing Rules. The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the year ended 31 December 2025.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 35 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2025, no contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2025 or at any time during the year ended 31 December 2025.

COMPETING INTEREST

For the year ended 31 December 2025, Mr. Fan Wing Ting and Ms. Chen Xingyi held share interests and/or directorships in companies engage in fashion retail in China, further details of which are set out in the section headed "Directors' Interests in Competing Business" of the 2025 annual report which will be published at the websites of the Company and the Stock Exchange in due course. Save as disclosed herein, the Directors are not aware of any business or interest of the Directors, the Controlling Shareholders, the management, the shareholders and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters.

The management has been delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this annual report.

The Board currently consists of eight Directors who include five Executive Directors and three Independent Non-executive Directors. The biographical information of the Directors is set out under the section headed "Directors and Senior Management" in this annual report.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received a confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are considered to be independent pursuant to the Listing Rules.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Fan Wing Ting is the Chairman of the Board and Ms. Chen Xingyi is the Chief Executive Officer of the Company. Mr. Fan Wing Ting is in charge of the management of the Board and strategic planning of the Group. Ms. Chen Xingyi is responsible for the overall business operation and formulating business plans. The Company considered that the division of responsibilities between the Chairman and Chief Executive Officer is clearly established.

Non-executive Director and Independent Non-executive Directors

The Independent Non-executive Directors are appointed for a specific term and they are also subject to the retirement by rotation at least once every three years in accordance with the articles of association of the Company (the "**Articles of Association**").

The three Independent Non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of legal, accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board.

Directors' Continuous Professional Development

All Directors participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains sound and advances. Directors provide their records of training to the Company from time to time. During the year, all Directors had read materials updating new practices, rules and regulations to keep themselves updated on the roles, functions and duties of a listed company director.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board has adopted a Board Diversity Policy on 17 December 2019 which sets out the approach to achieve diversity on the Board.

Purpose

The Policy aims to set out the modus operandi to ensure that the Board possesses the appropriate skills, experience and diversity of perspectives necessary to enhance the effectiveness and performance of the Board and to maintain high standards of corporate governance.

General Policy

With a view to enhancing the effectiveness and performance of the Board and strengthening the business development of the Company, the Company believes that it is important to promote diversity at the Board level.

In determining the Board's composition, Board diversity shall consider various factors which include, gender, skills, age, professional experience, knowledge, independence, cultural and educational background, ethnicity and length of service. All appointments to the Board shall be based on merits and the positive contributions that the proposed candidates will bring to the Board, the Company, its subsidiaries and/or its affiliated companies.

Measurable Objectives

To achieve gender diversity, selection of candidates will be based on a range of diversity perspectives with reference to the Company's business model and specific needs which includes gender, skills, age, professional experience, knowledge, independence, cultural and educational background, ethnicity and length of service. The ultimate decision will be based on merits and the contribution that the selected candidates will bring to the Board.

Succession planning to achieve gender diversity

In particular, in achieving gender diversity on the Board, the Company shall:

(a) have an appropriate balance of gender diversity with reference to stakeholders' expectation and international and local recommended best practices;

(b) identify and select female individuals with a diverse range of skills, experience and knowledge in different fields from time to time and maintain a list of these female individuals who possess qualities to become Board members in order to develop a pipeline of potential successors to the Board;

(c) continue to take steps to promote gender diversity at all levels, including at the senior management levels; and

(d) provide career development opportunities and resources in training female staff with the aim of promoting them to the senior management levels or the Board level so that the Company will have a pipeline of female senior management and potential successors to the Board.

CORPORATE GOVERNANCE REPORT

Continuous Monitoring

The Nomination Committee will monitor the implementation of this Policy by conducting review of the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to this Policy when making recommendation on any Board appointments. The Nomination Committee will also ensure that Board diversity is considered as part of the evaluation of the Board's effectiveness.

For the year ended 31 December 2025, the Directors were satisfied, in general, with diversity of the Board and each Board Committee in accordance with the Board Diversity Policy. The Board has reviewed this Policy and concluded that it is effective.

Workforce Diversity

The Group aims to provide a diversified work environment to the workforce and provide equal opportunity to all employees and will not discriminate on grounds of gender, race, age, nationality, religion and sexual orientation and any other aspects of diversity. As of 31 December 2025, a total number of 954 employees were hired by the Group, comprising 79% female and 21% male. The Board will continue to monitor and review the workforce diversity in accordance with the Listing Rules.

Mechanisms for ensuring independent views and input to the Board

To ensure that independent views are available to the Board, the Board is committed to assess the independence of the Board on an ongoing basis with regard to relevant factors such as the ability to provide constructive challenge for management and the Board and to express one's views which are independent of the management or other fellow Directors.

The Company has established several channels to encourage the Independent Non-executive Directors ("**INEDs**") to express their views in an open manner and in a confidential manner. INEDs are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings and general meetings. They may also have meetings with the Chairman privately. They may seek assistance from the Company's Company Secretary and, where necessary, independent advice from external professional advisers at the Company's expense.

The Nomination Committee will assess the independence of all the INEDs by reference to the independence criteria set out in the Listing Rules to ensure that they can continue to exercise independent judgement.

For the year ended 31 December 2025, the Board considers that the INEDs are independent in character and judgement, and they also meet the independence criteria set out in Rule 3.13 of the Listing Rules. The Board has reviewed this Policy and concluded that it is effective.

CORPORATE GOVERNANCE REPORT

Board Meetings

The Board holds board meetings regularly and at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and propose matters to be discussed in the meeting. The Board held a meeting on 31 March 2026 and, amongst other matters, considered and approved the 2025 Consolidated Financial Statements and Independent Auditor's Report.

The attendance record of each Director at the Board meeting and Board Committee meetings of the Company held during the year ended 31 December 2025 and up to the date of this annual report is set out in the table below:

Name of Directors	**Number of attendance**
Executive Directors	
Mr. Fan Wing Ting *(Chairman)*	5/5
Ms. Chen Xingyi *(Chief Executive Officer)*	4/4
Mr. Kevin Trantallis	4/4
Mr. Fong Yat Ming	4/4
Ms. Fan Tammy	4/4
Independent Non-executive Directors	
Mr. Yu Chun Kau	5/5
Mr. Ng Kam Tsun	5/5
Mr. Sze Irons	5/5

General Meetings

One general meeting has been held in 2025.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee to oversee particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee committees are posted on the website of the Company (www.forward-fashion.com) and the website of the Stock Exchange (www.hkexnews.hk) and are available to the Shareholders upon request.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee operates under the terms of reference approved by the Board. It is the Board's responsibility to ensure that an effective internal control and risk management framework exists within the entity. This includes internal controls, risk management to deal with both the effectiveness and efficiency of significant business processes, safeguarding of assets, maintenance of proper accounting records, and reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has delegated to the Audit Committee the responsibility for the establishment and the maintenance of a framework of internal controls, risk management and ethical standards for the Group's management. The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. Yu Chun Kau (Chairman), Mr. Ng Kam Tsun and Mr. Sze Irons. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2025.

During the year ended 31 December 2025, two Audit Committee meetings were held. The attendance record of each member of the Audit Committee is set out in the table below:

Members of the Audit Committee	**Number of attendance**
Mr. Yu Chun Kau *(Chairman)*	2/2
Mr. Ng Kam Tsun	2/2
Mr. Sze Irons	2/2

Remuneration Committee

The primary duties of the Remuneration Committee are to (i) develop and review the policies and the structure of the remuneration for the Directors and senior management; (ii) evaluate the performance of, and make recommendations on the remuneration packages and long-term incentive compensation or equity plans for, the Directors and senior management; (iii) evaluate and make recommendations on employee benefit arrangements; (iv) to ensure that share options and/or share awards granted by the Company (if any) are in accordance with Chapter 17 of the Listing Rules, where applicable; and (v) to review and/or approve matters relating to share scheme under Chapter 17 of Listing Rules.

During the year ended 31 December 2025, one Remuneration Committee meeting was held. The attendance record of each member of the Remuneration Committee is set out in the table below:

Members of the Remuneration Committee	**Number of attendance**
Mr. Yu Chun Kau *(Chairman)*	1/1
Ms. Chen Xingyi	1/1
Mr. Sze Irons	1/1

CORPORATE GOVERNANCE REPORT

Nomination Committee

The primary functions of the Nomination Committee are to make recommendations to the Board in relation to the appointment and removal of Directors and senior management and on matters of succession planning. In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge, reputation and gender. The Nomination Committee will discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2025, one Nomination Committee meeting was held. The attendance record of each member of the Nomination Committee is set out in the table below:

Members of the Nomination Committee	**Number of attendance**
Mr. Fan Wing Ting *(Chairman)* (ceased to act as Chairman of the Committee with effect from 18 July 2025)	1/1
Mr. Yu Chun Kau	1/1
Mr. Sze Irons (appointed as Chairman of the Committee with effect from 18 July 2025)	1/1
Ms. Fan Tammy (appointed as a member of the Committee with effect from 18 July 2025)	0/0

Nomination Policy

The Board has on 31 March 2021 adopted a Nomination Policy in accordance with the CG Code, which sets out the procedure for the election, appointment and re-appointment of Directors (the "**Nomination Policy**"). The Nomination Policy specifies certain selection criteria and the Board succession planning consideration.

The Nomination Policy is reproduced as follows.

1. In carrying out its duties, the Nomination Committee shall give adequate consideration to the following principles:

   (a) in relation to Board composition – the Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. It should include a balanced composition of Executive and Independent Non-executive Directors so that there is a strong independent element on the Board and independent judgment can be effectively exercised. Independent Non-executive Directors should be of sufficient calibre and number for their views to carry weight; and

CORPORATE GOVERNANCE REPORT

(b) in relation to appointment, re-election and removal of Directors – there should be a formal, considered and transparent procedure for selection, appointment and reappointment of Directors, as well as plans in place for orderly succession for appointments (if considered necessary). It should ensure that changes to the Board composition can be managed without undue disruption. All Directors should be subject to reelection at regular intervals in accordance with the Articles of Association.

2. The criteria to be applied in considering whether a candidate is qualified shall be his/her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board (which includes but not limited to diversity in gender, age, experience, cultural and educational background, expertise, skills and know-how) as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

   (a) participating in Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

   (b) taking the lead where potential conflicts of interests arise as Independent Non-executive Directors;

   (c) serving on the Audit, Remuneration, Nomination and other governance committees, if invited;

   (d) giving the Board and any committees on which he/she serves the benefit of his/her skills, expertise, varied backgrounds and qualifications through attendance and participation;

   (e) monitoring or scrutinising the Company's performance in achieving agreed corporate goals and objectives;

   (f) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate; and

   (g) if the candidate is proposed to be appointed as an Independent Non-executive Director, his/her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

Director Nomination Procedure

Subject to the provisions of the Articles of Association and the Listing Rules, if the Board determines that an additional or replacement Director is required, the Nomination Committee will deploy multiple channels for identifying suitable candidates, including referral from Directors, the Shareholders, management, advisors of the Company and external executive search firms.

Where a retiring Director, being eligible, offers himself/herself for re-election, the Nomination Committee will consider and, if appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to the Shareholders prior to a general meeting in accordance with the Listing Rules.

CORPORATE GOVERNANCE REPORT

Shareholders of the Company may nominate a person to stand for election as a Director at a general meeting in accordance with the Articles of Association and applicable laws and regulations. The procedures for such proposal are stated on pages 28 to 29 of this annual report.

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

Environmental, Social and Governance Committee

The primary duties of the Environmental, Social and Governance Committee are (i) formulate and review the objectives, strategies, goals, target and management policies of the Group's ESG; (ii) review and assess the adequacy and effectiveness of the management framework for ESG matters of the Company; (iii) review the Group's ESG-related risk management and internal control systems; (iv) review the Group's ESG performance (e.g. key performance indicators) annually to ensure compliance with relevant ESG policies and procedures, as well as applicable laws and regulations.

During the year ended 31 December 2025, two Environmental, Social and Governance Committee meetings were held. The attendance record of each member of the Environmental, Social and Governance Committee is set out in the table below:

Members of the Environmental, Social and Governance Committee	**Number of attendance**
Mr. Ng Kam Tsun *(Chairman)*	2/2
Mr. Yu Chun Kau	2/2
Mr. Sze Irons	2/2

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2025. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the Independent Auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 56 of this annual report.

CORPORATE CULTURE

The Board has laid down the Group's purposes, values and strategy and has ensured that they aligned with the Group's culture. The Group is committed to adopt a proactive and prudent operating strategy to introduce to its customers high-quality fashion brands and to enrich the number and diversity of fashion brands offered by the Group. The Group will continue to adopt a cautious approach in exploring potential investments and business opportunities to achieve sustainable growth and to deliver attractive and sustainable returns to the Shareholders.

Among the Company's core values, the Group places strong emphasis on employee relations and the culture of ethical conduct and integrity by instilling the element of integrity into every aspect of our businesses. Our Directors, management and staff are required to act lawfully, ethically and responsibly, which are part and parcel of the Company's culture. In promoting and maintaining this culture, relevant trainings are conducted from time to time to strengthen the requisite standards and the norms in respect of ethics and integrity of our business. This culture of integrity has also been stated in the Employee Handbook and embedded in various policies such as the Anti-Corruption Policy and the Whistleblowing Policy. A healthy corporate culture is important to good corporate governance which is crucial for achieving sustainable long-term success of the Group.

CORPORATE GOVERNANCE REPORT

ANTI-CORRUPTION POLICY

The Company is committed to observing and upholding high standards of business integrity, honesty, fairness, impartiality, and transparency in its business dealings.

With such commitment in mind, the Company has established and adopted an Anti-Corruption Policy to strengthen the standards of conduct of its Directors and employees and to ensure that our Directors and employees adhere to high standard of business ethics and comply with the applicable laws and regulations of the jurisdictions in which the Group operates. This Policy outlines the Group's expectation on maintaining high standards of ethics and integrity, and the framework on prevention, detection, treatment and reporting of any suspected fraud, corruption and irregularities.

The Group conducts periodic internal monitoring and assessments on bribery and corruption risks to ensure bribery and corrupt activities are prevented.

WHISTLEBLOWING POLICY

The Company has adopted a Whistleblowing Policy to facilitate the achieving of high standards of openness, probity, and accountability. This Policy creates a system for a Director, an employee or a third party (who includes customers, suppliers, subcontractors) to report to the Group any suspected fraud, malpractice, misconduct, or irregularity. A Director, an employee or a third party who has legitimate concern can report to the Group by mail or email or by attending the Group's office. The Group will endeavor to protect the whistleblower from detriments and all reports will be kept confidential.

During the year under review, no incident of fraud or misconduct that has material effect on the Group's financial statements and overall operations has been reported. The Audit Committee of the Company will continue to review this Policy periodically to ensure its effectiveness.

DIVIDEND POLICY

The Company has adopted a dividend policy which stated that in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder's value. The Board may determine and pay to the Shareholders such interim dividends and special dividends as it considers appropriate and recommend the payment of final dividends which are required to be approved by the Shareholders of the Company in general meetings.

In determining/recommending the frequency, amount and form of any dividend in any financial year/period, the Board shall consider the following factors:

- the actual and expected financial performance of the Group;
- economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;
- the Group's business strategies and operations, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;
- the current and future liquidity position and capital requirements of the Group; and
- any other factors that the Board deems appropriate.

The Company does not have any pre-determined dividend payout ratio.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

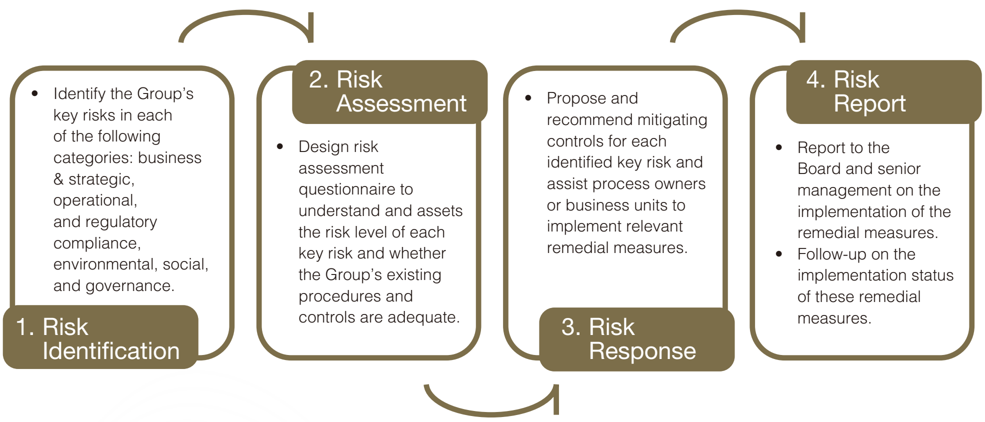
An analysis of the remuneration paid or payable to the external auditor of the Company, SHINEWING (HK) CPA Limited, in respect of audit and non-audit services provided to the Group for the year ended 31 December 2025 is set out below:

Services rendered	**Service Category Fees Paid/Payable** HKD'000
Audit service	1,885

RISK MANAGEMENT AND INTERNAL CONTROL

A sound and effective system of risk management and internal control is designed to achieve the Group's strategic objectives and safeguard shareholder investments and the Group's assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve strategic objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board acknowledges its responsibility to establish, maintain, and review the effectiveness of the Group's risk management and internal control systems, where management is responsible for the design and implementation of the risk management and internal control systems to manage risk. With the support from the Audit Committee, the Board monitors the Group's risk exposures, oversees the actions of management and monitors the overall effectiveness of the risk management and internal control systems on an ongoing basis. Management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal control. Policies and procedures form the basis and set forth the control standards required for functioning of the Group's business entities. These policies and procedures covered various aspects, including operations, finance & accounting, human resources, regulatory & compliance, delegation of authority, etc.



An annual enterprise-wide risk assessment has been performed to evaluate the nature and extent of the risks to which the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified a number of key risks that may impact the Group's strategic objectives in responding to the changes in the business and external environment. These risks are prioritised according to the likelihood of their occurrence and the significance of their impact on the business of the Group.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDIT

The Group has engaged Internal Audit Function which reports to the Audit Committee. The Internal Audit Function is independent from operation management in performing internal audit reviews. Audits are conducted according to the internal audit plan approved by the Audit Committee to review the Group's major operational, financial, compliance and risk management controls. During the process of the internal audits, the Internal Audit Function will identify internal control deficiencies and weaknesses and proposed recommendations for improvements. Internal audit findings and control deficiencies are communicated to Internal Audit Function and the management, who is responsible for ensuring the deficiencies are rectified within a reasonable period. A follow-up review is also performed to ensure the remedial actions are implemented.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard shareholder investments and the Group assets. For the year ended 31 December 2025, the Board along with the Audit Committee has conducted a comprehensive review of the Company's risk management and internal control systems. The review has covered the fiscal year of 2025 and all material controls, including operational, financial and compliance controls, and considered the changes in the nature and extent of significant risks as well as the Company's ability to respond to changes in its business and the external environment. The Board considers that the Company has complied with the risk management and internal control provisions of the CG Code, and considers such systems are effective and sufficient. The Board has also reviewed the resources of accounting, internal audit and financial reporting functions, staff qualifications and experience, training programs and related budgets, as well as procedures related to financial reporting and compliance with the Listing Rules, and considered them effective and sufficient.

INSIDE INFORMATION

The Group is aware of its obligation under relevant sections of the Securities and Futures Ordinance and Listing Rules regarding disclosure of inside information/price sensitive information. The Company has implemented procedures and internal controls for the handling and dissemination of inside information, including:

- having procedures to preserve the confidentiality of price-sensitive and/or inside information relating to the Group;

- communicating such procedures to all Directors, senior management and relevant employees who are likely to have access to inside information, and reminding them from time to time that they are required to comply with such procedures; and

- conducting its affairs with close regard to the disclosure requirement under the Listing Rules and the related guidance.

COMPANY SECRETARY

Mr. Kevin Trantallis, who is the Company Secretary of the Company, reports directly to the Board and is responsible for, *inter alia,* providing updated and timely information to all Directors from time to time. During the year ended 31 December 2025, he has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential in enhancing investor relations and investor understanding of the Group's business performance and strategies, hence a Shareholders Communication Policy has been adopted. An amended Shareholders Communication Policy has been adopted by a board resolution passed on 15 March 2024 ("**the Policy**") and post on the Company's website at www.forward-fashion.com.

As stated in the Policy, the Company has established the following channels of communication with its Shareholders:

- Corporate Communications (as defined in Rule 1.01 of the Listing Rules) such as annual and interim reports, announcements and circulars are available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.forward-fashion.com;

- Shareholders with registered email addresses will receive relevant notification by email when Corporate Communications is published;

- Shareholders may obtain Corporate Communications in printed form from the Company upon request through Tricor Investor Services Limited, the Hong Kong Branch Share Registrar;

- The Company's website information will be updated from time to time to inform the Shareholders and investors of the latest development of the Company;

- The annual general meetings and extraordinary general meetings provide an opportunity for communication between the Shareholders and the Board; and

- The Shareholders may put forward their enquires to the Company's principal place of business in Hong Kong and to at www.forward-fashion.com by post or by email.

The Board has reviewed the implementation and effectiveness of this Policy and concluded that it is effective.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the website of the Company and the website of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the voting rights (on a one share one vote basis) in the paid up capital of the Company at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolutions specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/themselves may convene a physical meeting at only one location which will be the Principal Meeting Place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or Companies Acts of the Cayman Islands for the Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, the Shareholders may send written enquiries to the Company.

Contact Details

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

Address: Unit 5, 10/F, Tower B, 83 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong
(For the attention of the Board of Directors)

Email: ir@forward-fashion.com

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

CONSTITUTIONAL DOCUMENTS

The Company adopted the Second Amended and Restated Memorandum and Articles of the Company (the "**Constitutional Documents**") on 1 June 2023.

A copy of the Company's updated Constitutional Documents is available on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2025, there is no change to the Constitutional Documents.

The Board proposed to amend the memorandum and articles of association of the Company in order to (i) bring the Company's memorandum and articles of association in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the relevant amendments made to the Listing Rules; (ii) provide the Company with more flexibility in the manner of holding general meeting by allowing general meetings to be convened and held by way of physical meetings, hybrid meetings or solely by electronic means; (iii) allow the Company to hold repurchased shares as treasury shares for future resale; and (iv) make some housekeeping amendments. The proposed adoption of the Third Amended and Restated Memorandum and Articles of Association is subject to the approval of the Shareholders by way of a special resolution at the 2026 annual general meeting.

REPORT OF THE DIRECTORS

The directors of the Company (the "**Directors**") are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries (together the "**Group**") are principally engaged in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands through our multi-brand and multi-store business model in Mainland China, Macau, Hong Kong and Taiwan. Particulars of the principal subsidiaries of the Company are set out in Note 41 to the consolidated financial statements respectively.

An analysis of the Group's performance for the year by geographical segment is set out in Note 5 to the consolidated financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 58 to 59.

DIVIDEND

The board of the Company (the "**Board**") does not recommend the declaration of a final dividend for the year ended 31 December 2025 (2025 interim dividend (in lieu of a final dividend): Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 5 June 2026.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Monday, 1 June 2026 to Friday, 5 June 2026 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 29 May 2026. The record date for the purpose of determining the eligibility of the Shareholders to attend, speak and vote at the forthcoming annual general meeting is Friday, 5 June 2026.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in the section headed "Message from the Chairman" as well as the section headed "Management Discussion and Analysis" of this annual report respectively. Discussions on the Group's relationships with its key stakeholders are also set out in the section headed "Message from the Chairman" of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material aspects with the applicable laws and regulations that have a significant impact on the business and operation of the Group. During the year, there is no material breach of or non-compliance with the applicable laws and regulations by the Group.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its adverse environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

The environment, social and governance report of the Company for the year ended 31 December 2025 containing the information required under Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") will be published on the website of the Company and the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in accordance with the provisions of the Listing Rules.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past five years ended 31 December 2025 are set out on page 144 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 33 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity, Note 34 and Note 40(b) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 December 2025, the reserves of the Group available for distribution to the shareholders of the Group amounted to approximately HKD193 million (2024: HKD127 million).

RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with the relevant rules and regulations in the Mainland China, Macau, Hong Kong and Taiwan.

TAX RELIEF AND EXEMPTION

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements has been entered into by the Company during the year ended 31 December 2025 or subsisted at the end of the year.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Mr. Fan Wing Ting *(Chairman)*
Ms. Chen Xingyi *(Chief Executive Officer)*
Mr. Kevin Trantallis
Mr. Fong Yat Ming
Ms. Fan Tammy

Independent Non-executive Directors

Mr. Yu Chun Kau
Mr. Ng Kam Tsun
Mr. Sze Irons, *B.B.S., J.P.*

EMOLUMENTS POLICY

The Group remunerates its employees, including the Directors, on the basis of their merit, qualifications and competence. The Group's employees are subject to regular job performance reviews which determine their promotion prospects and compensation. Subject to the Group's profitability, the Group may also provide discretionary bonuses to its employees as an incentive for their contribution to the Group.

Details of the remuneration of the Directors for year ended 31 December 2025 are set out in Note 11 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors and Independent Non-executive Directors has entered into a service contract or an appointment letter with the Company. The term of the service contract for the Executive Directors is three years, while the Independent Non-executive Directors have a term of two years. The service contracts or appointment letters are effective from the date of their appointment and until terminated by either party giving not less than three months' notice in writing to the other. All of them are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association. Their emoluments are determined by the Board by reference to their experience, responsibilities and duties with the Company and shall be reviewed annually by the Remuneration Committee.

REPORT OF THE DIRECTORS

NON-COMPETITION UNDERTAKING

In order to avoid any potential competition arising between the Group and the Controlling Shareholders, Mr. Fan Wing Ting and Gold Star Fashion Limited (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the deed of non-competition with the Company on 17 December 2019 (the "**Deed of Non-competition**"). Pursuant to the Deed of Non-competition, each of the Covenantors jointly, severally, unconditionally and irrevocably warrants and undertakes to the Company (for itself and as trustee for each of its subsidiaries) that from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on the Stock Exchange; (ii) the date on which the Covenantors cease to be a Controlling Shareholder; or (iii) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued share capital of the Company, he/she/it will not, and will use his/her/its best endeavours to procure any Covenantor and his/her/its close associates (as defined in the Listing Rule and excluding the Company and its subsidiaries) ("**Controlled Person(s)**") and any Covenantor and/or any company directly or indirectly controlled by any Covenantor, excluding any member of the Group ("**Controlled Company(ies)**") not to, either on his/her/its own or in conjunction with any person, body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, for profit or not, among other things, carry on, participate in, hold, engage in, be interested in, acquire or operate (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise), or provide any form of assistance to any person, firm or company (except members of the Group) to conduct the business or activity which, directly or indirectly, compete or likely to compete with the business carried on or contemplated to be carried on by the Company or any of its subsidiaries in Mainland, Hong Kong, Macau and Taiwan and such other places as the Company or any of its subsidiaries may conduct or carry on business from time to time.

Each of the Covenantors further undertakes that if any Controlled Company(ies) is offered or becomes aware of any business opportunity (the "**New Business Opportunity**") which directly or indirectly engages in or owns any business or activity which, directly or indirectly, competes or is likely to compete with the business carried on or contemplated to be carried on by the Group, he/she/it shall notify the Group in writing, and he/she/it shall not, and shall procure that his/her/its Controlled Person(s) or Controlled Company(ies) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by the Company. The Board of Directors (including the Independent Non-executive Directors) will be responsible for reviewing and considering whether or not to take a New Business Opportunity referred by a Covenantor or Controlled Company(ies).

During the year ended 31 December 2022, the Company had received notice in writing from Mr. Fan Wing Ting in respect of a New Business Opportunity relating to investment in the Chinese Brands Platform (the "**CB Platform**") which intends to invest in clothing brand projects, including start-up clothing brand projects, for the purpose of cultivating the development of designer brands in China, which might compete with the existing and future business of the Group and which were offered to or came to be the knowledge of Mr. Fan Wing Ting. The Board of Directors (including the independent non-executive Directors) reviewed and considered whether or not to accept the New Business Opportunity relating to the CB Platform referred by Mr. Fan Wing Ting, and it was resolved that due to the high risk and funding requirement of the potential investment in the CB Platform, the Company would not invest in it and the New Business Opportunity relating to the CB Platform was unanimously rejected by the Board of Directors. After receiving the non-acceptance notice from the Company, Mr. Fan Wing Ting decided to engage in the New Business Opportunity along with Ms. Chen Xingyi and became interested in the CB Platform through the entities as set out below in the section headed "Directors' Interests in Competing Business".

REPORT OF THE DIRECTORS

The Company has received an annual written declaration signed by each of the Controlling Shareholders declaring, *inter alia,* that he/it had complied with the Deed of Non-competition during the year ended 31 December 2025 for disclosure in this annual report (the "**Annual Confirmation**").

The Independent Non-executive Directors have reviewed the Annual Confirmation and the implementation of the Deed of Non-competition during the year ended 31 December 2025 and confirm that they are not aware of any non-compliance of the Deed of Non-competition by the Controlling Shareholders during the financial year ended 31 December 2025.

The Independent Non-executive Directors have reviewed the status of compliance and declared that they are not aware of any non-compliance of the Deed of Non-competition by the Covenantors during the financial year ended 31 December 2025.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2025, interests of Directors of the Company in competing businesses required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of director	Name of company	Nature of competing businesses	Nature of interest
Mr. Fan Wing Ting	深圳致尚品牌管理有限責任公司	Fashion retail in China through the CB Platform	Director & Shareholder
	榮信貿易(深圳)有限責任公司	Fashion retail in China through the CB Platform	Shareholder
Ms. Chen Xingyi	深圳致尚品牌管理有限責任公司	Fashion retail in China through the CB Platform	Shareholder
	榮信貿易(深圳)有限責任公司	Fashion retail in China through the CB Platform	Shareholder

Having considered the size and scope of the above businesses, the Board believes that there is unlikely to be any significant competition with the business of the Group. Although Mr. Fan Wing Ting serves as a director of 深圳致尚品牌管理有限責任公司, he is not involved with the day-to-day operations of the projects that it invests in. The Board is of the view that the Group is capable of carrying on the business of the Group independent of, and at arm's length from the businesses of the above companies. When making decisions on the Group's business and in the performance of their duties as Directors of the Company, the above Directors have acted and will act in the best interest of the Group and its shareholders.

Save as disclosed above, as at 31 December 2025, none of our Directors had any interest in any business which competes or is likely to compete, either directly or indirectly with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") pursuant to the written resolutions of the Company's shareholders and Directors passed on 17 December 2019 which took effect upon on 13 January 2020 (the "**Listing Date**"). The following is a summary of the principal terms of the Share Option Scheme:

1. *Purpose of the Share Option Scheme*

   The purpose of the Share Option Scheme is to provide an incentive or reward for the Grantees (as defined below) for their contribution or potential contribution to the Group.

2. *Participants of the Share Option Scheme and the basis of determining the eligibility of the participants*

   The Board may, subject to and in accordance with the provisions of the Share Option Scheme and the Listing Rules, at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including Directors) of the Company or any of its subsidiaries, and any suppliers, customers, consultants, agents and advisors who, in the sole opinion of the Board has contributed or will contribute to the Group (collectively, the "**Eligible Participants**") and whom the Board may in its absolute discretion select and subject to such conditions as it may think fit.

3. *Life of the Share Option Scheme*

   The Share Option Scheme shall be valid and effective for a period ending on the tenth anniversary of the Listing Date (the "**Scheme Period**"), after which time no further option will be granted, but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

4. *Grant of options*

   (a) Making of offer

   An offer shall be made to an Eligible Participant by an offer document in such form as the Board may from time to time determine (the "**Offer Document**"), requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

   (b) Acceptance of offer

   An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Eligible Participant (the "**Grantee(s)**") and to have taken effect upon the issue of an option certificate after the duplicate Offer Document comprising acceptance of the option duly signed by the Grantee, together with a remittance in favour of the Company of HKD1.00 by way of consideration for the grant of the option is received by the Company on or before the last day for acceptance set out in the Offer Document. The remittance is not in any circumstances refundable and shall be deemed as part payment of the Exercise Price (as defined below). Once accepted, the option is granted as from the date on which it was offered to the Grantee (the "**Offer Date**").

REPORT OF THE DIRECTORS

(c) Restrictions on time of grant

(i) No grant of options shall be made after any inside information has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

(1) the date of the Board meeting as shall have been notified to the Stock Exchange for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules);

(2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the actual date of the results announcement for such year, half year, quarterly or interim period (as the case may be). The period during which no option may be granted will cover any period of delay in the publication of a results announcement;

(3) for so long as the shares of the Company (the "**Share(s)**") are listed on the Stock Exchange, no options may be granted to a Director on any day which financial results of the Company are published;

(4) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(5) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year.

(d) Grant to connected persons

Any grant of options to a connected person must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is also a proposed Grantee (as defined below) of the options, the vote of such independent non-executive Director shall not be counted for the purposes of approving the grant).

REPORT OF THE DIRECTORS

(e) Grant to substantial shareholders and independent non-executive directors

Without prejudice to sub-paragraph 4(c) above, any grant of options to a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates shall be subject to, in addition to the approval of the Company's independent non-executive Directors in sub-paragraph (d) above, the issue of a circular by the Company to its shareholders and the approval of the Company's shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) under the Share Option Scheme or any other scheme in the twelve (12) months period up to and including the Offer Date:

(i) would represent in aggregate more than 0.1%, or such other percentage as may from time to time be provided under the Listing Rules, of the Shares in issue on the Offer Date; and

(ii) would have an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date, in excess of HKD5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

(f) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under sub-paragraph 4(e) above, the Grantee, his associates and all core connected persons of the Company must abstain from voting. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the Articles and the relevant provisions of the Listing Rules.

(g) Performance target

The Board has the discretion to require a particular Grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There is no specific performance targets stipulated under the terms of the Share Option Scheme and the Board currently has no intention to set any specific performance targets on the exercise of any options granted or to be granted under the Share Option Scheme.

5. Exercise price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "**Exercise Price**") shall, subject to any adjustment pursuant to paragraph 7 below, be determined by the Board in its sole discretion but in any event shall be at least the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;

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

REPORT OF THE DIRECTORS

(iii) the nominal value of a Share;

provided that for the purpose of determining the Exercise Price under sub-paragraph 5(ii) above where the Shares have been listed on the Stock Exchange for less than five business days preceding the Offer Date, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each business day falling within the period before the listing of the Shares on the Stock Exchange.

6. Maximum number of Shares available for subscription

(a) Scheme limit

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue upon Listing upon Listing (the "**Scheme Limit**"). For the purpose of calculating the Scheme Limit, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(b) Renewal of scheme limit

The Company may seek approval by the Company's shareholders in general meeting for renewing the Scheme Limit provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of the Company under the Scheme Limit as renewed from time to time must not exceed 10% of the total number of Shares in issue as at the date of the Company's shareholders' approval. Options previously granted under the Share Option Scheme, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed. For the purpose of seeking the approval of the Company's shareholders under this sub-paragraph 6(b), a circular containing the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to the Company's shareholders.

(c) Grant of options beyond scheme limit

The Company may seek separate approval by the Company's shareholders in general meeting for granting options beyond the Scheme Limit provided that the options in excess of the Scheme Limit are granted only to Eligible Participants who are specifically identified by the Board before such approval is sought.

For the purpose of seeking the approval of the Company's shareholders under this sub-paragraph (6)(c), the Company must send a circular to the Company's shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

REPORT OF THE DIRECTORS

(d) Maximum number of Shares issued pursuant to the Share Option Scheme

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted under any schemes of the Company or subsidiaries if such grant will result in this 30% limit being exceeded.

(e) Grantee's maximum holding

Unless approved by the Company's shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his options during any twelve (12) months period up to the Offer Date exceed 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any twelve (12) months period up to and including the date of such further grant exceed 1% of the total number of Shares in issue, such further grant must be separately approved by the Company's shareholders in general meeting with such Grantee and his close associates (or associates if the Grantee is a connected person) abstaining from voting. The Company must send a circular to the Company's shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Exercise Price) of the options to be granted to such Grantee must be fixed before the Company's shareholders' approval. The date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Exercise Price.

(f) Adjustment

The number of Shares subject to the Share Option Scheme shall be adjusted in such manner as the Company's independent financial advisor shall certify to the Board to be appropriate, fair and reasonable in accordance with paragraph 7 below but in any event shall not result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and the other schemes exceed the limit set out in sub-paragraph 6(d).

REPORT OF THE DIRECTORS

7. Capital restructuring

(a) Adjustment of options

In the event of any capitalisation issue, rights issue, open offer (if there is a price dilutive element), sub-division or consolidation of Shares, or reduction of capital of the Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

(i) the number of Shares subject to any outstanding option;

(ii) the Exercise Price; and/or

(iii) the number of Shares subject to the Share Option Scheme;

as the approved independent financial advisor shall at the request of the Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable provided that any such alterations shall be made on the basis that a Grantee shall have as near as possible the same proportion of the equity capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all the issuers relating to share option scheme) as that to which the Grantee was previously entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate Exercise Price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustment to the Exercise Price and number of Shares should be made to the advantage of the Eligible Participants without specific prior approval of the Company's shareholders.

(b) Independent financial advisor confirmation

On any capital reorganisation, independent financial advisor shall certify in writing to the Board that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes and/or such other requirement prescribed under the Listing Rules from time to time.

8. Cancellation of options

Any cancellation of options granted but not exercised must be approved in writing by the Grantees of the relevant options. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph 9. Where the Company cancels options, the grant of new options to the same Grantee may only be made under the Share Option Scheme within the limits set out in sub-paragraphs 6(a), 6(b), and 6(e).

REPORT OF THE DIRECTORS

9. *Assignment of options*

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or attempt to do so (except that the Grantee may nominate a nominee, in whose name the Shares issued pursuant to the Share Option Scheme may be registered).

10. *Rights attached to the Shares*

Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of issue. Accordingly, such Shares will entitle the holders to have the same voting, dividend, transfer and other rights, and to participate in all dividends or other distributions paid or made on or after the date on which the allottee is registered as a member (the "**Registration Date**") other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until completion of registration of the Grantee or his nominee as the holder of such Share on the register of members of the Company.

Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

11. *Exercise of options*

Unless otherwise provided in the respective Grantee's Offer Document, an option may be exercised by a Grantee at any time or times during the period notified by the Board during which the Grantee may exercise his option(s) (the "**Option Period**") provided that:

(a) in the event of the Grantee ceasing to be an Eligible Participant for any reason other than his death, ill-health, injury, disability or the termination of his relationship with the Company and/or any of its subsidiaries on one or more of the grounds specified in sub-paragraph 12(v) below, the Grantee may exercise the option up to his entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of thirty (30) days (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a Grantee who is an Eligible Participant by reason of his employment with the Company or any of its subsidiaries, the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not);

(b) in the case of a Grantee ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of its subsidiaries under sub-paragraph 12(e) has occurred, the Grantee or the personal representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise his option in full (to the extent not already exercised);

REPORT OF THE DIRECTORS

(c) if a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), the Company shall use its best endeavours to procure that such offer is extended to all the Grantees (on the same terms *mutatis mutandis*, and assuming that they shall become, by the exercise in full of the options granted to them as Shareholders). If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes, or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within fourteen (14) days after the date on which such general offer becomes or is declared unconditional;

(d) if a compromise or arrangement between the Company and the Company's shareholders and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Act, the Company shall give notice thereof to all the Grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it dispatches to Shareholders and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to noon (Hong Kong time) on the Business Day immediately preceding the date of the general meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there is more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension; and

(e) in the event a notice is given by the Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all Grantees and thereupon, each Grantee (or in the case of the death of the Grantee, his personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already lapsed or exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid.

REPORT OF THE DIRECTORS

12. *Lapse of options*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of the periods referred to in sub-paragraphs 11(b) to (e) above;

(iii) the date of the commencement of the winding-up of the Company in respect of the situation contemplated in sub-paragraph 11(e);

(iv) the date the scheme or compromise referred to in sub-paragraph 11(d) above becomes effective;

(v) the date on which the Grantee ceases to be an Eligible Participant by reason of his resignation or dismissal, or by reason of the termination of his relationship with the Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of the Company and/or any of its subsidiaries (if so determined by the Board) on any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of the Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;

(vi) the date that is thirty (30) days after the date on which a Grantee is terminated by the Company and/or any of its subsidiaries by reasons other than termination of employment on grounds under sub-paragraph 12(v);

(vii) the date on which a Grantee commits a breach of paragraph 9 above or the options are cancelled in accordance with paragraph 8 above; or

(viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Document, if any.

13. *Alteration of the Share Option Scheme*

The terms and conditions of the Share Option Scheme and the regulations for the administration and operation of the Share Option Scheme may be altered in any respect by resolution of the Board except that:

(a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be), in respect of matters contained in Rule 17.03 of the Listing Rules, including without limitation, the definitions of "Eligible Participant", "Expiry Date", "Grantee" and "Option Period" contained in the Share Option Scheme; or

REPORT OF THE DIRECTORS

(b) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme), or any change to the authority of the Board in respect of alternation of the Share Option Scheme, must be made with the prior approval of the Company's shareholders in general meeting at which any persons to whom or for whose benefit the Shares may be issued under the Share Option Scheme and their respective associates shall abstain from voting provided that no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with:

(i) the consent in writing of the Grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or

(ii) the sanction of a special resolution.

Written notice of any alterations made in accordance with this paragraph shall be given to all Grantees.

14. Termination

The Company may by ordinary resolution in general meeting or the Board at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered or granted. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

For the year ended 31 December 2025, no share option has been granted, exercised, expired, cancelled or lapsed and there is no outstanding share option under the Share Option Scheme. Therefore the weighted average closing price of the shares immediately before the dates on which the options were exercised or vested pursuant to Rule 17.07(1) (d) of the Listing Rules is not available.

Pursuant to Rule 17.07(2) of the Listing Rules, the total number of share options available for grant under the Share Option Scheme as at 1 January 2025 and 31 December 2025 were 40,000,000 and 40,000,000 respectively.

Pursuant to Rule 17.09(3) of the Listing Rules, the total number of share options available for grant under the Share Option Scheme as at 31 December 2025 was 40,000,000 shares, representing approximately 10% of the 400,000,000 ordinary shares of the Company at issue as at 31 December, 2025, being the date of this annual report.

Pursuant to Rule 17.09(9) of the Listing Rules, as at 31 December, 2025, the remaining life of the Share Option Scheme is 5 years and one month.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year set out in Note 35 to the consolidated financial statements included transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied with.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2025, the Group had entered into the following continuing connected transactions:

Name of connected person	Nature of transaction	2025 HKD'000	2024 HKD'000
Wise Fortune Company Limited 卓智富達一人有限公司 ("**Wise Fortune**")	Interest expense paid	**1,175**	1,709
深圳致尚品牌管理有限責任公司 ("**深圳致尚**")	Provision of corporate management services	**–**	249
深圳創雅品牌管理有限責任公司 ("**深圳創雅**")	Provision of corporate management services	**–**	1,091
深圳豐如佳餐飲品牌管理諮詢中心(有限合夥) ("**深圳豐如佳**")	Provision of corporate management service	**–**	522
深圳軒之味餐飲品牌管理諮詢中心(有限合夥) ("**深圳軒之味**")	Provision of corporate management service	**–**	405
深圳創雅品牌管理有限責任公司 ("**深圳創雅**")	Sales of goods	**2**	91
Total transaction amount		**1,177**	4,066

Wise Fortune is a company incorporated in Macau which is principally engaged in commercial industry in Macau and is wholly owned by Mr. Fan. Mr. Fan is an Executive Director and the Controlling Shareholder. By virtue of Mr. Fan holding over 30% interest in Wise Fortune, Wise Fortune is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

Shun Ao Investment is a company incorporated in Macau which is principally engaged in real estate industry in Macau and is owned as to 50% by Mr. Fan, 25% by Ms. Fan Po Yuk, the sister of Mr Fan and 25% by Mr. Fong Yat Ming, the nephew of Mr. Fan. Mr. Fan is an Executive Director and the Controlling Shareholder. By virtue of Mr. Fan holding over 30% interest in Shun Ao Investment, Shun Ao Investment is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

深圳致尚 is a company incorporated in Shenzhen which is principally engaged in investment activities in China and is owned as to 80% by 榮信貿易(深圳)有限責任公司. 榮信貿易(深圳)有限責任公司 is owned as to 75% by Mr. Fan and 25% by Ms. Chen Xingyi. Mr. Fan is the sole Director and the Substantial Shareholder of 深圳致尚. By virtue of Mr. Fan holding over 30% interest in 深圳致尚, 深圳致尚 is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

深圳創雅 is a company incorporated in Shenzhen which is principally engaged in investment activities in China and is owned as to 70% by 榮信貿易(深圳)有限責任公司. 榮信貿易(深圳)有限責任公司 is owned as to 75% by Mr. Fan and 25% by Ms. Chen Xingyi. Mr. Fan is the Substantial Shareholder of 深圳創雅. By virtue of Mr. Fan holding over 30% interest in 深圳創雅, 深圳創雅 is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

深圳豐如佳 is a limited partnership incorporated in Shenzhen which is principally engaged in investment activities in China and is owned as to 78.24% by 深圳品彥餐飲品牌管理諮詢中心(有限合夥). 深圳品彥餐飲品牌管理諮詢中心(有限合夥) is owned as to 50.98% by 榮信貿易(深圳)有限責任公司. 榮信貿易(深圳)有限責任公司 is owned as to 75% by Mr. Fan and 25% by Ms. Chen Xingyi. Mr. Fan is the Substantial Shareholder of 深圳豐如佳. By virtue of Mr. Fan holding over 30% interest in 深圳豐如佳, 深圳豐如佳 is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

深圳軒之味 is a limited partnership incorporated in Shenzhen which is principally engaged in investment activities in China and is owned as to 78.24% by 深圳品彥餐飲品牌管理諮詢中心(有限合夥). 深圳品彥餐飲品牌管理諮詢中心(有限合夥) is owned as to 50.98% by 榮信貿易(深圳)有限責任公司. 榮信貿易(深圳)有限責任公司 is owned as to 75% by Mr. Fan and 25% by Ms. Chen Xingyi. Mr. Fan is the Substantial Shareholder of 深圳軒之味. By virtue of Mr. Fan holding over 30% interest in 深圳軒之味, 深圳軒之味 is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

Cooperation Agreement executed on 15 April 2015 among Twelve S.A., White S.R.L. and World First International Holdings Limited, as further supplemented on 3 October 2016 and 10 September 2018.

Name of connected person	**Nature of transaction**	**2025 HKD'000**	2024 HKD'000
White S.R.L.	Promotion, marketing and distribution of the Neil Barrett brand ready-to-wear products and accessories (with the exception of underwear, perfumes, glasses, sunglasses, children clothing, skiwear, watches, beachwear, jewels and homewear) (the "**Products**") in Macau and the PRC; and the purchase of the Products by NB China Limited (盈冠商貿有限公司) ("**NB China**") from White S.R.L.	**569**	4,186
深圳創雅品牌管理有限責任公司 ("**深圳創雅**")	Purchase of goods	**12**	217
深圳樺尚品牌管理有限責任公司 ("**深圳樺尚**")	Purchase of goods	**–**	45
Total transaction amount		**581**	4,448

Note: According to the Cooperation Agreement, the selling price, payment schedule and method, and other specific terms or conditions (if any) shall be fixed by the relevant parties in the purchase order on a case-by-case basis. The annual cap for the financial year ended 31 December 2025 is HKD38,000,000.

The purchase price for each individual purchase order shall be taken as having included (i) the quality and cost of raw materials procured by Twelve S.A. and White S.R.L.; (ii) manufacturing overhead, production time available and complexity in design and manufacturing; and (iii) labour cost. The purchase price for each individual purchase order shall be determined after arm's length negotiation among Twelve S.A., White S.R.L. and NB China from time to time with reference to the terms and conditions of exclusive distribution agreements of this kind in normal business practice.

White S.R.L. is a company incorporated in Italy which is principally engaged in fashion business. As White S.R.L. is indirectly wholly-owned by Twelve S.A. which is holding 40% equity interest in NB China, a non wholly-owned subsidiary of the Company, it is an associate of Twelve S.A. Accordingly, White S.R.L. is a connected person of the Company under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

深圳創雅 is a company incorporated in Shenzhen which is principally engaged in investment activities in China and is owned as to 70% by 榮信貿易(深圳)有限責任公司. 榮信貿易(深圳)有限責任公司 is owned as to 75% by Mr. Fan and 25% by Ms. Chen Xingyi. Mr. Fan is the Substantial Shareholder of 深圳創雅. By virtue of Mr. Fan holding over 30% interest in 深圳創雅, 深圳創雅 is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

深圳樺尚 was a company incorporated in Shenzhen which was principally engaged in investment activities in China and was owned as to 99.75% by 深圳樺尚品牌管理諮詢中心(有限合夥). 深圳樺尚品牌管理諮詢中心(有限合夥) was owned as to 70% by 榮信貿易(深圳)有限責任公司. 榮信貿易(深圳)有限責任公司 is owned as to 75% by Mr. Fan and 25% by Ms. Chen Xingyi. Mr. Fan is the Substantial Shareholder of 深圳樺尚. By virtue of Mr. Fan holding over 30% interest in 深圳樺尚, 深圳樺尚 is therefore an associate of Mr. Fan and a connected person of the Company under Chapter 14A of the Listing Rules.

Review of Continuing Connected Transactions

Pursuant to Rule 14A.55 of the Listing Rules, the continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) on normal commercial terms or better; and (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's Auditor has been engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Pursuant to Rule 14A.56 of the Listing Rules, the Auditor has issued its unqualified letter confirming that nothing has come to its attention that causes it to believe that the continuing connected transactions: (i) have not been approved by the Board; (ii) for the transactions involve the provision of goods or services by the Group, were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the respective annual cap of each of the Company's continuing connected transactions.

One-off Transactions

The following transactions have been entered into by the Group which constitute one-off transactions prior to the Listing.

Tenancy Agreement

Name of related party	**Term of lease agreements**	**Monthly rent**	**Annual rent**
Office Tenancy Agreement with Mr. Fan and Ms. Cheng King Ling executed on 30 January 2019	1/8/2022–31/7/2027	RMB151,552	RMB1,818,624
Warehouse Tenancy Agreement with Ms. Cheng King Ling executed on 17 April 2020	1/6/2024–31/5/2029	RMB10,117	RMB121,404

REPORT OF THE DIRECTORS

The Directors confirmed that the rents in respect of the above tenancy agreements (the "**Tenancy Agreements**") have been determined after arm's length negotiations between the parties with reference to the then prevailing market conditions and rental rate of similar properties in the vicinity. In this connection, the Company has engaged an independent property valuer, to assess the fairness of the rent and the terms of the Tenancy Agreements. The independent property valuer is of the opinion that the terms of the Tenancy Agreements (including rental and duration) are fair and reasonable and the rents payable thereunder reflected the prevailing market rate as at the date of commencement of the respective tenancy agreement.

Mr. Fan is the Company's Executive Director and Controlling Shareholder, and Ms. Cheng is the spouse of Mr. Fan. As such, each of Mr. Fan and Ms. Cheng is a connected person of the Company under Chapter 14A of the Listing Rules.

In accordance with IFRS 16 "Leases", the Group has recognized the value of the right-of-use assets on its balance sheet in connection with the transactions contemplated under the Tenancy Agreements, as such, the transactions contemplated thereunder would be regarded as acquisitions for the purposes of the Listing Rules.

The transactions contemplated under the Tenancy Agreements are one-off transactions entered into by Shenzhen Shouwei prior to Listing. Such transaction will not, following the Listing, constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules, and will not be subject to further requirements under the Listing Rules. The Group will comply with the relevant requirements under Chapter 14A of the Listing Rules should there be any material change to the terms thereof if the Group enters into any other connected transaction in relation thereto after the Listing.

OTHER INFORMATION

Disclosure of interests

Interests and short positions of directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were 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 which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of Shares held/ interested	Approximately percentage of shareholding in the Company
Mr. Fan Wing Ting ("**Mr. Fan**") *(Note 1)*	Interest in controlled corporation	300,000,000	75%

Note:

1. Mr. Fan owns the entire issued share capital of Gold Star Fashion Limited and he is deemed to be interested in the 300,000,000 Shares held by Gold Star Fashion Limited by virtue of the SFO.

REPORT OF THE DIRECTORS

Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

So far as the Directors and chief executive of the Company are aware, as at 31 December 2025, the following shareholders of the Company (other than the interests of the Directors and the chief executives of the Company) had interests in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Shareholders	**Capacity/ Nature of interest**	**Number of Shares held/ interested**	**Approximately percentage of shareholding in the Company**
Gold Star Fashion Limited *(Note 1)*	Beneficial owner	300,000,000	75%
Ms. Cheng King Ling *(Note 2)*	Interest of spouse	300,000,000	75%

Notes:

1. Mr. Fan owns the entire issued share capital of Gold Star Fashion Limited.

2. Ms. Cheng King Ling is the spouse of Mr. Fan. Therefore, she is deemed to be interested in all the Shares in which Mr. Fan has interest in under the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the year ended 31 December 2025, neither the 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company has been entered into or existed during the year ended 31 December 2025.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group acknowledges the importance to maintain good relationship with its employees and customers for the achievement of its short-term and long-term business objectives.

For the year ended 31 December 2025, there was no serious and material dispute between the Group and its employees, customers and suppliers.

REPORT OF THE DIRECTORS

MAJOR SUPPLIERS AND CUSTOMERS

The Group's customers are primarily retail customers in Greater China. None of the Group's customers accounted for 5% or more of the Group's total revenue for the year ended 31 December 2025 and the Group did not rely on any single customer.

During the year ended 31 December 2025, the Group's largest supplier and five largest suppliers accounted for 43.1% (2024: 34.4%) and 64.4% (2024: 66.7%) of the Group's total purchases respectively. None of the Directors or any of their respective associates or any shareholder which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers during the year ended 31 December 2025.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company or any of its subsidiaries was a party and in which any controlling shareholders had a material interest subsisted at the end of the year or at any time during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2025, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

USE OF PROCEEDS FROM THE LISTING

Details of the use of proceeds from the Listing is set out in the section headed "Management Discussion and Analysis – Use of Proceeds" of this annual report.

CHARITABLE DONATION

During the year ended 31 December 2025, the Group made charitable donation for HKD100,000 (2024: Nil).

CORPORATE GOVERNANCE

Save as disclosed in the Corporate Governance Report, the Company had complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix C1 of the Listing Rules during the year ended 31 December 2025.

Details of the corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float as required under the Listing Rules.

REPORT OF THE DIRECTORS

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Mr. Yu Chun Kau, Mr. Ng Kam Tsun and Mr. Sze Irons. Mr. Yu Chun Kau is the chairman of the Audit Committee. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2025.

AUDITOR

The consolidated financial statements for the year ended 31 December 2025 have been audited by SHINEWING (HK) CPA Limited ("**SHINEWING**"), Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for re-appointment of SHINEWING as the independent auditor of the Company will be proposed at the 2026 annual general meeting.

On behalf of the Board

Mr. Fan Wing Ting
Chairman

Hong Kong, 31 March 2026

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE MEMBERS OF FORWARD FASHION (INTERNATIONAL) HOLDINGS COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Forward Fashion (International) Holdings Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 58 to 143, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**") 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 Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**") as applicable to audits of consolidated financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Cont'd)

Valuation of inventories

Refer to Note 20 to the consolidated financial statements and the accounting policies on page 78.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2025, the carrying amount of inventories was approximately HK$210,188,000 (net of accumulated provision for impairment on inventories of approximately HK$34,815,000). Provision for impairment loss on inventories of approximately HK$21,393,000 has been recognised for the year ended 31 December 2025. We identified the valuation of inventories as a key audit matter because the carrying amount of inventories is significant to the consolidated financial statements and the valuation of inventories involved significant judgement and estimation.	Our procedures in relation to management's valuation assessment of inventories included: • Understood and evaluated the management's internal control and assessment process of valuation of inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Assessed the reasonableness of the inventories categorised by season and tested the grouping, on a sample basis; and • Assessed the reasonableness of the management estimation based on current market condition and the historical experience of selling products of similar nature, on a sample basis.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Cont'd)

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

Refer to Notes 15 and 16 to the consolidated financial statements and the accounting policies on page 86.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2025, the Group had property, plant and equipment and right-of-use assets of approximately HK$99,699,000 and HK$108,575,000 respectively. During the year ended 31 December 2025, the Group provided the impairment loss of approximately HK$2,791,000 and HK$10,304,000 to property, plant and equipment and right-of-use assets, respectively. We identified impairment of property, plant and equipment and right-of-use assets of which the carrying amounts of property, plant and equipment and right-of-use assets are significant to the consolidated financial statements and the impairment of property, plant and equipment and right-of-use assets involved significant judgement and estimation.	Our procedures in relation to management's impairment assessment of property, plant and equipment and right-of-use assets included: • Understood and evaluated management's internal controls and assessment process of property, plant and equipment and right-of-use assets and assess the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Challenged the appropriateness of the impairment indicators set by management; • Checked, on a sample basis, whether cash generating unit with impairment indicators were identified for impairment testing; • Challenged the key assumptions used in the value-in-use calculations by applying our knowledge of the business and industry, comparing the cash flow forecasts with the historical actual performance results of the stores, discussing business plans with senior management, performing market research on revenue growth rates, gross margins and store costs, and involving our valuation experts to evaluate the discount rate; and • Tested management sensitivity analysis in relation to those assumptions and key inputs to the impairment assessment.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE 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 IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Audit committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

From the matters communicated with 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 Chan Wing Kit.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
31 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2025	2024
	Notes	**HK$'000**	HK$'000
Revenue	*6*	**870,175**	938,315
Cost of sales		**(456,269)**	(517,540)
Gross profit		**413,906**	420,775
Selling and marketing expenses		**(267,027)**	(394,542)
General and administrative expenses		**(76,055)**	(93,316)
Other income and gains – net	*7*	**8,257**	1,311
Operating profit/(loss)		**79,081**	(65,772)
Finance income		**529**	1,989
Finance costs		**(13,033)**	(17,139)
Finance costs – net	*8*	**(12,504)**	(15,150)
Profit/(loss) before income tax		**66,577**	(80,922)
Income tax expense	*9*	**(6,626)**	(4,155)
Profit/(loss) for the year	*10*	**59,951**	(85,077)
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Change in the fair value of equity investment at fair value through other comprehensive income		**–**	(602)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**6,052**	(1,715)
Other comprehensive income/(expense) for the year		**6,052**	(2,317)
Total comprehensive income/(expense) for the year		**66,003**	(87,394)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2025	2024
	Notes	**HK$'000**	HK$'000
Profit/(loss) for the year attributable to:			
– Owners of the Company		**57,673**	(76,891)
– Non-controlling interests		**2,278**	(8,186)
		59,951	(85,077)
Total comprehensive income/(expense) for the year attributable to:			
– Owners of the Company		**63,622**	(79,665)
– Non-controlling interests		**2,381**	(7,729)
		66,003	(87,394)
Earnings/(losses) per share			
Basic and diluted (HK$)	*14*	**0.14**	(0.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of 31 December	
		2025	2024
	Notes	**HK$'000**	HK$'000
Non-current assets			
Property, plant and equipment	*15*	**99,699**	111,388
Right-of-use assets	*16*	**108,575**	208,090
Intangible assets	*17*	**3,277**	3,785
Financial asset at fair value through other comprehensive income	*18*	**–**	–
Deferred tax assets	*19*	**14,144**	10,545
Prepayments	*22*	**21,265**	13,231
Other receivables and deposits	*23*	**17,568**	20,105
		264,528	367,144
Current assets			
Inventories	*20*	**210,188**	252,048
Trade receivables	*21*	**49,637**	61,698
Prepayments	*22*	**18,911**	22,317
Amounts due from related parties	*35*	**6,575**	5,840
Other receivables and deposits	*23*	**27,618**	25,313
Pledged bank deposits	*25*	**18,108**	5,556
Term deposits with initial term of over three months	*26*	**1,312**	36,308
Cash and cash equivalents	*24*	**76,440**	46,225
		408,789	455,305
Current liabilities			
Trade and other payables	*27*	**169,130**	198,770
Amounts due to related parties	*35*	**32,129**	32,158
Other current liabilities	*28*	**10,195**	7,736
Contract liabilities	*29*	**6,465**	11,558
Lease liabilities	*30*	**62,840**	91,162
Provisions	*31*	**4,647**	5,513
Borrowings	*32*	**27,102**	72,263
		312,508	419,160
Net current assets		**96,281**	36,145
		360,809	403,289

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As of 31 December 2025 HK$'000	2024 HK$'000
Capital and reserves			
Share capital	33	**4,000**	4,000
Share premium		**859,232**	859,232
Reserves	34	**(598,231)**	(604,252)
Accumulated losses		**(52,231)**	(109,832)
Equity attributable to owners of the Company		**212,770**	149,148
Non-controlling interests		**(15,517)**	(17,898)
Total equity		**197,253**	131,250
Non-current liabilities			
Amounts due to related parties	35	**65,812**	102,563
Other non-current liabilities	28	**11,952**	8,515
Lease liabilities	30	**55,584**	123,854
Provisions	31	**7,817**	12,794
Borrowings	32	**18,252**	24,210
Deferred tax liabilities	19	**4,139**	103
		163,556	272,039
		360,809	403,289

The consolidated financial statements on pages 58 to 143 were approved and authorised for issue by the board of directors on 31 March 2026 and are signed on its behalf by:

Mr. Fan Wing Ting **Ms. Chen Xingyi**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Reserves HK$'000 *(Note 34)*	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2025	**4,000**	**859,232**	**(604,252)**	**(109,832)**	**149,148**	**(17,898)**	**131,250**
Total comprehensive income for the year							
Profit for the year	–	–	–	57,673	57,673	2,278	59,951
Currency translation differences	–	–	5,949	–	5,949	103	6,052
	–	–	5,949	57,673	63,622	2,381	66,003
Transaction with equity holders of the Company							
Appropriation to reserve	–	–	72	(72)	–	–	–
At 31 December 2025	**4,000**	**859,232**	**(598,231)**	**(52,231)**	**212,770**	**(15,517)**	**197,253**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Reserves HK$'000 *(Note 34)*	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2024	4,000	859,232	(601,667)	(32,752)	228,813	(10,169)	218,644
Total comprehensive (expense)/income for the year							
Loss for the year	–	–	–	(76,891)	(76,891)	(8,186)	(85,077)
Changes in the fair value of financial assets at fair value through other comprehensive income	–	–	(602)	–	(602)	–	(602)
Currency translation differences	–	–	(2,172)	–	(2,172)	457	(1,715)
	–	–	(2,774)	(76,891)	(79,665)	(7,729)	(87,394)
Transaction with equity holders of the Company							
Appropriation to reserve	–	–	189	(189)	–	–	–
At 31 December 2024	4,000	859,232	(604,252)	(109,832)	149,148	(17,898)	131,250

CONSOLIDATED STATEMENT OF CASH FLOWS

	2025 HK$'000	2024 HK$'000
OPERATING ACTIVITIES		
Profit/(loss) before income tax	**66,577**	(80,922)
Adjustment for:		
Depreciation and amortisation	**128,743**	152,469
Finance costs	**13,033**	17,139
Provision for impairment loss on property, plant and equipment and right-of-use assets	**13,095**	14,542
Provision for/(reversal of) impairment loss on inventories	**21,393**	(1,630)
Provision for impairment loss on trade receivables	**18**	455
Provision for impairment loss on other receivables	**367**	–
Gain on disposal of property, plant and equipment	**(11,476)**	(2,801)
Loss on written off of property, plant and equipment	**–**	510
Loss on disposal of intangible assets	**64**	–
Finance income	**(529)**	(1,989)
Gains on the early termination of right-of-use assets and lease liabilities	**(13,773)**	(997)
Operating cash flows before movements in working capital	**217,512**	96,776
Decrease in inventories	**24,408**	57,478
Decrease/(increase) in trade receivables	**12,714**	(14,451)
(Increase)/decrease in prepayments	**(8,775)**	2,387
Increase in amounts due from related parties	**(735)**	(4,752)
Decrease in other receivables and deposits	**727**	2,510
(Increase)/decrease in pledged bank deposits	**(12,552)**	10,803
Decrease in trade and other payables	**(36,616)**	(19,003)
Decrease in amounts due to related parties	**(29)**	(18)
Increase/(decrease) in other current/non-current liabilities	**6,134**	(5,510)
(Decrease)/increase in contract liabilities	**(5,093)**	6,889
Decrease in provisions	**(6,724)**	(9,254)
Cash generated from operations	**190,971**	123,855
Income taxes refunded/(paid)	**787**	(3,680)
NET CASH FROM OPERATING ACTIVITIES	**191,758**	120,175

CONSOLIDATED STATEMENT OF CASH FLOWS

	2025 HK$'000	2024 HK$'000
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**15,000**	16,237
Withdrawal of term deposits with initial term of over three months	**34,996**	46,303
Placement of term deposits with initial term of over three months	**–**	(36,308)
Interest income received	**529**	1,989
Purchase of intangible assets	**(227)**	–
Payment for franchising fee	**–**	(5,039)
Purchase of property, plant and equipment	**(31,537)**	(38,024)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**18,761**	(14,842)
FINANCING ACTIVITIES		
Proceeds from new borrowings	**95,103**	199,952
Repayment of borrowings	**(146,768)**	(183,086)
Interest paid of borrowings	**(5,331)**	(6,873)
Loans from related parties	**–**	15,733
Repayment of loans from related parties	**(36,751)**	(36,896)
Interest paid of loans from related parties	**(1,175)**	(1,709)
Repayment for the principal portion of lease liabilities	**(79,151)**	(111,249)
Payment for the interest portion of the lease liabilities	**(6,527)**	(8,557)
NET CASH USED IN FINANCING ACTIVITIES	**(180,600)**	(132,685)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**29,919**	(27,352)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**46,225**	73,298
Effect of exchange rate changes	**296**	279
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR *(Note 24)*	**76,440**	46,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Forward Fashion (International) Holdings Company Limited (the "**Company**") was incorporated in the Cayman Islands on 16 May 2019. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company and its subsidiaries (hereinafter collectively refer to as the "**Group**") are principally engaged in the retail, wholesale, provision of store management service of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands through its multi-brand and multi-store business model in Chinese Mainland, Macau and Hong Kong and catering service in Macau.

The immediate and ultimate holding company of the Company is Gold Star Fashion Limited, a company incorporated in the British Virgin Islands (the "**BVI**") and is wholly-owned by Mr. Fan Wing Ting ("**Mr. Fan**"), the ultimate controlling shareholder (the "**Controlling Shareholder**") of the Group.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 January 2020.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

Other than those subsidiaries established in the Chinese Mainland whose functional currency is Renminbi ("**RMB**"), the functional currency of the remaining subsidiaries is HK$.

2. APPLICATION OF AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Application of amendments to IFRS Accounting Standards

In the current year, the Group has applied, for the first time, the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**") which are effective for the Group's financial year beginning on 1 January 2025:

Amendments to IAS 21	Lack of Exchangeability

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. APPLICATION OF AMENDMENTS TO IFRS ACCOUNTING STANDARDS (Cont'd)

New and amendments to IFRS Accounting Standards issued but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 January 2026.
[2] Effective for annual periods beginning on or after 1 January 2027.
[3] Effective for annual periods beginning on or after a date to be determined.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS 18, and the consequential amendments to other IFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of the IFRS 18 is not expected to have material impact on the financial position of the Group. The directors of the Company are in the process of making an assessment of the impact of IFRS 18, but is not yet in a position to state whether the adoption would have a material impact on the presentation and disclosures of consolidated financial statements of the Group.

Except for the new IFRS Accounting Standards mentioned above, the directors of the Company anticipate that the application of the other amendments to IFRS Accounting Standards will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with accounting policies which conform to IFRS Accounting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

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

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

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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

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

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

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 entities of the Group and any unrealised profits arising from intra-group transactions are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Goodwill on acquisitions of subsidiaries is included in "intangible assets".

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Revenue from contracts with customers (Cont'd)

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

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

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties and sales related taxes.

The Group recognised revenue for the following major sources:

- Sales of goods – retail

- Sales of goods – wholesale

- Store management service

- Catering service

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Revenue from contracts with customers (Cont'd)

(i) Sales of goods – retail

The Group operates a chain of retail outlets for selling a lot of different brands of luxury apparel and accessories. Revenue is recognised at the point when the apparel and accessories are accepted by the customer.

Payment of the transaction price is due immediately when the customer purchases the apparel and accessories and takes delivery in store. Although the end customer has a right of return within 7 days, based on accumulated experience, the returns were insignificant for years and it is highly unlikely that a significant reversal in the cumulative revenue recognised will occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

(ii) Sales of goods – wholesale

The Group sells limited brands of luxury apparel and accessories in the wholesale market. Sales are recognised when control of the apparel and accessories has been transferred, being when the goods are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the wholesalers' acceptance of the goods.

Delivery occurs when the wholesaler has accepted the good in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue recognised at the point when the goods are accepted by the wholesaler.

(iii) Store management service

The Group provides store management service to other retail customers over a specific period of time and earns a variable fee calculated based on an agreed percentage of the store turnover. There is no minimum management fee entitled by the Group, e.g. fixed per day. The management fee is recognised and billed to customers based on the store turnover in that month.

Revenue from the provision of store management services is recognised over a specific period on a straight-line basis because the customer simultaneously receives the benefits provided by the Group.

(iv) Catering service

The Group operates restaurants for selling of food and beverages. Sales are recognised at the point when the Group sells the food and beverages to the customer.

Payment of the transaction price is due immediately when the customer purchases the food and beverages and takes delivery in restaurants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Revenue from contracts with customers (Cont'd)

Contract liabilities

Certain wholesale customers are required to pay down deposit upon entering into a contract, and such advance payment from customers are classified as contract liabilities and are recognised as revenue at the point in time when the goods are transferred to the wholesale customer.

The reward points under customer loyalty program is recorded as contract liabilities, and reflect the value that is expected to be redeemed.

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date of a lease, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Leasing (Cont'd)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore an underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under IAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

The Group applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment losses.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in selling and marketing expenses in the consolidated statement of profit or loss and other comprehensive income.

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive expense and accumulated in equity under the heading of "currency translation differences".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Subsidies from franchisers and shopping malls

Subsidies are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the subsidies will be received.

Subsidies are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the subsidies are intended to compensate.

Subsidies from the franchisers for reimbursement of rental and stores decoration without any commitment of future purchases from franchisers are included in other current/non-current liabilities and are credited to profit or loss under "selling and marketing expenses" on a straight-line basis over the expected leasing term of related stores or franchise period.

Subsidies from the shopping malls for reimbursement of stores decoration are included in other current/non-current liabilities and are credited to profit or loss under "selling and marketing expenses" on a straight-line basis over the expected leasing term of related stores.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Employee benefits

(i) Salaries and allowances

Salaries and allowances include wages, salaries and bonuses expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related services. These are recognised as an expense in the period in which the related services are rendered. A liability is recognised for the amount expected to be paid where the Group has a present legal or constructive obligation as a result of services rendered by employees and the obligation can be measured reliably.

(ii) Contributions to Retirement Benefits Schemes and Other Benefits

The Group participates in defined contribution retirement benefit plans in the jurisdictions in which it operates.

In the PRC, the Group and its employees are required to make monthly contributions to government-organised retirement benefit plans calculated as a percentage of salaries, subject to certain ceilings. The relevant government authorities undertake the retirement benefit obligations. The Group's contributions are expensed as incurred.

In Hong Kong, the Group participates in the Mandatory Provident Fund Scheme. Mandatory contributions are fully vested in employees upon payment and the Group has no further obligation thereafter.

In Macau, the Group makes fixed contributions to the Social Security Fund. The Macau government assumes the social security benefit obligations and the Group has no further obligation beyond the prescribed contributions.

For other defined contribution plans, the Group pays contributions on a mandatory, contractual or voluntary basis and has no further payment obligations once the contributions have been paid. Contributions are recognised as an expense when due.

Social security costs, housing fund contributions, medical insurance, other staff welfare and other non-monetary benefits are expected to be settled within 12 months and are recognised as an expense in the period services are rendered. A liability is recognised when a present obligation exists and can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Taxation

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

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

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

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

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

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

The Group applies IAS 12 "Income Taxes" requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

Current and deferred tax are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

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

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Intangible assets (Cont'd)

Intangible assets acquired separately (Cont'd)

(i) Software

Costs associated with maintaining the software programs are recognised as an expense as incurred. Separately acquired software are shown at historical cost.

(ii) License rights

They are initially measured at fair value of the consideration given to acquire at the time of the acquisition. The consideration given represents the capitalised present values of the fixed minimum periodic payments to be made in subsequent years in respect of the acquisition of the license rights.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(i) Trademarks

Trademark acquired in a business combination is recognised at fair value at the acquisition date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value of inventories represents the estimated selling price and costs necessary to make the sale.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 24.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash at banks and on hand, as defined above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Investments in subsidiaries

Investments in subsidiaries are stated in the statement of financial position of the Company at cost less accumulated impairment loss.

Financial instruments

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

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

Financial assets

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

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group's financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**").

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.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Financial assets at amortised cost (debt instruments) (Cont'd)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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

Interest income is recognised in profit or loss and is included in the "finance income" line item (Note 8).

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line items in profit of loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("**ECL**") on debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group has the following types of financial assets subject to expected credit loss model:

– trade receivables;

– other receivables and deposits;

– amounts due from related parties

– pledged bank deposits;

– term deposits with initial term of over three months; and

– cash and cash equivalents.

While cash and cash equivalents, term deposits with initial term of over three months and pledged bank deposits are subject to the impairment requirements of IFRS 9 "Financial Instruments" ("**IFRS 9**"), the identified impairment loss was immaterial.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and amounts due from related parties, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

Impairment of other receivables and deposits is measured as 12-month expected credit losses. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Significant increase in credit risk

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Significant increase in credit risk (Cont'd)

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the Borrower's financial difficulty, having granted to the borrower a concession(s) that the Lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Provisions (Cont'd)

Provisions for reinstatement of premises have been recognised at the beginning of the lease. Provision for reinstatement of premises are measured at the present value of the directors' best estimated expenditure required to restore the leased premises to their original condition at the end of the respective lease terms. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

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

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Fair value measurement

When measuring fair value, expect for leasing transaction, net realisable value of inventories and the value in use of assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Fair value measurements are those derived from quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the end of the reporting period, the Group determines whether transfers occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Group are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty

The followings are 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 resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Net realisable value of inventories

The Group makes provision for inventories based on an assessment of the net realisable value, which was determined based upon different seasons of the inventories focusing on seasonality and market conditions. Provision for inventories is recorded where events or changes in circumstances indicate that the carrying amount of inventories will not be fully realised. The identification and quantification of inventory provisions requires the use of judgement and estimates. These estimates are based on the estimated subsidies rebate, current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and write-downs of inventories in the year in which such estimates have been changed. Management reassesses these estimates at the end of each period.

As at 31 December 2025, the carrying amount of inventories was approximately HK$210,188,000 (2024: HK$252,048,000), net of accumulated provision for impairment on inventories of approximately HK$34,815,000 (2024: HK$13,422,000). Provision for impairment on inventories of approximately HK$21,393,000 (2024: Reversal of provision for impairment of approximately HK$1,630,000) has been recognised for the year ended 31 December 2025.

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

At the end of each reporting period, the Group reviews the information to identify indications that property, plant and equipment and right-of-use assets may be impaired. The Group considered each retail store to be a cash generating unit ("**CGU**") and determined the recoverable amount of a CGU using the value in use model. Management judgement is required in the area of impairment on property, plant and equipment and right-of-use assets, particularly in assessing whether: (1) an event has occurred that may affect asset values; (2) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (3) the cash flow is discounted using an appropriate rate. An impairment loss of property, plant and equipment and right-of-use assets is established when there is objective evidence that the carrying amount of property, plant and equipment and right-of-use assets exceeds its recoverable amount.

In assessing whether there is any indication that an asset might be impaired, management considers information including that trading performance of the CGU. Management has performed discounted cash flow analysis on the CGU with impairment indicators and the recoverable amounts were determined based on value-in-use calculations of these CGU. Key assumptions used in the calculations including the revenue growth rate, gross margin, costs such as rent, payroll costs and general operating costs and discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Impairment on property, plant and equipment and right-of-use assets (Cont'd)

As at 31 December 2025, the Group had property, plant and equipment and right-of-use assets of approximately HK$99,699,000 (2024: HK$111,388,000) and HK$108,575,000 (2024: HK$208,090,000) respectively. During the year ended 31 December 2025, the Group provided impairment loss of approximately HK$2,791,000 (2024: HK$5,101,000) on property, plant and equipment and provided impairment loss of approximately HK$10,304,000 (2024: HK$9,441,000) on right-of-use assets.

Current and deferred income taxes

The Group is subject to income taxes in certain jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

For temporary differences and tax losses which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognised based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future. As at 31 December 2025, deferred tax assets of HK$2,128,000 and HK$28,627,000 (2024: HK$5,289,000 and HK$32,879,000) in respect of unused tax losses and temporary differences have been recognised respectively.

Estimation of useful life of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charge where useful lives are materially different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in the future periods. Details of the useful life are disclosed in Note 15.

Provision for reinstatement of premises

Most of the Group's retail stores are leased under operating lease and are subject to reinstatement obligation as stipulated in the lease agreements. Management assesses the amount of provision made for each store and offices based on various factors, including the size of the retail stores, the complexity of refurbishment and specific requirements from landlords. The Group's management assesses the adequacy of such provision at the end of each reporting period. As at 31 December 2025, the carrying amount of such provision was approximately HK$12,464,000 (2024: HK$18,307,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms. The Group estimates the IBR using observable inputs (such as risk-free rates) when available and is required to make certain entity-specific estimates.

Unredeemed balance of loyalty program

Under the Group's customer loyalty program, customers who participate in the loyalty program can earn one reward point for every dollar of their spending. For 100 points earned, customers can redeem one dollar. Rewards points expire one year after the point earned. The Group estimates and measures the fair value of award credits by reference to the fair value of the awards for which they could be redeemed taking into account of the value of unredeemed balance and the proportion of award credits that are not expected to be redeemed by customers.

As at 31 December 2025, the carrying amount of unredeemed balance of loyalty program was approximately HK$2,647,000 (2024: HK$3,545,000). The information about the Group's unredeemed balance of loyalty program is disclosed in Note 29.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, consumer price index, deposit reserve ratio, inflation rate and rate of unemployment) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. As at 31 December 2025, the carrying amount of trade receivables was approximately HK$49,637,000 (2024: HK$61,698,000), net of accumulated allowance for impairment of approximately HK$789,000 (2024: HK$771,000). Provision for impairment loss of approximately HK$18,000 (2024: HK$455,000) on trade receivables has been recognised for the year ended 31 December 2025. The information about the ECLs on the Group's trade receivables is disclosed in Note 37.1(b)(ii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION

The Group is principally engaged in the retail, wholesale, provision of store management service of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands through its multi-brand and multi-store business model in Chinese Mainland, Macau and Hong Kong and catering service in Macau. The performance of the Group's retail stores is subject to seasonal fluctuations and certain holiday seasons.

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the executive directors of the Company, being the chief operating decision-maker ("**CODM**"). The CODM considers the business from geographic perspective and assesses the performance of the geographical segments mainly based on segment revenues, segment result, segment assets and segment liabilities.

The revenues from external customers reported to CODM are measured as segment revenues, which are the revenues derived from customers of each segment.

Segment result is equal to revenue from external customers deducted by cost of sales and selling and marketing expenses from each segment.

Non-current assets is presented based on the geographic location of the assets. Non-current assets excluded financial instruments and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (Cont'd)

The segment information for the years ended 31 December 2024 and 2025 are as follows:

Year ended 31 December 2025

	Chinese Mainland HK$'000	Macau HK$'000	HK and others HK$'000	Total HK$'000
Segment revenue	287,848	590,029	41,092	918,969
Inter-segment revenue (*note*)	(2,393)	(42,058)	(4,343)	(48,794)
Revenue from external customers	285,455	547,971	36,749	870,175
Cost of sales	(176,057)	(254,792)	(25,420)	(456,269)
Selling and marketing expenses	(101,539)	(142,944)	(22,544)	(267,027)
Segment result	7,859	150,235	(11,215)	146,879
General and administrative expenses				(76,055)
Other income and gains – net				8,257
Finance income				529
Finance costs				(13,033)
Finance costs – net				(12,504)
Profit before income tax				66,577
Depreciation and amortisation	(24,215)	(94,807)	(9,721)	(128,743)
Impairment provision of property, plant and equipment and right-of-use assets	(325)	(12,770)	–	(13,095)
Provision for impairment on inventories	(8,682)	(12,711)	–	(21,393)
Provision for impairment loss on trade and other receivables	(209)	(176)	–	(385)
Segment non-current assets	51,315	187,315	11,754	250,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (Cont'd)

The segment information for the years ended 31 December 2024 and 2025 are as follows: (Cont'd)

Year ended 31 December 2024

	Chinese Mainland HK$'000	Macau HK$'000	HK and others HK$'000	Total HK$'000
Segment revenue	396,554	490,901	91,450	978,905
Inter-segment revenue *(note)*	(6,843)	(23,697)	(10,050)	(40,590)
Revenue from external customers	389,711	467,204	81,400	938,315
Cost of sales	(234,482)	(223,421)	(59,637)	(517,540)
Selling and marketing expenses	(158,447)	(191,634)	(44,461)	(394,542)
Segment result	(3,218)	52,149	(22,698)	26,233
General and administrative expenses				(93,316)
Other income and gains – net				1,311
Finance income				1,989
Finance costs				(17,139)
Finance costs – net				(15,150)
Loss before income tax				(80,922)
Depreciation and amortisation	(36,554)	(99,630)	(16,285)	(152,469)
Impairment provision of property, plant and equipment and right-of-use assets	(2,776)	(5,995)	(5,771)	(14,542)
Reversal of provision for (provision for) impairment of inventories	1,856	(226)	–	1,630
Impairment loss on trade receivables	(193)	(182)	(80)	(455)
Segment non-current assets	34,583	289,849	12,062	336,494

Note: The inter-segment revenue are sold at cost.

The accounting policies of the geographical segments are the same as the Group's accounting policies described in Note 3. Segment result represents the result of each segment without allocation of general and administrative expenses, other income and gains – net, finance income and finance costs.

The Group has a large number of customers. Revenue from one of these customers (2024: nil) amounted to approximately HK$213,549,000, representing 10% or more of the Group's total revenue. This revenue was attributable to the Macau segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by geographical segment:

	2025	2024
	HK$'000	HK$'000
Segment assets		
Chinese Mainland	**225,937**	228,076
Macau	**323,103**	463,443
HK and others	**28,417**	42,841
Total segment assets	**577,457**	734,360
Unallocated corporate assets	**95,860**	88,089
Consolidated assets	**673,317**	822,449
Segment liabilities		
Chinese Mainland	**142,154**	96,169
Macau	**204,893**	361,481
HK and others	**17,851**	25,956
Total segment liabilities	**364,898**	483,606
Unallocated corporate liabilities	**111,166**	207,593
Consolidated liabilities	**476,064**	691,199

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to geographical segments other than pledged bank deposits, term deposits with initial term of over three months, cash and cash equivalents; and

- all liabilities are allocated to geographical segments other than borrowings and loans from related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE

(a) Disaggregation of revenue by business line and nature

	2025 HK$'000	2024 HK$'000
Revenue from contracts with customers within the scope of IFRS 15		
Retail	**589,612**	724,760
Store management service	**238,149**	136,312
Catering service	**40,916**	35,562
Wholesale	**1,498**	41,681
Total	**870,175**	938,315

(b) Disaggregation of revenue from contracts with customers by timing of revenue recognition

	2025 HK$'000	2024 HK$'000
At a point in time	**632,026**	802,003
Overtime	**238,149**	136,312
Total	**870,175**	938,315

7. OTHER INCOME AND GAINS – NET

	2025 HK$'000	2024 HK$'000
Gains on the early termination of right-of-use assets and lease liabilities *(Notes 16 and 30)*	**13,773**	997
Net exchange losses	**(5,801)**	(358)
Net gain on disposal of property, plant and equipment	**11,476**	2,801
Loss on written off of property, plant and equipment	**–**	(510)
Loss on disposal of intangible assets	**(64)**	–
Others	**(11,127)**	(1,619)
	8,257	1,311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. FINANCE COSTS – NET

	2025 HK$'000	2024 HK$'000
Finance income		
– Interest income	**529**	1,989
Finance costs		
– Interest on lease liabilities	**(6,527)**	(8,557)
– Other interests	**(6,506)**	(8,582)
	(13,033)	(17,139)
Finance costs – net	**(12,504)**	(15,150)

9. INCOME TAX EXPENSE

(a) *Income tax expense*

	2025 HK$'000	2024 HK$'000
Current income tax		
– Macau	**7,096**	449
– Chinese Mainland	**82**	102
	7,178	551
Deferred income tax related to the temporary differences *(Note 19)*	**(552)**	3,604
	6,626	4,155

The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands

Under the prevailing laws of the Cayman Islands, the Group is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Group to its shareholders.

British Virgin Islands

The Group's entities incorporated in the British Virgin Islands are not subject to tax on income or capital gains.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAX EXPENSE (Cont'd)

(a) Income tax expense (Cont'd)

Hong Kong

In accordance with the two-tiered profits tax rates regime, for a subsidiary entitled to this benefit, Hong Kong profits tax was calculated at 8.25% on the first HK$2 million and 16.5% on the remaining balance of the estimated assessable profits for the years ended 31 December 2025 and 2024. For other Hong Kong incorporated subsidiaries, Hong Kong profits tax was calculated at 16.5%.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2025 and 2024 as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both years.

Chinese Mainland corporate income tax ("**CIT**")

CIT was made on the estimated assessable profits of the entities within the Group incorporated and operated in Chinese Mainland and was calculated in accordance with the relevant tax rules and regulations of Chinese Mainland. The general CIT rate is 25% for the years ended 31 December 2024 and 2025.

Macau

The entities within the Group incorporated and operating in Macau are subject to Macau profits tax at progressive rates ranging from 3% to 9% on the taxable income above MOP 32,000 but below MOP300,000 and thereafter at a fixed rate of 12%. In addition, a special tax incentive has provided to effect that tax free income threshold amounting to MOP600,000 for the years ended 31 December 2024 and 2025.

Taiwan

The entity within the Group operating in Taiwan is subject to Taiwan profits tax at the rate of 20% for the years ended 31 December 2024 and 2025.

No provision for Taiwan Profits Tax has been made for the years ended 31 December 2025 and 2024 as the Group did not have any assessable profits subject to Taiwan Profits Tax for both years.

Singapore

The entities within the Group incorporated and operating in Singapore are subject to Singapore corporate income tax at the rate of 17% for the year ended 31 December 2025.

No provision for Singapore corporate income tax has been made for the year ended 31 December 2025 as the relevant entity did not have any assessable profits subject to Singapore corporate income tax.

Malaysia

The entities within the Group incorporated and operating in Malaysia are subject to Malaysia corporate income tax. The applicable corporate income tax rate is 24%. Certain entities may qualify for preferential tax rates on the first tranche of chargeable income, subject to the conditions prescribed under the relevant Malaysian tax regulations.

No provision for Malaysia corporate income tax has been made for the year ended 31 December 2025 as the relevant entity did not generate assessable profits subject to Malaysia corporate income tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAX EXPENSE (Cont'd)

(a) Income tax expense (Cont'd)

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the People's Republic of China (the "**PRC**"), distribution to foreign investors of profits earned by PRC companies since 1 January 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies.

(b) Numerical reconciliation of income tax expense

	2025	2024
	HK$'000	HK$'000
Profit/(loss) before income tax	**66,577**	(80,922)
Tax calculated at applicable statutory tax rate of respective entities	**5,250**	(16,034)
Withholding income tax on the profits to be distributed by the group companies in the Chinese Mainland	**2**	2
Tax effect of unrecognised tax losses	**12,008**	19,472
Utilisation of previously unrecognised tax losses	**(5,813)**	(1,953)
Items (non-taxable)/not deductible for tax purposes, net	**(4,821)**	2,668
Income tax expense	**6,626**	4,155

The weighted average applicable tax rate is influenced by the change in the profitability of the Group's subsidiaries in the respective regions. There is no change of the tax rate of the respective regions during for the years ended 31 December 2024 and 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging (crediting):

	2025	2024
	HK$'000	HK$'000
Directors' emoluments *(Note 11)*	**7,806**	7,484
Salaries and allowances (excluding directors' emoluments)	**122,648**	158,607
Contributions to retirement benefits scheme and other benefits (excluding directors' emoluments)	**17,313**	16,608
Total staff costs	**147,767**	182,699
Auditor's remuneration	**1,885**	1,890
Cost of inventories (included in cost of sales)	**410,452**	449,866
Provision for impairment loss on right-of-use assets	**10,304**	9,441
Provision for impairment loss on property, plant and equipment	**2,791**	5,101
Provision for impairment loss on trade and other receivables	**385**	455
Provision for/(reversal of) impairment on inventories (included in cost of sales)	**21,393**	(1,630)
Depreciation of property, plant and equipment	**37,437**	39,312
Amortisation of intangible assets		
– included in selling and marketing expenses	**–**	505
– included in administrative expense	**754**	1,137
Amortisation of prepayments for franchising fee (included in selling and marketing expenses)	**4,209**	5,640
Other current and non-current liabilities recognised in consolidated statement of profit or loss	**(25,322)**	(7,987)
Depreciation of right-of-use assets	**86,343**	105,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. DIRECTORS' EMOLUMENTS

Year ended 31 December 2025

	Fees HK$'000	Salaries and allowances HK$'000	Contributions to retirement benefits scheme and other benefits HK$'000	Total HK$'000
Chairman and executive director:				
Mr. Fan Wing Ting	–	2,400	–	2,400
Executive directors:				
Ms. Chen Xingyi	–	1,482	62	1,544
Mr. Kevin Trantallis	–	1,200	18	1,218
Mr. Fong Yat Ming	–	1,290	16	1,306
Ms. Fan Tammy	–	600	18	618
Independent non-executive directors:				
Mr. Yu Chun Kau	240	–	–	240
Mr. Ng Kam Tsun	240	–	–	240
Mr. Sze Irons	240	–	–	240
	720	6,972	114	7,806

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. DIRECTORS' EMOLUMENTS (Cont'd)

Year ended 31 December 2024

	Fees HK$'000	Salaries and allowances HK$'000	Contributions to retirement benefits scheme and other benefits HK$'000	Total HK$'000
Chairman and executive director:				
Mr. Fan Wing Ting	–	2,400	–	2,400
Executive directors:				
Ms. Chen Xingyi	–	1,315	55	1,370
Mr. Kevin Trantallis	–	1,200	18	1,218
Mr. Fong Yat Ming	–	1,146	12	1,158
Ms. Fan Tammy	–	600	18	618
Independent non-executive directors:				
Mr. Yu Chun Kau	240	–	–	240
Mr. Ng Kam Tsun	240	–	–	240
Mr. Sze Irons	240	–	–	240
	720	6,661	103	7,484

No retirement or termination benefits have been paid to the Group's directors for the years ended 31 December 2024 and 2025, respectively.

No loans, quasi-loans or other dealings were entered into by the Group in favor of directors, controlled body corporates by and connected entities with such directors for the years ended 31 December 2024 and 2025, respectively.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2024 and 2025.

No consideration was provided to third parties for making available directors' services during the years ended 31 December 2024 and 2025.

None of the directors of the Group waived or agreed to waive any emoluments paid by the Group during the years ended 31 December 2024 and 2025.

No emoluments were paid by the Group to the directors of the Group as an incentive payment for joining the Group or as compensation for loss of office during the years ended 31 December 2024 and 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2024: four) were directors and the chairman of the Group whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining one (2024: one) individuals were as follows:

	2025	2024
	HK$'000	HK$'000
Salaries, allowances and other benefits	**1,064**	1,266

The emoluments fell within the following band:

	Number of individuals	
	2025	2024
HK$1,000,001 – 1,500,000	**1**	1

No emoluments were paid by the Group to any of the five highest paid individuals of the Group including the directors of the Company as an incentive payment for joining the Group or as compensation for loss of office for both years.

13. DIVIDENDS

No dividends have been paid or declared or proposed by the Company during the year. The board of directors does not recommend any payment of final dividend for the year ended 31 December 2025 (2024: Nil).

14. EARNINGS/(LOSSES) PER SHARE

(a) *Basic earnings/(losses) per share*

	2025	2024
Profit/(loss) for the year attributable to owners of the Company (HK$'000)	**57,673**	(76,891)
Weighted average number of ordinary shares in issue ('000)	**400,000**	400,000
Basic earnings/(losses) per share (HK$) *(note)*	**0.14**	(0.19)

Note: Basic earnings/(losses) per share is calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(b) The diluted earnings/(losses) per share is same as the basic earnings/(losses) per share as there were no dilutive potential ordinary shares outstanding for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvement HK$'000	Vehicle HK$'000	Office furniture and equipment HK$'000	Computer and electronic equipment HK$'000	Total HK$'000
COST						
At 1 January 2024	83,577	312,398	3,148	18,695	17,921	435,739
Additions	–	31,890	–	–	2,596	34,486
Disposals	(16,554)	(4,478)	–	–	(647)	(21,679)
Written off	–	(17,770)	–	–	–	(17,770)
Exchange adjustments	–	(2,587)	–	(307)	(180)	(3,074)
At 31 December 2024 and 1 January 2025	**67,023**	**319,453**	**3,148**	**18,388**	**19,690**	**427,702**
Additions	**–**	**26,398**	**26**	**3,556**	**1,557**	**31,537**
Disposals	**(770)**	**(57,230)**	**–**	**(515)**	**(2,238)**	**(60,753)**
Exchange adjustments	**–**	**2,836**	**4**	**352**	**193**	**3,385**
At 31 December 2025	**66,253**	**291,457**	**3,178**	**21,781**	**19,202**	**401,871**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2024	10,362	255,297	3,088	17,468	13,924	300,139
Provided for the year	1,404	34,765	60	769	2,314	39,312
Disposals	(3,118)	(4,478)	–	–	(647)	(8,243)
Written off	–	(17,260)	–	–	–	(17,260)
Impairment provision	–	5,101	–	–	–	5,101
Exchange adjustments	–	(2,287)	–	(304)	(144)	(2,735)
At 31 December 2024 and 1 January 2025	**8,648**	**271,138**	**3,148**	**17,933**	**15,447**	**316,314**
Provided for the year	**1,325**	**33,447**	**1**	**475**	**2,189**	**37,437**
Disposals	**(770)**	**(54,132)**	**–**	**(340)**	**(1,987)**	**(57,229)**
Impairment provision	**–**	**2,791**	**–**	**–**	**–**	**2,791**
Exchange adjustments	**–**	**2,533**	**4**	**162**	**160**	**2,859**
At 31 December 2025	**9,203**	**255,777**	**3,153**	**18,230**	**15,809**	**302,172**
NET CARRYING AMOUNTS						
At 31 December 2025	**57,050**	**35,680**	**25**	**3,551**	**3,393**	**99,699**
At 31 December 2024	58,375	48,315	–	455	4,243	111,388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives.

Land and buildings	Over the term of the leases
Leasehold improvement	Estimated useful lives or lease terms, whichever is shorter
Vehicle	5 years
Office furniture and equipment	3 – 5 years
Computer and electric equipment	3 – 4 years

As at 31 December 2025, the Group performed impairment test on the property, plant and equipment with discounted cash flow analysis and provided impairment loss of approximately HK$2,791,000 (2024: HK$5,101,000).

Details of the impairment assessment are set out in Note 38.

As at 31 December 2025, a land and building with carrying amount of approximately HK$54,729,000 (2024: HK$58,366,000) is pledged for first mortgage of bank borrowings of approximately HK$17,296,000 (2024: HK$22,458,000) (Note 32).

16. RIGHT-OF-USE ASSETS

	2025	2024
	HK$'000	HK$'000
Retail stores	**99,796**	198,001
Restaurants	**4,494**	8,644
Office	**4,285**	1,445
	108,575	208,090

Additions of the right-of-use assets for the year ended 31 December 2025 amounted to approximately HK$81,332,000 (2024: HK$153,617,000) through renewal of existing leases and new leases of retail stores and office.

During the year ended 31 December 2025, the Group has early terminated leases with a net carrying value of right of use assets and lease liabilities of approximately HK$84,876,000 and HK$98,649,000 (31 December 2024: HK$12,803,000 and HK$13,800,000), respectively, in the form of mutual agreement with a gain of HK$13,773,000 (2024: HK$997,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. RIGHT-OF-USE ASSETS (Cont'd)

As at 31 December 2025, the Group performed impairment test on the right-of-use assets with discounted cash flow analysis and provided impairment loss of approximately HK$10,304,000 (2024: HK$9,441,000).

Details of the impairment assessment are set out in Note 38.

Amounts recognised in profit or loss:

	2025	2024
	HK$'000	HK$'000
Expense relating to variable lease payments not included in lease liabilities	**38,008**	47,648
Depreciation charge of right-of-use assets		
– Retail stores	**79,263**	98,968
– Restaurants	**4,413**	4,149
– Office	**2,667**	2,758
	86,343	105,875
Interest expense (included in finance costs)	**6,527**	8,557

The Group leases various properties to operate its businesses and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. The lease terms are range from one year to five years (2024: one year to six years). No extension option and no residual value guarantee are included in such property leases across the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Some retail stores leases contain variable payment terms that are linked to revenue generated from the relevant retail stores. Some of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied, from 6% to 21% (2024: 6% to 15%) of revenue generated from the relevant retail stores. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 26% decrease (2024: 5% increase) in sales across retail stores in the Group with such variable lease contracts, for the years ended 31 December 2025 would decrease total lease payments by approximately HK$5,960,000 (2024: HK$2,382,000 increase).

During the year ended 31 December 2025, total cash outflows for leases amounted to approximately HK$123,686,000 (2024: HK$167,454,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INTANGIBLE ASSETS

	Goodwill HK$'000 *(note)*	Trademark HK$'000 *(note)*	Software HK$'000	License rights HK$'000	Total HK$'000
COST					
At 1 January 2024	688	7,966	10,920	8,865	28,439
Additions	–	–	–	–	–
Disposals	–	–	–	(8,865)	(8,865)
Exchange adjustments	–	–	(123)	–	(123)
At 31 December 2024 and 1 January 2025	**688**	**7,966**	**10,797**	**–**	**19,451**
Additions	**–**	**–**	**227**	**–**	**227**
Disposals	**–**	**–**	**(85)**	**–**	**(85)**
Exchange adjustments	**–**	**–**	**144**	**–**	**144**
At 31 December 2025	**688**	**7,966**	**11,083**	**–**	**19,737**
AMORTISATION AND IMPAIRMENT					
At 1 January 2024	688	7,966	5,916	8,360	22,930
Charge for the year	–	–	1,137	505	1,642
Disposals	–	–	–	(8,865)	(8,865)
Exchange adjustments	–	–	(41)	–	(41)
At 31 December 2024 and 1 January 2025	**688**	**7,966**	**7,012**	**–**	**15,666**
Charge for the year	**–**	**–**	**754**	**–**	**754**
Disposals	**–**	**–**	**(21)**	**–**	**(21)**
Exchange adjustments	**–**	**–**	**61**	**–**	**61**
At 31 December 2025	**688**	**7,966**	**7,806**	**–**	**16,460**
NET CARRYING AMOUNTS					
At 31 December 2025	**–**	**–**	**3,277**	**–**	**3,277**
At 31 December 2024	–	–	3,785	–	3,785

Note: Goodwill and trademark arose from the acquisition of a business engaging in the production, development, import and sales of skincare and cosmetic products business in 2020. Goodwill and trademark are fully impaired in prior years.

The Group amortises intangible assets with a finite useful life using the straight-line method over the following periods:

Trademark	10 years
Software	4 – 5 years
License rights	3 – 7 years

The useful life of license rights are determined based on the contract term of the license granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) *Classification of financial assets at fair value through other comprehensive income*

On 9 July 2021, the Group made an investment of US$1.5 million (approximately equivalent to HKD11.7 million) in an unlisted company which is registered in the Cayman Islands. The investment was made by way of a subscription for 1,503,759 shares which represents 1% shareholding of the investee company. The fair value is within level 3 of the fair value hierarchy. There was no material change in the fair value methodology of the investment for both years.

The fair value through other comprehensive income designation was made because the investment is an equity securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category.

(b) *Equity investments at fair value through other comprehensive income*

	2025	2024
	HK$'000	HK$'000
At beginning of the year	**–**	602
Fair value losses recognised in other comprehensive income	**–**	(602)
	–	–

The fair value of these investments is disclosed in Note 37.

19. DEFERRED TAXATION

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

	2025	2024
	HK$'000	HK$'000
Deferred income tax assets	**14,144**	10,545
Deferred income tax liabilities	**(4,139)**	(103)
	10,005	10,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. DEFERRED TAXATION (Cont'd)

Deferred income tax assets

	Inventory provision	Other current non-current liabilities	Lease liabilities	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2024	1,270	4,645	30,347	6,685	42,947
(Charge)/credit to profit or loss	(456)	(1,524)	(1,249)	(1,374)	(4,603)
Exchange differences	(8)	(25)	(121)	(22)	(176)
At 31 December 2024	**806**	**3,096**	**28,977**	**5,289**	**38,168**
Charge/(credit) to profit or loss	**4,489**	**1,298**	**(9,369)**	**(2,625)**	**(6,207)**
Exchange differences	**(96)**	**(345)**	**(229)**	**(536)**	**(1,206)**
At 31 December 2025	**5,199**	**4,049**	**19,379**	**2,128**	**30,755**

Deferred income tax liabilities

	Withholding tax on undistributed profits	Right-of-use assets	Depreciation and amortisation	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2024	105	26,760	2,012	28,877
Charge/(credit) to profit or loss	2	979	(1,980)	(999)
Exchange differences	(1)	(119)	(32)	(152)
At 31 December 2024	**106**	**27,620**	**–**	**27,726**
Charge/(credit) to profit or loss	**3**	**(9,479)**	**2,717**	**(6,759)**
Exchange differences	**(1)**	**(195)**	**(21)**	**(217)**
At 31 December 2025	**108**	**17,946**	**2,696**	**20,750**

At the end of the reporting period, the Group has unused tax losses of approximately HK$191,905,000 (2024: HK$264,176,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$8,802,000 (2024: HK$27,550,000) such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK$183,103,000 (2024: HK$236,626,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$109,773,000 (2024: HK$162,509,000) that will expire in the next five years. Other losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. DEFERRED TAXATION (Cont'd)

Deferred income tax liabilities (Cont'd)

Tax losses carried forward with expiration date expire in the following years:

	2025 HK$'000	2024 HK$'000
2025	**–**	463
2026	**7,806**	26,814
2027	**7,294**	72,957
2028	**10,643**	21,527
2029	**40,448**	40,748
2030	**43,582**	–
	109,773	162,509

At 31 December 2025, the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries in Chinese Mainland were approximately HK$3,135,000 (2024: HK$8,813,000). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future, therefore no deferred tax has been recognised for such unremitted earnings.

20. INVENTORIES

	2025 HK$'000	2024 HK$'000
Fashion wears and accessories	**236,638**	250,097
Electronic devices	**4,456**	2,796
Skincare and cosmetic products	**3,662**	11,832
Food and beverages	**247**	745
Less: provision for impairment	**(34,815)**	(13,422)
	210,188	252,048

During the year, there was a decrease in the net realisable value of inventories due to the decrease in the estimated value of fashion wears and accessories. As a result, provision for impairment of inventories of approximately HK$21,393,000 (2024: reversal of provision for HK$1,630,000) has been recognised.

Provision for impairment was recognised for the amount by which the carrying amount of the inventories exceeds its net realisable value, and was recorded in "cost of sales" in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. TRADE RECEIVABLES

	2025	2024
	HK$'000	HK$'000
Trade receivables	**50,426**	62,469
Less: allowance for impairment of trade receivables	**(789)**	(771)
	49,637	61,698

As at 31 December 2025, the gross amount of trade receivables arising from contracts with customers amounting to approximately HK$50,426,000 (2024: HK$62,469,000).

The net trade receivables are denominated in the following currencies

	2025	2024
	HK$'000	HK$'000
RMB	**22,946**	27,893
Macau Patacas ("**MOP**")	**20,951**	18,363
HK$	**3,639**	14,936
New Taiwan dollar ("**TWD**")	**95**	277
United States dollar ("**USD**")	**1,086**	–
Japanese Yen ("**JPY**")	**30**	–
Euro ("**EUR**")	**890**	229
	49,637	61,698

The credit terms of trade receivables granted by the Group are generally 1–3 months (2024: 1–3 months). The ageing analysis of the trade receivables, net of allowance for impairment, based on invoice date as at 31 December 2024 and 2025 is as follows:

	2025	2024
	HK$'000	HK$'000
Within 3 months	**48,363**	60,653
Over 3 months and within 6 months	**257**	818
Over 6 months and within 1 year	**1,017**	227
	49,637	61,698

For the ECL of the trade receivables, please refer to Note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. PREPAYMENTS

	2025	2024
	HK$'000	HK$'000
Included in current assets		
– Prepayments to suppliers	**5,253**	12,791
– Other prepayments	**13,658**	9,526
	18,911	22,317
Included in non-current assets		
– Prepayments for leasehold improvement and furniture	**14,791**	5,933
– Prepayments for franchising fee *(note)*	**6,474**	7,298
	21,265	13,231
	40,176	35,548

Note: The Group amortises prepayments for franchising fee based on the contract term of the franchise granted to the Group.

23. OTHER RECEIVABLES AND DEPOSITS

	2025	2024
	HK$'000	HK$'000
Included in current assets		
– Rental deposits	**11,130**	11,147
– Value-added tax recoverable	**1,269**	1,504
– Staff advance	**788**	908
– Others	**14,798**	11,754
– Less: provision for impairment	**(367)**	–
	27,618	25,313
Included in non-current assets		
– Rental deposits	**17,568**	20,105
	45,186	45,418

For the ECL of the other receivables and deposit, please refer to Note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. CASH AND CASH EQUIVALENTS

	2025 HK$'000	2024 HK$'000
Cash at bank and in hand	**76,440**	46,225

Cash and cash equivalents are denominated in the following currencies:

	2025 HK$'000	2024 HK$'000
Cash at bank and in hand		
– RMB	**10,405**	12,027
– HK$	**23,176**	15,008
– MOP	**33,147**	12,533
– US$	**1,119**	2,673
– TWD	**2,615**	3,661
– EUR	**414**	314
– SGD	**4,760**	–
– MYR	**787**	–
– Others	**17**	9
	76,440	46,225

The cash at bank earns interest at floating rates based on daily bank deposit rates.

25. PLEDGED BANK DEPOSITS

	2025 HK$'000	2024 HK$'000
Pledged bank deposits	**18,108**	5,556

As at 31 December 2025, the pledged bank deposits of HK$18,108,000 were pledged as security for bank borrowings which remained outstanding as at the end of the reporting period (2024: HK$5,556,000) (Note 32).

The pledged bank deposits earn interest at floating rates based on daily bank deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

	2025 HK$'000	2024 HK$'000
Term deposits with initial term of over three months	**1,312**	36,308

The term deposits with initial term of over three months carry fixed interest rate of 3.4% (2024: 3.3%) per annum.

27. TRADE AND OTHER PAYABLES

	2025 HK$'000	2024 HK$'000
Current		
Trade payables *(note a)*	**81,991**	115,804
Salaries payable	**21,640**	23,458
Variable lease payable	**19,957**	17,046
Other taxes payable	**13,500**	7,742
License fee payable	**–**	8,359
Operating support fund *(note b)*	**10,517**	10,291
Renovation service fee payables	**8,727**	7,085
Other payables	**12,798**	8,985
	169,130	198,770

Notes:

(a) Trade payables represent payables for inventories. The ageing analysis of the trade payables based on invoice date is as follows:

	2025 HK$'000	2024 HK$'000
Within 3 months	**54,748**	79,235
Over 3 months and within 1 year	**10,577**	13,755
Over 1 year	**16,666**	22,814
	81,991	115,804

The credit terms of the trade payables is up to 3 months (2024: 3 months).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. TRADE AND OTHER PAYABLES (Cont'd)

Notes: (Cont'd)

(b) Operating support fund is provided by the shopping malls for the Group to operate its retail stores. The fund shall be repaid upon the earlier of the date when the store meets the selling targets agreed and the date when the leases expire.

The trade payables are denominated in the following currencies:

	2025 HK$'000	2024 HK$'000
– RMB	**31,143**	30,962
– MOP	**5,362**	8,884
– HK$	**25,134**	33,216
– TWD	**–**	2
– US$	**5,501**	21,656
– JPY	**2,388**	6,505
– EUR	**10,888**	13,766
– Others	**1,575**	813
	81,991	115,804

28. OTHER CURRENT AND NON-CURRENT LIABILITIES

	2025 HK$'000	2024 HK$'000
At 1 January	**16,251**	21,779
Receipt *(note)*	**31,019**	2,712
Recognised in consolidated statement of profit or loss	**(25,322)**	(7,987)
Exchange difference	**199**	(253)
At 31 December	**22,147**	16,251
Current	**10,195**	7,736
Non-current	**11,952**	8,515

Note: The other current and non-current liabilities include decoration subsidy received from the franchisors and shopping malls, recognised throughout the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. CONTRACT LIABILITIES

	2025 HK$'000	2024 HK$'000
Wholesale contracts	**3,818**	8,013
Loyalty program	**2,647**	3,545
	6,465	11,558

Contract liabilities include advances received from wholesalers and loyalty points not yet redeemed.

- *Wholesale contracts*
  Contract liabilities primarily comprise advance payments received from wholesalers for the wholesales contracts. In general, the Group requests advance payment from customers and recognised as revenue when the products are accepted by the wholesalers.

- *Loyalty program*
  Under the Group's customer loyalty program, customers who participate in the loyalty program can earn one reward point for every dollar of their spending. For 100 points earned, customers can redeem one dollar. Rewards points expire one year after the point earned.

As at 1 January 2025, contract liabilities relating to wholesale contracts amounted to HK$8,013,000 (2024: HK$4,665,000).

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2025 HK$'000	2024 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Wholesale contracts	**8,013**	4,665

There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. LEASE LIABILITIES

	2025 HK$'000	2024 HK$'000
Current	**62,840**	91,162
Non-current	**55,584**	123,854
	118,424	215,016

Liabilities arising from a lease are initially measured on a present value basis. Leases of entities operating in Chinese Mainland are discounted at the rate of 3.7% (2024: 3.4%) and leases of entities operating in Macau and Hong Kong are discounted at the rate of 3.9% (2024: 4.5%). The finance cost of leases is charged to profit or loss over the lease period at the same rate.

Amounts payable under lease liabilities	2025 HK$'000	2024 HK$'000
Within one year	**62,840**	91,162
After 1 year but within 2 years	**38,828**	66,763
After 2 years but within 5 years	**16,756**	57,091
	118,424	215,016
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(62,840)**	(91,162)
Amount due for settlement after 12 months	**55,584**	123,854

During the year ended 31 December 2025, additions of the lease liabilities amounted to approximately HK$80,526,000 (2024: HK$153,617,000) through renewal of existing leases and new leases of retail stores.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. PROVISIONS

	2025 HK$'000	2024 HK$'000
Provision for reinstatement of premises		
Non-current	**7,817**	12,794
Current	**4,647**	5,513
	12,464	18,307

	2025 HK$'000	2024 HK$'000
At 1 January	**18,307**	19,525
Additional provision in the year	**7,143**	7,953
Utilisation	**(13,056)**	(9,254)
Exchange difference	**70**	83
At 31 December	**12,464**	18,307

32. BORROWINGS

	2025 HK$'000	2024 HK$'000
Non-current		
Bank loans	**18,252**	24,210
Current		
Bank loans	**27,102**	26,755
Letter of credit loans *(note b)*	**–**	45,508
	27,102	72,263
	45,354	96,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. BORROWINGS (Cont'd)

	2025 HK$'000	2024 HK$'000
Bank borrowings		
– Secured *(note a)*	**17,296**	22,458
– Guaranteed *(note a)*	**21,110**	50,355
– Guaranteed and secured *(note a)*	**6,948**	23,660
	45,354	96,473

During the year, the Group obtained new loans in the amount of HK$95,103,000 (2024: HK$199,952,000). The loans bear no floating interest rates (2024: 6.97% to 7.93%) and fixed interest rate from 1.40%–3.5% (2024: 3.00% to 5.13%). The loan amounting to HK$10,000,000 will be repayable in 2029 by instalment and the remaining loans are repayable in full within a year. The proceeds were used for daily operation.

Notes:

(a) Borrowings are guaranteed and pledged as shown below:

	2025 HK$'000	2024 HK$'000
Guaranteed by Mr. Fan	**21,110**	50,355
Guaranteed by Mr. Fan and pledged by the Group's bank deposits *(Note 25)*	**6,948**	23,660
Pledged by the Group's land and buildings *(Note 15)*	**17,296**	22,458
	45,354	96,473

(b) Letter of credit loans represent loans granted by banks in connection with inward cargoes.

(c) The Group's borrowings for the years ended 31 December 2024 and 2025 are denominated in the following currencies:

	2025 HK$'000	2024 HK$'000
– HK$	**24,244**	40,454
– EUR	**–**	16,046
– RMB	**21,110**	19,383
– US$	**–**	19,605
– Japanese Yen ("**JPY**")	**–**	927
– MOP	**–**	58
	45,354	96,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. BORROWINGS (Cont'd)

Notes: (Cont'd)

(d) The weighted average effective interest rates at the end of the reporting period are set out as follows:

	2025	2024
Borrowings	**3.34%**	3.97%

(e) The following table sets forth the ranges of the effective interest rate on borrowings as of the dates indicated in the agreements:

	2025		2024	
	HK$'000	**%**	HK$'000	%
Fixed-rate borrowings	**45,354**	**1.4–3.76**	41,534	3.50–5.37
Floating-rate borrowings	**–**	**N/A**	54,939	Prime rate-2.27 – SOFR+3.45
	45,354		96,473	

(f) The borrowings were repayable as follows:

	2025	2024
	HK$'000	HK$'000
Within 1 year	**27,102**	72,263
Between 1 and 2 years	**6,205**	7,310
Between 2 and 5 years	**12,047**	16,900
	45,354	96,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. BORROWINGS (Cont'd)

Notes: (Cont'd)

(g) Compliance with loan covenants

As at 31 December 2024, borrowings amounting to HK$23,660,000 (2025: Nil), which are repayable in full within a year, are subject to the fulfilment of covenants. If the Group breaches the covenants, the related borrowings would become payable on demand.

As at 31 December 2024, the Group breached the covenants of the borrowings. As of that date, the banker had not demanded immediate repayment. As at 31 December 2024, the borrowings were classified as current liabilities. Such borrowings were fully settled during the year ended 31 December 2025.

Details about these covenants are as follows:

Borrowings	**Carrying amounts**		**Details of covenants**	**Timing to comply with the covenants**
	2025	2024		
	HK$'000	HK$'000		
Amounts under current liabilities	**–**	23,660	– Total equity is not less than HK$215 million – Earnings before interest and taxes to interest covenant shall not less than 1.5	At any time throughout the loan term

33. SHARE CAPITAL OF THE COMPANY

	2025	2024
	'000	'000
Authorised (number of shares) Ordinary shares of HK$0.01	**10,000,000**	10,000,000
Issued and paid (number of shares) Ordinary shares of HK$0.01	**400,000**	400,000

	Number of shares in issue	**Paid-in capital**
	'000	HK$'000
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	**400,000**	4,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. RESERVES

	Capital reserve HK$'000	Statutory and other reserves HK$'000	FVTOCI reserve HK$'000	Currency translation differences HK$'000	Total HK$'000
At 1 January 2024	(582,796)	6,602	(11,098)	(14,375)	(601,667)
Appropriation to reserve	–	189	–	–	189
Changes in the fair value of equity investment at fair value through other comprehensive income	–	–	(602)	–	(602)
Currency translation differences	–	–	–	(2,172)	(2,172)
At 31 December 2024 and 1 January 2025	**(582,796)**	**6,791**	**(11,700)**	**(16,547)**	**(604,252)**
Appropriation to reserve	**–**	**72**	**–**	**–**	**72**
Currency translation differences	**–**	**–**	**–**	**5,949**	**5,949**
At 31 December 2025	**(582,796)**	**6,863**	**(11,700)**	**(10,598)**	**(598,231)**

Statutory and other reserves

In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. RESERVES (Cont'd)

Statutory and other reserves (Cont'd)

Also, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their Respective Reserve Fund. The percentage of net profit to be appropriated to the Reserve Fund is not less than 10% of the net profit. When the balance of the Reserve Fund reaches 50% of the registered capital, such transfer needs not be made. With approvals obtained from respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

In addition, in accordance with Macau Commercial Code, the entity incorporated in Macau should set aside a minimum of 25% of the entity's profit after tax to the legal reserve until balances of the reserve reaches a level equivalent to 50% of the entity's capital.

35. RELATED PARTY TRANSACTIONS

(a) Parent entity

The Group is controlled by the following entity:

Name	Type	Place incorporation	Ownership interest	
			2025	2024
Gold Star Fashion Limited	Immediate/ultimate parent company	The BVI	**75%**	75%

(b) Subsidiaries

Interests in subsidiaries are set out in Note 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. RELATED PARTY TRANSACTIONS (Cont'd)

(c) Key management compensation

The compensation paid or payable to key management for employee services is shown below:

	2025 **HK$'000**	2024 HK$'000
Short-term benefits	**7,005**	6,683
Post-employment benefits	**81**	81
	7,086	6,764

The remuneration of directors of the Company is determined by the remuneration committee having regard to the performance of individuals and market trends.

(d) Transactions with other related parties

The following transactions occurred with related parties:

	2025 **HK$'000**	2024 HK$'000
Purchase of goods		
Company with significant influence over NB China Limited	**569**	4,186
Fellow subsidiaries	**12**	262
Lease payment (with variable lease payment)		
Controlling shareholder of the Company	**2,120**	2,127
Interest expense paid		
Controlling shareholder of the Company	**2,798**	3,566
Fellow subsidiaries	**1,175**	1,709
Provision of corporate management services		
Fellow subsidiaries	**–**	2,267
Sales of goods		
Fellow subsidiary	**2**	91

In the opinion of the directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. RELATED PARTY TRANSACTIONS (Cont'd)

(e) Year end balances with related parties

(i) Due from related parties

Particulars of amounts due from related parties are as follows:

	2025	2024
	HK$'000	HK$'000
Ultimate Holding Company		
Gold Star Fashion Limited	**129**	–
Fellow subsidiaries		
Sao Hang Investment Company Ltd	**1,371**	1,117
SJ Synergy Engineering Company Limited	**2,234**	2,234
Company with significant influence over NB China Limited		
White S.R.L.	**2,841**	2,489
	6,575	5,840

The amounts due from related parties for the year ended 31 December 2025 are denominated in the following currencies:

	2025	2024
	HK$'000	HK$'000
– HK$	**3,734**	3,351
– EUR	**2,841**	2,489
	6,575	5,840

The amounts were in trade nature, unsecured, repayment on demand and non-interest bearing.

The ageing analysis of the amount due from related parties, based on invoice date as at 31 December 2024 and 2025 is as follows:

	2025	2024
	HK$'000	HK$'000
Within 3 months	**6,575**	5,840

For the ECL of the amounts due from related parties, please refer to Note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. RELATED PARTY TRANSACTIONS (Cont'd)

(e) Year end balances with related parties (Cont'd)

(ii) Due to related parties

	2025 HK$'000	2024 HK$'000
Loans from related parties		
Mr. Fan	**36,905**	70,086
Zhuo Zhi Fu Da	**28,907**	32,477
	65,812	102,563
Amounts due to related parties		
Fellow subsidiaries		
SJ Synergy Engineering Company Limited	**31,229**	31,229
SJ Synergy Holdings Limited	**897**	897
深圳創雅品牌管理有限責任公司	**3**	32
	32,129	32,158
Carrying amount repayable on demand or within one year	**(32,129)**	(32,158)
Amounts shown under non-current liabilities	**65,812**	102,563

Loans from related parties were unsecured with a fixed interest rate between 3%–5% (2024: 4%–5%). The loans are repayment in full on due date and the interest are paid on monthly basis. These loans of approximately HK$65,812,000 (2024: HK$102,563,000) are repaid until 2027 (2024: 2027) during the year.

Amounts due to related parties were in trade nature, unsecured, interest-free and repayable on demand.

The ageing analysis of the amounts due to related parties, based on invoice date as at 31 December 2024 and 2025 is as follows:

	2025 HK$'000	2024 HK$'000
Within 3 months	**32,129**	32,158

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. RELATED PARTY TRANSACTIONS (Cont'd)

(f) Guarantees

Guarantees provided by the Controlling Shareholder of the Group are set out in Note 32.

(g) Leases as lessee with other related parties

The following amounts of leases are related to related parties:

	2025	2024
	HK$'000	HK$'000
Lease liabilities		
Controlling shareholder of the Company	**3,248**	1,341

In June 2025, the Group entered into a two-year lease in respect of certain properties from Controlling shareholder of the Company. The amount of rent payable by the Group under the lease is RMB159,000 (approximately HK$176,000) per month.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments

	2025	2024
	HK$'000	HK$'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	**49,637**	61,698
Other receivables and deposits (excluding value-added tax recoverable)	**43,917**	43,914
Pledged bank deposits	**18,108**	5,556
Term deposits with initial term of over three months	**1,312**	36,308
Cash and cash equivalents	**76,440**	46,225
Amounts due from related parties	**6,575**	5,840
	195,989	199,541
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables (excluding other taxes payable and variable lease payable)	**135,673**	173,982
Amounts due to related parties	**97,941**	134,721
Borrowings	**45,354**	96,473
	278,968	405,176

The Group's exposure to various risks associated with the financial instruments is discussed in Note 37. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class financial assets mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is HK$ whereas functional currency of the subsidiaries operate in the PRC is RMB. The functional currency of the remaining subsidiaries is HK$. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

The Group's subsidiaries in the PRC operate mainly in the PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities that are denominated in the currencies other than RMB.

The Group's Hong Kong and Macau subsidiaries are exposed to foreign exchange risk arising from recognised financial assets and liabilities denominated in US$ and EUR. 5% (2024: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

For the years ended 31 December 2025, if HK$ had strengthened/weakened by 5% against US$ and EUR with all other variables held constant, post-tax loss for the years would have been approximately HK$219,000 increase/decrease (2024: HK$1,929,000 increase/decrease), and HK$479,000 increase/decrease (2024: HK$1,463,000 increase/decrease), respectively, mainly as a result of net foreign exchange gains on translation of US$-denominated and EUR-denominated account receivables, borrowings, accounts payables, financial asset at FVTOCI and cash and cash equivalents.

The Group did not hedge against any fluctuation in foreign currencies during the years ended 31 December 2024 and 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT (Cont'd)

37.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(ii) Cash flow and fair value interest rate risk

The Group is exposed to fair value interest rate risk in related to loan from related party and fixed-rate borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitor interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Other than interest-bearing short-term bank deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of short-term deposits are not expected to change significantly.

As the Group had no floating-rate borrowings as at 31 December 2025, it was not exposed to cash flow interest rate risk arising from borrowings at the end of the reporting period. In 2024, a 0.5% increase or decrease in interest rates was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For the years ended 31 December 2024, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the post-tax profit/loss would have changed mainly as a result of higher/lower interest expenses on floating-rate borrowings. Details of changes are as follows:

	Year ended 31 December	
	2025	2024
	HK$'000	HK$'000
(Increase)/decrease in post-tax profit/Loss		
– 0.5% higher	**N/A**	(275)
– 0.5% lower	**N/A**	275

The interest rates and terms of repayment of borrowings floating rate borrowing of the Group are disclosed in Note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT (Cont'd)

37.1 Financial risk factors (Cont'd)

(b) Credit risk

Credit risk arises from cash and cash equivalents, term deposits with initial term of over three months, pledged bank deposits, trade receivables, other receivables and deposits and amounts due from related parties.

(i) Risk management

For cash and cash equivalents (excluding cash on hand), term deposits with initial term of over three months and pledged bank deposits, they are all deposited or traded with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

For trade receivables and amounts due from related parties, the Group has policies in place to ensure that sale of goods are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For other receivables and deposits, management makes individual assessment on the recoverability of other receivables and deposits. Based on counterparty historical default rate and current financial position, the directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables and deposits.

(ii) Impairment of financial assets

Cash and cash equivalents (excluding cash on hand), term deposits with initial term of over three months, pledged bank deposits, trade receivables, amounts due from related parties and other receivables and deposits are subject to the ECL model.

Impairment of cash and cash equivalents and deposits in banks

While cash and cash equivalents and deposits in banks, are also subject to the impairment requirements of IFRS 9 which uses 12-month expected loss allowance, the identified impairment loss was immaterial.

Impairment of trade receivables and amounts due from related parties

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and amounts due from related parties.

To measure the expected credit losses, trade receivables and amounts due from related parties have been grouped based on shared credit risk characteristics and ageing. The expected loss rates are based on the ageing profiles of trade receivable and amounts due from related parties. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT (Cont'd)

37.1 Financial risk factors (Cont'd)

(b) Credit risk (Cont'd)

(ii) Impairment of financial assets (Cont'd)

Impairment of trade receivables and amounts due from related parties (Cont'd)

On that basis, the loss allowance as at 31 December 2025 was determined as follows for trade receivables:

	Within 3 months (not yet past due)	**Over 3 months and within 6 months (past due)**	**Over 6 months and within 1 year (past due)**	**Over 1 year (past due)**	**Total**
31 December 2025					
Expected loss rate	**0.26%**	**5.17%**	**12.64%**	**100%**	
Gross carrying amount (HK$'000)					
– Trade receivables	**48,491**	**271**	**1,163**	**501**	**50,426**
Loss allowance (HK$'000)					
– Trade receivables	**(127)**	**(14)**	**(147)**	**(501)**	**(789)**

	Within 3 months (not yet past due)	Over 3 months and within 6 months (past due)	Over 6 months and within 1 year (past due)	Over 1 year (past due)	Total
31 December 2024					
Expected loss rate	0.52%	4.44%	24.08%	100%	
Gross carrying amount (HK$'000)					
– Trade receivables	60,971	856	299	343	62,469
Loss allowance (HK$'000)					
– Trade receivables	(318)	(38)	(72)	(343)	(771)

	Trade receivables	
	2025	2024
	HK$'000	HK$'000
Opening loss allowance at 1 January	**771**	316
Increase in loss allowance recognised in profit or loss during the year	**18**	455
Closing loss allowance at 31 December	**789**	771

The identified impairment loss of amounts due from related parties was immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT (Cont'd)

37.1 Financial risk factors (Cont'd)

(b) Credit risk (Cont'd)

(ii) Impairment of financial assets (Cont'd)

Impairment of other receivables and deposits

As at 31 December 2025, all other receivables were classified under Stage 1. There were no transfers between stages during the year.

	Stage 1 (not yet past due)	Stage 2 (past due)	Total
31 December 2025			
Expected loss rate	0.8%	–	
Gross carrying amount (HK$'000)			
– Other receivables	45,553	–	45,553
Loss allowance (HK$'000)			
– Trade receivables	(367)	–	(367)

Management considers that the credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit loss, HK$367,000 (2024: nil) was made as at 31 December 2025.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the business of the Group, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or have available funding through adequate amount of credit facilities to meet the Group's liquidity requirements.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

As at 31 December 2025, the Group held cash and cash equivalents of approximately HK$76,440,000 (2024: HK$46,225,000) (Note 24), trade receivables of approximately HK$49,637,000 (2024: HK$61,698,000) (Note 21) and undrawn borrowing facilities amounting to approximately HK$103,285,000 (2024: HK$115,202,000), which is expiring within 1 year (2024: 1 year), that are expected to generate cash inflows for managing liquidity risk.

The table below sets out the Group's financial liabilities grouped into relevant maturity groupings based on their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows based on the earliest date on which the Group can be required to pay. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT (Cont'd)

37.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

	Less than 1 year HK$'000	**Between 1 year and 2 years HK$'000**	**Between 2 years and 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**	**Carrying amount HK$'000**
As of 31 December 2025						
Trade and other payables (excluding other taxes payable and variable lease payable)	**135,673**	**–**	**–**	**–**	**135,673**	**135,673**
Amounts due to related parties	**33,136**	**11,080**	**60,682**	**–**	**104,898**	**97,941**
Borrowings	**27,973**	**6,718**	**12,365**	**–**	**47,056**	**45,354**
Lease liabilities	**69,035**	**48,923**	**16,757**	**–**	**134,715**	**118,424**
Total	**265,817**	**66,721**	**89,804**	**–**	**422,342**	**397,392**

	Less than 1 year HK$'000	Between 1 year and 2 years HK$'000	Between 2 years and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
As of 31 December 2024						
Trade and other payables (excluding other taxes payable and variable lease payable)	173,982	–	–	–	173,982	173,982
Amounts due to related parties	36,787	4,803	104,965	–	146,555	134,721
Borrowings	73,751	8,019	17,566	–	99,336	96,473
Lease liabilities	99,712	71,455	60,608	–	231,775	215,016
Total	384,232	84,277	183,139	–	651,648	620,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT (Cont'd)

37.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remained unchanged from prior year.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, lease liabilities, and loans from related parties less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts. For the years ended 31 December 2024 and 2025, the gearing ratio of the Group were as follows:

	2025 **HK$'000**	2024 HK$'000
Net debt	**153,150**	367,827
Total capital	**350,403**	499,077
Gearing ratio	**44%**	74%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT (Cont'd)

37.3 Fair value estimation

(i) Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between level 1, 2 and 3 of fair value hierarchy in the current and prior years.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments:

- discounted cash flow analysis

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT (Cont'd)

37.3 Fair value estimation (Cont'd)

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 December 2024 and 2025:

	2025	2024
	HK$'000	HK$'000
Financial asset at FVTOCI		
At 1 January	**–**	602
Fair value losses	**–**	(602)
Currency translation differences	**–**	–
At 31 December	**–**	–
Total losses included in the other comprehensive income	**–**	(602)

(iv) Valuation processes

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every year. External valuation experts will be involved when necessary.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets are determined using a capital asset pricing model to calculate a post-tax rate that current market assessments of the time value of money and the risk specific to the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT (Cont'd)

37.3 Fair value estimation (Cont'd)

(iv) Valuation processes (Cont'd)

Description	**Fair value at 31 December**		**Unobservable inputs**	**As at 31 December**		**Relationship of unobservable input to fair value**	**Sensitivity analysis**
	2025	2024		**2025**	2024	*(note)*	*(note)*
	HK$'000	HK$'000					
Financial asset at FVTOCI	**–**	–	Discount rate	–	21%	The higher the discount rate, the lower the fair value	Written down to nil in 2024 and remained at nil in 2025. No meaningful valuation inputs were available as at 31 December 2025.
						The lower the discount rate, the higher the fair value	Written down to nil in 2024 and remained at nil in 2025. No meaningful valuation inputs were available as at 31 December 2025.
			Terminal growth rate	–	3%	The higher the terminal growth rate, the higher the fair value.	Written down to nil in 2024 and remained at nil in 2025. No meaningful valuation inputs were available as at 31 December 2025.
						The lower the terminal growth rate, the lower the fair value.	Written down to nil in 2024 and remained at nil in 2025. No meaningful valuation inputs were available as at 31 December 2025.

Note: The change in the unobservable input by 100bps, the FV of the financial asset at FVTOCI is remain zero.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Due to loss-making situation of certain CGU, the management concluded that there was indication for impairment and conducted impairment assessment on recoverable amounts of property, plant and equipment and right-of-use assets in relation to these CGUs.

The estimate of the recoverable amounts was based on value-in-use calculation using the discounted cash projection at pre-tax discount rate ranged from 10.0% to 10.1% per annum as at 31 December 2025 (2024: 9.9% to 10.4%) on the financial forecast approved by the management covering a period of the remaining lease terms, 1–4 years (2024: 1–4 years). Key assumptions for the value-in-use calculation included future revenue, budgeted gross margin and operating costs, which were determined based on the past performance, the Group's business plan and management expectations for the market development.

Based on the result of the assessment, the management determined that the recoverable amounts of certain CGU are lower than their corresponding carrying amounts. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal and its value in use. The recoverable amounts of these CGUs are ranged from Nil to HK$18,441,000.

Based on the value in use calculation and the allocation, a provision for impairment loss of approximately HK$2,791,000 and HK$10,304,000 (2024: HK$5,101,000 and HK$9,441,000) has been recognised against the carrying amount of property, plant and equipment and right-of-use assets, respectively, in relation to the relevant CGU on pro-rata basis.

If the discount rate was increased 50 basis points (2024: 50 basis points), while other parameters remain constant, the recoverable amount of these CGUs would decreased by ranging from Nil to HK$92,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Loans from related parties	Borrowings	Lease liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2024	123,726	79,472	186,172	389,370
Cash flows	(22,872)	9,993	(119,806)	(132,685)
Foreign exchange adjustments	–	135	276	411
Interest expense	1,709	6,873	8,557	17,139
Non-cash movement:				
Addition in lease	–	–	153,617	153,617
Early termination	–	–	(13,800)	(13,800)
As at 31 December 2024 and 1 January 2025	**102,563**	**96,473**	**215,016**	**414,052**
Cash flows	**(37,926)**	**(56,996)**	**(85,678)**	**(180,600)**
Foreign exchange adjustments	**–**	**546**	**682**	**1,228**
Interest expense	**1,175**	**5,331**	**6,527**	**13,033**
Non-cash movement:				
Addition in lease	**–**	**–**	**80,526**	**80,526**
Early termination	**–**	**–**	**(98,649)**	**(98,649)**
As at 31 December 2025	**65,812**	**45,354**	**118,424**	**229,590**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 HK$'000	2024 HK$'000
Non-current asset		
Investment in a subsidiary *(note a)*	**5,527**	5,527
Current assets		
Cash and cash equivalents	**184**	92
Prepayment	**365**	611
Amounts due from subsidiaries	**228,608**	162,768
Amount due from ultimate holding company	**129**	–
	229,286	163,471
Current liabilities		
Trade and other payables	**1,030**	1,216
Amounts due to subsidiaries	**36,532**	36,532
	37,562	37,748
Net current assets	**191,724**	125,723
	197,251	131,250
CAPITAL AND RESERVES		
Share capital	**4,000**	4,000
Share premium *(note b)*	**859,232**	859,232
Accumulated losses *(note b)*	**(665,981)**	(731,982)
	197,251	131,250

Notes:

(a) No impairment loss on investment in a subsidiary was recognised for the year ended 31 December 2025 (2024: HK$88,784,000), as the recoverable amount was higher (2024: lower) than the carrying amount. The accumulated impairment loss on investment in a subsidiary amounted to HK$685,473,000 as at 31 December 2025 (2024: HK$685,473,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Notes: (Cont'd)

(b)

	Share premium HK$'000	Accumulated losses HK$'000
At 1 January 2024	859,232	(644,588)
Loss for the year	–	(87,394)
At 31 December 2024	**859,232**	**(731,982)**
Profit for the year	**–**	**66,001**
At 31 December 2025	**859,232**	**(665,981)**

41. PARTICULARS OF PRINCIPAL OF SUBSIDIARIES OF THE COMPANY

Name of entity	Place of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued share capital/paid up capital	Ownership interest and voting power held by the Group 2025	2024
Direct					
Fortune Fashion Limited	BVI, limited liability company	Investment holding company	US$10	**100%**	100%
Indirect					
NB China Limited (盈冠商貿有限公司)	HK, limited liability company	Procurement of fashion	HK$105,000	**60%**	60%
Wide Spread (China) Limited (康弘(中國)有限公司)	HK, limited liability company	Retail of fashion apparel	HK$5,000,000	**100%**	100%
Ying Yi Hong Kong Limited (盈奕商貿有限公司)	HK, limited liability company	Retail of skincare and cosmetic products	HK$1	**100%**	100%
Yuan Zhi Holdings Limited (媛芝商貿有限公司)	HK, limited liability company	Wholesale of skincare and cosmetic products	HK$1	**100%**	100%
Macau Ieng Nam Limited (澳門盈南有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP100,000	**100%**	100%
Sao Wai Investment Company Limited (首威投資有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	**100%**	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. PARTICULARS OF PRINCIPAL OF SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of entity	Place of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued share capital/paid up capital	Ownership interest and voting power held by the Group 2025	2024
Ieng Weng Company Limited (盈榮有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	**100%**	100%
Ieng Leong Company Limited (盈亮有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	**100%**	100%
Lan Yuan Company Limited (蘭媛有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	**100%**	100%
Macau Ieng Kun Company Limited (澳門盈冠有限公司)	Macau, limited liability company	Retail of fashion apparel	MOP25,000	**62%**	62%
首威貿易(深圳)有限公司 *(note a)*	Chinese Mainland, limited liability company	Retail of fashion apparel	HK$100,000,000	**100%**	100%
蘭媛商貿(上海)有限公司 *(note a)*	Chinese Mainland, limited liability company	Retail of fashion apparel	HK$15,000,000	**100%**	100%
盈昭商貿(上海)有限公司 *(note a)*	Chinese Mainland, limited liability company	Retail of fashion apparel	HK$15,000,000	**60%**	60%
媛芝商貿(深圳)有限公司 *(note a)*	Chinese Mainland, limited liability company	Wholesale and retail of skincare and cosmetic	HK$25,000,000	**0%**	100%
珠海横琴盈華商貿有限公司 *(note a)*	Chinese Mainland, limited liability company	Retail of fashion apparel	HK$4,000,000	**100%**	100%
Artelli Metaverse (Hong Kong) Limited	HK, limited liability company	Retail of fashion apparel toys/cosmetic products	HK$300,000	**100%**	100%
Artelli Metaverse Macau Limited (璦特利元創澳門有限公司)	Macau, limited liability company	Retail of fashion apparel toys/cosmetic products	MOP25,000	**100%**	100%
璦特利文化創意(深圳)有限公司 *(note a)*	Chinese Mainland, limited liability company	Retail of fashion apparel toys/cosmetic products	HK$70,000	**100%**	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. PARTICULARS OF PRINCIPAL OF SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of entity	Place of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued share capital/paid up capital	Ownership interest and voting power held by the Group	
				2025	2024
ARTELLI METAVERSE (SINGAPORE) PTE. LTD.	Singapore, limited liability company	K-POP Merchandise	SGD50,000	**100%**	–
ARTELLI METAVERSE (MALAYSIA) SDN. BHD.	Malaysia, limited liability company	K-POP Merchandise	MYR3,000	**100%**	–

Note:

(a) Registered as wholly foreign owned enterprises under PRC law.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries have non-controlling interests that are material to the Group.

None of the subsidiaries had issued any debt securities during both years and at the end of the both years.

42. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2025, the Group renewed of existing leases and entered into new leases in respect of retail stores. Right-of-use assets of approximately HK$81,332,000 (2024: HK$153,617,000) and lease liabilities of approximately HK$80,526,000 (2024: HK$153,617,000) were recognised at the commencement of the leases. Moreover, provision of reinstatement of premises and right-of-use assets of approximately HK$7,143,000 (2024: HK$7,953,000) was recognised at the commencement of the leases.

(b) During the year ended 31 December 2025, the Group has early terminated leases with a net carrying value of right of use assets and lease liabilities of approximately HK$84,876,000 and HK$98,649,000 (31 December 2024: HK$12,803,000 and HK$13,800,000), respectively, in the form of mutual agreement.

FIVE YEARS FINANCIALS

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Year ended 31 December				
	2021	2022	2023	2024	**2025**
	HKD'000	HKD'000	HKD'000	HKD'000	**HKD'000**
Revenue	1,228,307	959,900	1,007,801	938,315	**870,175**
Gross Profit	651,120	454,242	467,805	420,775	**413,906**
Profit/(loss) for the year	31,631	(36,505)	(19,794)	(85,077)	**59,951**
Adjusted net profit/(loss) for the year	31,631	(36,505)	(19,794)	(85,077)	**59,951**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2021	2022	2023	2024	**2025**
	HKD'000	HKD'000	HKD'000	HKD'000	**HKD'000**
Total assets	1,129,372	910,462	912,168	822,449	**673,317**
Total liabilities	829,736	668,879	693,524	691,199	**476,064**
Total equity	299,636	241,583	218,644	131,250	**197,253**

Note: Adjusted net profit is derived by adding listing expenses from the net profit for the year.